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ROMANIA AND SUSTAINABLE DEVELOPMENT. THE STATE OF FACT AND THE DANUBE RIVER AS A KEY-ELEMENT

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This paper is focused on the evolution of economic and social situation in Romania in 1990-2007, and after that it is focalized upon possible paths to follow in order to provide a sustainable development in this geographical area, taking account of the way Romanian society and the political leadership could use the huge potential given by Danube river in order to attain this objective.

Put shortly, the period 1990-2007 could be labeled as a chaotic period in Romania's modern history; it is characterized by the absence of a coherent economic, social, and professional policies. The effect could be identified even starting with '90s, and it can be felt very strong today. When the Communism fall down in Europe at the end of '80s, Romania had a unique position among the countries with similar level of economic development, having none external debts, and much more, being international a net creditor, with a global claim of 3 billions USD in relation with USSR, Iraq, and Libya, due to the Romanian investments made in those countries during 1980-1989;[1] in 2007 Romania had an external debt of 30 billions USD, being on 29-th place in the world from this point of view.[2] In the same time, Romania had a very strong industry before 1989. In 2007, the situation was like this: 75% from the industrial capacity of 1989 was totally eliminated, being erased from the economical map of Romania;[3] the agriculture, and the administration of existing forests and of touristic potential have entered a total collapse. The maintenance and the improvement of *transport and communication networks* – **the cornerstone of economic and social development** – was in 2000 far behind the situation registered in 1970; the strategic industries and factories in steel industry, the aviation, automobiles, and ship's building and the competitive units in the food, leather, furniture, or pharmaceutical industries were shut down, privatized in a fraudulent way, or sold for a penny.[4]

In order to highlight the negative effect of this state of fact, it could be mentioned that a state which intends to have a *position* which can promote its foreign policy and its interests, must have a good *transport policy* (and communication policy), while the energy policy following nearby; this areas must be regarded with the greatest attention and interests by political leadership in each state which intends to have a good position in international affairs, because the *independence* in this areas mean a greater mobility in the foreign policy of that state, the state of fact in Romania being the *best example* for this and for the absence of coherence in these vital areas, with extremely negative impact in the long run. It could be mentioned that the construction and the modernization of roads and railways is made in the most slowly possible way, while the plans

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[1] Călin Georgescu and Mircea Maliţa, *Back to Basics. Reshaping Professional Worth in Romania. A Report of the IIDP – Romania*, Bucharest, IIDP – Romania, 2008, p. 53.
[2] *Ibidem*, p. 54.
[3] *Ibidem*, p. 54.
[4] *Ibidem*, p. 55.

regarding the development in energy sector, having as their aim the reduction Romania's dependency of costly energy imports faced in 1990-2007 the most terrible opposition at domestic level, and international level, too, especially regarding the nuclear power plant at Cernavoda, and regarding the modernization of some hydropower plants, being included here the Iron Gate System I, too.[5] Great parts of Romanian oil and gas industries were privatized in suspect and strange conditions, reducing in this way the *ability* of Romanian state to take *independent* energy policies, which is a ***unique phenomenon in the Romania's modern history***. The economical and social costs have become evident: during last years, the trend was due especially to consume, and not due to production, Romania becoming again importer of finished products, and exporter of raw materials and timber, as during the medieval times. Romania was found in a unique position among European nations: she turned around to a subsistence economy, the percentage of population working in agriculture being 39,7% in 1997, while in 1989 it was only 27,5%,[6] and this gave predominance to family farms and to migrations from urban areas to rural areas, facts which have never met in Europe since 1800.[7] During 1990-1996 Romania went back to economic conditions peculiar to Soviet occupation (1945-1958), and there could be identified in this period the most reduced level of *social cohesion* in Romania's entire modern history.[8] The conclusion in this: after 1990 in Romania there was registered the destruction of the most important part of its economic potential, the setting of social chaos, cultural stagnation, and the scattering on national wealth, all being due to some deficiencies peculiar to Romanian society, well protected by the hesitation or incapacity of Romanian political leadership, which hasn't had the capacity to understand the aims of changes which it had to face.[9]

To these negative peculiarities there have been added the consequences of global financial crises starting with the fall of 2007, when evidence of this state of facts could be identified in USA. It could be mentioned that in the past there were economic crises, too, and their effects could be felt in the political area, too. In 2007 USA have been involved in two wars which she carried very far from her territory (for six years in Afghanistan and for four years in Iraq), their economic and political costs being considerable; on the one side, the economic crises in USA is direct connected to these "adventures", as in the past, when the wars determined a radical change in humans' perceptions and behavior.[10] The effects of this crises started to be felt in Romania beginning with the second part of the year 2008, bringing with them a general confusion in economic and social areas, although there could be identified beginning with 2007 some coherence due to Romania's integration with EU.

We are today in the first part of the year 2010 and we can question what we have to do in order to have some coherence in the action realized at national level in Romania. One important and wise answer should take account of national interest, and this must comprise the *Danube river*, which together with Black Sea and Carpathian Mountains, are those elements which influence in a crucial manner the life of Romanian state.

Nobody reckoned better this great importance of Danube – and of Romania, where are situated the Mouths of Danube – than King Carol I, when, as an answer to the counsel regarding "its refuse to accept the crown of a country without any future", he looked at the map and showed that here passed the most *straight line* between Europe and Indies, this country having to play a special role in global trade.[11] Even then the geographical peculiarities were crucial for the

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[5] *Ibidem*, p. 55.
[6] EBRD, *Transition Reports*, 1999.
[7] Călin Georgescu and Mircea Maliţa, *op. cit.*, p. 57.
[8] *Ibidem*, pp. 58-59.
[9] *Ibidem*, pp. 55-56.
[10] Charles P. Kidlerberger and Robert Aliber, *Manias, Panics, and Crashes. A History of Financial Crises*, 5-th edition, New Jersey, John Wiley & Sons, Inc., 2005, p. 47.
[11] Grigore Antipa, *Dunărea şi problemele ei ştiinţifice, economice şi politice*, Bucureşti, Librăriile "Cartea Românească" şi Pavel Suru, 1921, p. 10.

direction taken by that great man and organizer of our modern state.

And we should never forget that since the opening of the Suez Canal the Danube has become the shortest way for transporting to the big economic and industrial centers in Central and Western Europe the food and raw materials brought from Asia, and for the export of industrial products from Europe to Asia.[12] And from economic point of view, although Romania belongs to European family, the geographical space centered on Levant represents Romania's economic *vital space*,[13] due to Danube and its direction of flow.

A strategy adopted at national level having as focal point the Danube river should be the main focal point in Romania, because the role of this river is so great, that in case such a strategy would be crowned with success, it would generate great benefits for Romania on multiple layers, both at domestic level, and in her foreign policy, too. One part of the territory which is the most valuable part given to Romania and which asks from Romanians the greatest dues and skills, in order to provide favorable conditions for development among the other nations on the Earth, is **Danube river**.[14] Danube guarantees us the great future and the prosperity in the great struggle for existence among the nations on the Earth, and the same Danube is the element which dictates the Romania's *special interests*, and guides her policy.[15]

From *economic* point of view, Danube river could be used for multiple ends: it has a huge potential for fishing; for reed production; for irrigation systems; for energy (hydro and nuclear); for shiping industry; it is an important „tank" of water, being from this point of view a key-element with geostrategic connotations because it facilitates the human concentration in urban centers situated along its course – creating in this way the social base for economic activities, which are not possible without water; it could be used as a transport artery in European transport system, where there could navigate Romanian cruise ships, promoting the touristic potential in south-western part of Romania, bringing in these ways the greatest benefits for Romanian state and for Romanian people. Only the man's ignorance and silly make from this natural spring of wealth not to produce the wealth at its potential, toward which we have the right look with confidence.[16]

The initiation of projects for fisheries' construction taking account of hydro-biological peculiarities, could create for Romania one of the greatest source of wealth and incomes.[17] The material needs for projects like these wouldn't be a too great obstacle, because they generate incomes which would cover very fast the expenses generated by their construction; they are only necessary much more *seriousness, well intentions and good faith, and fewer petty politics and bureaucracy*. A bad administrated fishery is a forerunner of its bankruptcy, and although on Romanian Danube and in Danube Delta there are very good natural conditions for fish production – which are unique in Europe – the incoherence of Romanian politics sets the stage for scattering of this important natural gift. And as the fishes can't develop in a polluted environment, we could observe the direct connection between the fishing potential of Danube and *sustainable development*.

In the same time, a plethora of plants and animals find a welcome habitat along Danube – especially in Danube Delta – being another source of wealth. Let alone pasture lands and hey places, the reed due to enormous space occupied by them, have a special importance. If there could be identified a beneficial use for reed from Danube Delta, Romania could cover with reed supply all needs in entire Europe, without fearing of any competition.[18] Together with reed, there

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[12] *Ibidem*, p. 11.
[13] Paul Dobrescu şi Alina Bârgăoanu, *Geopolitica*, Bucureşti, SNSPA, 2001, p. 73.
[14] Grigore Antipa, *op. cit.*, p. 2.
[15] Ciprian – Beniamin Benea, *Dunărea. Geopolitică şi negociere*, Iaşi, Institutul European, 2009, p. 36.
[16] Grigore Antipa, *op. cit.*, p. 82.
[17] *Ibidem*, p. 84.
[18] *Ibidem*, p. 91.

could be found huge amounts of rush, and big poplars, willow and alder forests. The profitableness of these forests is very big; even the wood has not the best quality, the forests could be cut at each 8-10 years, and through this short rotation, their exploitation would generate substantial incomes.

But the Danube influences in an overwhelmingly way the life of Romanian people, because this river has the most complex connection with all national and industrial activities. The Romanian Plain is one of the most fertile lands in Europe. The major disadvantage is due to the reduced quantities of water falling in this area (between 300 and 400 mm/year), the droughts generating great damages, especially in case there are consecutive drought years. It could be seen that the improvement of agricultural potential could be obtained through a vast system of *irrigations*. And the necessary amounts of water could be taken directly from the Danube, which in spring time could reach 35000 cubic meters/s.; the amount of water in excess could be stored in special pools, while during summer droughts the water could be used through canals and irrigation systems to agricultural areas, transforming significant areas in Romanian Plain in the wealthiest plains in Europe, reducing in the same time the Romania's dependency by food imports – another key-element with deep implications for foreign policy of the state – transforming Romania from a net food importer in a big cereals and food exporter, as a consequence of light industry development. The cornerstone for attaining this aim is the *association* among people living in this area, having at its base the *trust*. This is the only way for attaining a sustainable solution which could facilitate the reaching of this important aim.

From energy point of view, Danube has exceptional parameters, being the *biggest in Europe*;[19] the medium potential in Iron Gate Defile which has a length of 107 km. is 8050 KW/km, in Gura Vaii-Sip being 81800 KW/km.[20] While the construction of these hydro power plants was conditioned by river's peculiarities and its shores in common sector near Iron Gate Defile, the water of Danube river is an inexhaustible source for nuclear generated energy. In this way, in Units I and II at Cernavoda there is obtained 18% of necessary energy at national level; the installed capacity in for each one reactor 706 MW. And when the project was launched 30 years before, there were foreseen five units of electricity generation at Cernavoda.

Linked to the importance of creating at national level an *independence* in energy sector, this giving birth to a greater mobility in foreign policy, Danube could be regarded as the key-element which could provide that mobility for Romanian foreign policy, rising the specter of choices and its foreign policy's flexibility, with all advantages involved by these aspects. In this way, there could be obtained with inexhaustible Danube's water the needed energy in nuclear and hydro power plants – *the water becoming more and more expensive taking account of climate changes consequences* – providing a strong shield against the negative influences which could come from Middle Eastern affairs, OPEC, and Russia, or from non-state actors (as powerful oil and gas companies, companies involved in the supply of oil and gas along routes on sea and pipelines, or pirates,[21] as happens near the Somali coasts).

The climate change, far away from international media coverage, is a real fact, with extremely negative consequences, and which could hardly be estimated and quantified. If we look at images taken by satellites, we could observe that in September 2007 the area of ice cap in Arctic zone is much little in comparison with the existing situation in 2001.[22] The reserves of fresh water become, in a climate where temperature's risings would be a common thing, much rare and more

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[19] *Ibidem*, p. 69.
[20] *Ibidem*, p. 70.
[21] Max Boot, „Pirates, Then and Now. How Piracy Was Defeated in the Past and Can Be Again", in *Foreign Affairs*, July/August 2009, vol. 88, no. 4, p. 103.
[22] Scott G. Borgerson, "Arctic Meltdown. The Economic and Security Implications of Global Warming", în *Foreign Affairs*, March/April 2008, vol. 87, no. 2, pp. 64-65.

expensive,[23] which made a famous international affairs think-tank to finance a study analyzing the impact of hydro-politics upon international relations.[24] The Danube becomes in this context the source of fresh water, so necessary to survive, and the element which could generate the necessary energy for the multiplication of weak human being's power, providing rising of the potential which could be used by Romanians in the great struggle they have to carry among the other Earth's nations. Danube is that important fresh water "reservoir", playing as such a role with strong *geostrategic* connotations.

Taking account of climate changes, nuclear energy becomes a viable alternative; although France hasn't any natural uranium reserves, in 2005 she had 59 nuclear reactors, which covered 78% of its electricity demand.[25] And if we look at this example, Romania could learn and use – taking account of her obligations assumed by NPT – the Danube's water to create nuclear energy on a greater scale in comparison with present situation, reducing in the same time the share of energy produced in coal power plants (which create a lot of pollution), oil and gas power plants (which emit gases which hurt the environment, and which create great dependence upon countries where those resources are located). Furthermore, this is in the context of European Union's desire to reduce the emissions which generate greenhouse gases.[26]

The shipbuilding is another economic activity which is stimulated by Danube's existence, the whole production being export oriented, Romania having the 2-nd position, after Italy in Europe. In order to develop the navigation, it is necessary to develop the activities connected to deposit and transit business in Danube's ports, and to intensify the transit of goods in river and maritime-rivers ports, and the development of cruise navigation on Danube, in the same time with the modernization and development of the fleet for passengers' and goods' transport. Furthermore, Danube is the seventh European Pan-European Transport corridor, having a great importance for EU; the negotiations carried on before the establishing of this route had taken place under the auspices offered by a multilateral institution – UNECE – and they had been carried in parallel with the negotiations regarding the AGTC (1991), and with the negotiations finalized with the AGN (1996). And this is a strong proof for presenting the importance of Danube in Europe, this river being mentione in al these accords.

Danube has benefitted by international focus, but to fulfill its role and purpose for Romanians, they have to construct a coherent and strong *national strategy* aiming at providing permanent conditions for navigation for ships with draught greater than 2.5 m all over the year, the take over of an important part of the road traffic – which pose great challenges due to its risks and pollution – and heading that part of traffic toward river navigation; and the development of deposits and expedition facilities, the reduction of the fees paid at the passage through Sulina and Danube-Black Sea canals; in the same time, there must be created access on rail and road infrastructures which are direct connected to Danube ports in order to stimulate the river transport; the development of reliable services in Romanian ports; stimulating Romanian ship-owners to develop a strong fleet well adapted to competition which they would face due to European integration process. These things correlated with better facilities regarding combined transport in Danube ports for loading or unloading of goods – and especially containers – could rise the role of Romania, transforming it in a real trade plate in Nord-South, and East-West trade. It could be noted that Danube's water represents in this case *union, energy, food, industry, transport, trade, but man must fight for the creation and development of these achievements*.

From politic point of view Danube line is the key-element which connects Romania to Western European countries; during history Danube played a "polarizing role for Romanian state",

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[23] *Ibidem*, p. 65.
[24] Arun P. Elhance, *Hydropolitics in the 3-rd World. Conflict and Cooperation in International River Basins*, Washington DC, USIP Press, 1999.
[25] Sharon Squassoni, *Nuclear Energy. Rebirth or Resuscitation?*, Washington DC, CEIP, 2009, p. 9.
[26] Mehdi Abbas, "L'Europe face au changement climatique" în *Futuribles*, Fevrier 2009, No. 349, p. 53.

because a free navigation at the mouths of Danube could be provided only when Romania was strong, the only one county direct interested that navigation on Danube to be free.[27] And if we think about the role of communications networks which facilitate not only the movement of persons (and as a consequence, of ideas) and of goods, they are in the same time those elements which create *political bridges* among different nations; and we can observe the great importance on Danube for a healthy Romanian integration with EU. Taking account of Danube flow's direction from West to East, through the middle of European continent, her importance lays in facilitation of economic, social and political cooperation at European level. And the harmonization of the regime specific to Rhine with the Danube regime would remove the legal and administrative barriers which hinder the traffic between North and Black Seas.

During history, there have been were "*two*" Danube rivers: one *peaceful* regarded as such by riparian states; and one strategic, regarded as such by European powers. And if the first one is dictated by *economic interests* and by welfare, the second would have as cornerstone *geopolitical* aspects, the mouths of Danube being one of the global red points on military maps.[28]

Danube, together the Black Sea and Carpathian Mountains are those elements on which depend the Romanian state's life; and if we want to analyze the way the Romans, Turks, or Austrians, and even the migratory people used Danube as a strategic communication line, being in the same time a way for military, political, and economical penetration, we could remember always how important is this geographical element for Romania and for Romanians.

And we can remember that only through a coherent policy created at national level – but taking account of European interests – a policy emptied by any populist elements in regarding Danube, the Romanian state and nation could play the geopolitical role which it so much desire to have in this part of Europe, with great benefits for Romania, at regional level, but at European, and global stage, too.

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6. Dobrescu, Paul şi Bârgăoanu, Alina, *Geopolitica*, Bucureşti, SNSPA, 2001;
7. Elhance, Arun P., *Hydropolitics in the 3-rd World. Conflict and Cooperation in International River Basins*, Washington DC, USIP Press, 1999;
8. Georgescu, Călin and Maliţa, Mircea, *Back to Basics. Reshaping Professional Worth in Romania. A Report of the IIDP – Romania*, Bucharest, IIDP – Romania, 2008;
9. Kidlerberger, Charles P. and Aliber, Robert, *Manias, Panics, and Crashes. A History of Financial Crises*, 5-th edition, New Jersey, John Wiley & Sons, Inc., 2005;
10. Maliţa, Mircea, *Între război şi pace*, Bucureşti, C.H. Beck, 2007;
11. Squassoni, Sharon, *Nuclear Energy. Rebirth or Resuscitation?*, Washington DC, CEIP, 2009;
12. ***EBRD, *Transition Reports*, 1999.

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[27] Paul Dobrescu şi Alina Bârgăoanu, *op. cit.*, p. 64.
[28] Mircea Maliţa, *Între război şi pace*, Bucureşti, C.H. Beck, 2007, p. 325.

ECONOMIC ACTIVITY REGULATION AND COMPETITION ASSESSMENT

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In a broad sense, the term „competition" defines the relations between economic operators acting on the same market seeking attainment of certain interests in economic freedom conditions.
The need for regulations in the area of competition stems from the nature of free, open market economy which is founded on the existence of fair competition between economic agents, competition which must be observed, maintained and protected by the law.
Public authorities who issue various regulations should be cautious about how far this role is played in the economy and they way adopted regulations affect competition in the market. Hence, the need for prior assessment relating to the potential effect of a regulation on competition.
It was proven in practice that some regulations may lead to measures that may affect competition directly or indirectly by: limiting the number or range of suppliers; limiting supplier capability to compete and reducing interests of suppliers to compete vigorously.

1.Introduction

In a broad sense, the term „competition" defines the relations between economic operators acting on the same market seeking attainment of certain interests in economic freedom conditions.
In economy, competition may be approached on three levels, i.e.

- direct competition (also known as brand or category competition) where products with the same functions compete directly against each other;
- indirect or substitute competition, where products which are close substitutes for one another compete;
- budget competition, which refers to competition between any good or service for which the consumer wants to spend his available money.

It should be noted that in most countries economic and business competition is often limited and restricted. Competition often is subject to legal restrictions. Tariffs, subsidies or other protectionist measures may also be instituted by government in order to prevent or reduce competition. Depending on the respective economic policy, pure competition is to a lesser or greater extent regulated by competition policy or competition laws.
Competition law, described in the United States as "antitrust law", has three major functions:

a) it prohibits agreements or cartel type understandings;
b) it prohibits the existence or abusive behaviour of a company which holds a dominant position in the market ;
c) it supervises the mergers and acquisitions of large companies.

In all cases the law aims to protect the welfare of consumers by ensuring competition between businesses and by eliminating any restrictive practice.

2. Evolution of competition policy

„Rigorous application of the competition policy is the best way to guarantee economic freedom. Therefore, free competition represents a public liberty which influences not only the economic

environment but also the organization of civil society. In this sense, competition policy is a policy for the citizens"[29].

The need for regulations in the area of competition stems from the nature of free, open market economy which is founded on the existence of fair competition between economic agents, competition which must be observed, maintained and protected by the law.

Its very reason for being in the area of competition is determined by the fact that the market cannot operate normally by nature and require some external intervention. Nevertheless, the open market principle does not infer passive attitude towards the way markets operate but on the contrary, it calls for keeping constant vigilance, so as to enable market mechanisms to operate properly. This becomes all the more necessary in the current worldwide globalization context distinguished by deepening integration at markets level.

According to economic theory, increased market competition leads to higher efficiency of resource allocation as a result of the fact that prices of goods and services will tend to the level of marginal costs. In perfect competition conditions marginal prices will equal marginal costs, hence profits will be nil. Therefore, producers will try to intervene so as to increase profits by initiating measures resulting in restrained competition. Under a „laissez faire" government one cannot intervene against such a strategic option[30].

Limited, in the past, to some developed countries, competition policy spread out progressively in various regions of the world, today is constitutes an essential tool in the paraphernalia of regulatory policies[31]. The origins of competition policy as a regulatory tool stem in the United States of America where the first competition regulatory legislative act was adopted in 1890 (Sherman Act).

In Europe, competition policy has developed with the creation of the European Economic Community and has become an integral part of the economic integration project, being comprehended under this title by the Treaty of Rome in articles 85 and 86.

Subsequently, the importance of protecting competition became obvious to most countries, i.e. developed, developing and transition countries (currently, over 80 countries have competition legislation in place).

Reality of the past two or three decades, after the beginning and intensification of the European integration process materialized in a multitude of negative impact developments, which had to be regulated, determined instatement of an European wide legislation meant to strictly regulate competition in all member states.

Based on research conducted on the objectives of competition policies, two distinct views or models can be highlighted:

- the „structural" model inspired by the theses of Harvard school, which focuses on dilution of the economic power;
- the model inspired by the theses of the Chicago school centred upon economic efficiency.

The structural approach, widely spread in the 1950-1970's by J. Bain and E. Mason, is based on the concept of pure and perfect competition whose existence is conditional upon atomicity, that is the presence in the market of as large numbers of economic agents as possible[32].

In the opinion of economists R. Posner (1976) and D. Demsetz, proponents of the Chicago school, concentration does not always have negative consequences for consumers[33]. On the

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[29] Monti, Mario. Competition European Commissioner, http://www.ier.ro/Proiecte/Brosuri/Politica%20concurenta.pdf, accessed on 10 November 2008

[30] Gabriela Drăgan, *UE între federalism şi interguvernamentalism Politici comune ale UE*, Edit. ASE, Bucureşti, 2005.

[31] M. Plămădeală, *Politica concurenţială - origini, obiective şi modele, particularităţi.*// Simpozion internaţional "Integrarea europeană şi competitivitatea economică"

[32] Bain, J.S., *Structure versus Conduct as indicators of market performance: the Chicago school* // Antitrust law and economic review, vol. 18, no.2, 1986, pp. 17-50.

contrary, they say, concentration is merely a selection process of more efficient companies which leads to increasing profits of the companies but also, implicitly, to increasing innovative capability which in turn results in lower production costs and thence improved consumer welfare[34].

Irrespective of specific conditions in one or another area, the final purpose of competition policy is the same, i.e. development of competition as such. As insisted the classic model proponents, the purpose of competition legislation cannot be brought down exclusively to securing efficiency. *The actual economic purpose of competition policy is threefold: economic efficiency, consumer welfare, and competition between companies.*

Manifest competition is not always fair, based on fair-play principles and aimed to improve competitors' activity. Oftentimes, economic agents make use of numerous anti-competition acts and actions seeking elimination of competition from the market and making as high as possible profits. This has consequences which affect both the competition environment and the overall economy and draws in pretty heavily on the life of citizens. Therefore regulation has been and still is required in the area of competition, which stemmed up the policy in this area or competition policy. This type of policy mainly aims to create real, free and fair competition within the reference market by the instrumentality of measures related to market structures and to the behaviour of economic agents.

3. Commercial policy and competition policy interaction

The so called „new topics" negotiated within the World Trade Organization[35] (WTO) deal with the way instruments related to competition policies on domestic and international markets interact with international trade.

Decisions made at the Singapore Ministerial Conference in 1996[36], enabled creation of two taskforces intended to examine more in a general manner, the ways trade is linked with investments and competition policies. In addition, ministers acknowledged the importance of the activity of the **United Nations Conference on Trade and Development** (UNCTAD)[37] and of other international organizations in the matter of competition. The taskforces were encouraged to cooperate with these organizations so as to ensure development issues have been fully taken into consideration.

In our attempt to go into further details relating to the link between commercial policies governing international trade, and competition policy, it is worth highlighting to what extent these two policies are antagonistic or complementary. Thence, commercial policies primarily aim at international trade liberalization by elimination of tariff and non-tariff barriers. Certainly, in a market economy materialization of such an objective is translated into the reduction of marketing costs and decreased retail prices. This means easier consumer access to the concerned product or service. As regards competition policy, it is likewise subordinated to defending consumer interests. This objective is attained by fighting and eliminating practices in restraint of competition which may occur in the market by: understandings between competitors, abuse of

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[33] Pradeep Mehta, *Multilateral Competition Agreement. Looking ahead to Cancun*. WTO, Symposium on trade and competition policy, 22.02.2003, p. 1

[34] Demsetz, H., *Industry structure, market rivalry an public policy*.// Journal of law and economics, vol.16,1973, p.1-9

[35] World Trade Organization (WTO) is an international organization which supervises a large number of agreements which define "commercial rules" between member states. WTO is the successor of the "*General Agreement on Tariffs and Trade*" and operates towards reducing and abolishing international trade barriers.

[36] Singapore (1996) – within this Conference, developments in international trade and implementation issues and aspects of various WTO Agreements were examined.

[37] United Nations Conference on Trade and Development. Established in 1964, UNCTAD promotes development of friendly integration of developing countries in the world economy. UNCTAD evolved progressively as a knowledge based authority of institutions whose activity aims to contribute current policy debates and thinking development especially focused on guaranteeing that domestic and international policy actions support each other in achieving sustainable development.

dominant position by a company holding an important position on the market, as well as rigorous control of economic concentrations and of authorization and checking of state aids.

It is evident thus, that both policies mentioned above promote protection of consumer interests directly or indirectly. Moreover, they are complementary by their fostered objectives and actions. Indeed, international trade liberalization efforts would be in vain if tariff or non-tariff obstacles were replaced by competition restraining practices of the type shown above. Should strict rules fail to exist ensuring normal market operation competition wise, the consumer will no longer be in a position to take advantage from trade liberalization.

Therefore, both trade liberalization and ensuring normal competition climate occur conditional on states having actual intervention possibilities when the two processes do not unfold under normal conditions.

4. Competition and world economy globalization

One of the most recent trends in world economy is represented by globalization[38], an intricate and multidimensional process which influences, directly or indirectly, the economies of all countries. Hence, it also influences the constituents of economies, i.e. domestic demand and supply, prices, competition. In this context, it is worth noting a few peculiarities of competition delineated by changes occurring at the level of national economies under the impact of the globalization process, namely:

- enhanced competitiveness as a result of opening national economies to international trade by gaining new outlet markets;
- diversified competition engagement strategies, determined by goods and capital trade liberalization;
- establishment of the intervention capability of states in a market economy. It is more difficult in such circumstances for the state to control market relations extended at global level. This theory should not be absolutized either, since opening borders and international trade liberalization should not be mistaken for creating pandemonium. International trade liberalization occurs at the sale time with its regulation.

Then, it is evident that also in the economic processes globalization, including at the level of competition, states are attempting to regulate the various activities in order to prevent competition restraining forms and practices from appearing and occurring.

5. Assessment of regulations impact on competition

Public authorities who issue various regulations should be cautious about how far this role is played in the economy and they way adopted regulations affect competition in the market. Hence, the need for prior assessment relating to the potential effect of a regulation on competition.

This is why it not surprising that worldwide concerns with competition assessment have increased in the context of adopting regulations which might affect competition climate. Among international organizations which made themselves conspicuous in this respect is the Organization for Economic Cooperation and Development (OCDE) by the study it conducted relating to its Set of Competition Assessment Instruments.

The starting point in the implementation of such set of competition assessment instruments is represented by the identification of aspects which may be subjected to regulations. It was proven in practice that some regulations may lead to measures that may affect competition directly or indirectly by:

a) Limiting the number or range of suppliers

Limiting the number of suppliers creates the risk for the market power[39] to appear and for

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[38] Joan Bari, Globalization of Economy, chapters 9 and 13
[39] Suppliers' market power represents the capability to increase prices profitably, to reduce quality or innovation relating to levels which would prevail on a competitive market.

competition reduction. When the number of suppliers decreases, the possibility of collaboration (or understanding) between them increases and the capability of individual suppliers to increase prices may be greater. From a competition perspective, this can lead to lessened interest to satisfy consumer requirements and to long term reduction of economic efficiency. While there are reasonable political grounds based on which political leaders can sometimes limit the number of range of suppliers, the benefits of a market entry limiting policy need to be assessed in consideration of the fact that easy new supplier market entry is apt to prevent existing suppliers from becoming dominant on the market. Market power leads to higher prices, lower quality and little innovation.

Forms in which such limitation may become the subject of a regulation are diverse, and the most important are:

- *Granting exclusive rights.*

Granting an exclusive right to manufacture a certain good or provide a certain service implies establishing a regulated private monopoly. Potentially, exclusive rights may lead to monopoly prices and to other market power related issues.

- *Establishing a license registration system or approvals for carrying on certain activities.*

Licenses or permits required for carrying on activities inevitably limit market entry. Requirements for licenses or approvals are often a lot more stringent than necessary for consumer protection and may reduce consumer's choice uselessly and create an artificial shortage resulting in higher prices. A guiding principle is that restrictions should not lead, more than needed or satisfactory, to the attainment of regulatory objectives.

- *Limiting certain suppliers from supplying a good or providing a service.*

In certain circumstances, governments seek to encourage suppliers from certain regions, small suppliers, or specific featured suppliers by limiting the capability of certain types of suppliers to participate in a commercial activity, especially with regard to public procurement. Such restrictions are excessive since they limit unreasonably the number of suppliers participating in the tender, reducing competition between suppliers and resulting in higher prices or less desirable contractual terms for the government.

- *Significant increase of entry or exit costs.*

Regulations which lead to increased market entry or market exit costs will deter newcomers and will therefore reduce the number of market players.

- *Restricting the flow of goods, services, capital and labour.*

Regulations often limit the flow of goods, services, capital and/or labour across the area determined by borders falling under national jurisdiction, frequently as a regional policy instrument. However, such restrictions will reduce artificially the geographical competition area for supplying a good or providing a service. This can limit the number of suppliers and may potentially allow them to exercise market power and increase prices.

There is also a material risk that „temporary" protections change into semi-permanent arrangements due to the considerable influence exercised by the suppliers who benefit of such restrictions.

b) Limiting supplier capability to compete

The main forms whereby a regulation may affect the capability of suppliers to compete are:

- *Controlling prices used to sell goods or services.*

Oftentimes, governments regulate prices in the traditional monopoly sectors, such as for instance in the case of utilities. These types of controls on prices are probably beneficial to consumers and are used as a counterbalance to the lack of alternatives for them. However, controls on prices are often applied in situations when there are numerous potential suppliers for the same consumer. When minimum prices are set, low priced product suppliers are prevented from gaining a percentage of the market by ensuring better value for the consumers. Similarly, when maximum prices are set, the interest of suppliers in innovations so as to ensure new and/or higher quality

products may be significantly low and suppliers may effectively coordinate prices around the maximum price level.

- Limiting advertising and marketing.

Regulations limiting the capability of suppliers to advertise or market products and services exist often for the purpose of restricting false or deceptive advertising.

However, in many cases, restrictions on advertising and marketing are too general and unreasonably limit competition. Restrictions on advertising and marketing may have considerable disadvantages for the newcomers since they limit their capability to inform potential buyers about their presence on the market and about the nature and quality of goods and services they can offer.

- Setting product quality standards beyond the desirable level for well-informed buyers.

Regulations laying down standards often ensure benefits for consumers and may promote new types of products while making sure they are compatible. But setting a standard may also ensure an excessive benefit for certain suppliers against others.

When certain consumers prefer lower costs to higher safety the need for a standard is less justified. Consumer welfare may be reduced by such standards since consumers are prevented from buying less expensive lower quality products which they would prefer even when fully informed about all associated risks.

- Increasing costs for some suppliers compared to others.

In certain periods, regulations determine unintentionally cost increases for some suppliers as compared to others. One of the asymmetry generating sources relating to costs is represented by regulations which unreasonably require using a certain production technology against another one. Another such source is represented by the „seniority clauses" which exempt existing suppliers from being applied a regulation which this way would affect only newcomers. Such arrangements affect competition by increasing costs for some suppliers to a considerably higher extent than for others.

c) Reducing interests of suppliers to compete vigorously

Regulations may affect supplier behaviour not only by changing the capability of a supplier to compete but also by altering the interests of suppliers to act as vigorous rivals. Two of the main reasons suppliers may compete less vigorously are related to the fact that some regulations may result in facilitating coordination between suppliers while other regulations may result in reducing goodwill, capability or means to encourage buyers so as to enable easy selection among the various suppliers.

Forms taken by the reduction of interest in competing are:

- Regulation and self-regulation

When a business or a professional association fully assumes responsibility for regulating the behaviour of its members without being supported from a legislation standpoint by the government (often as requested by the government) the „regulation" term is used. When the government provides the legislation support for regulations developed at least partially by the relevant business/professional association, the „self-regulation" term is used. Regulation and self-regulation structures may produce substantial benefits by ensuring technical standards compliance and their advancement in line with technology.

- Requirements for the publication of information about suppliers' prices, production, and sales.

Regulations requiring market players to publish information about their own prices or their levels of production may significantly facilitate creation of cartels, since a key requirement for a cartel to operate is that its participants are able to effectively monitor their competitors' market behaviour. Cartels appear where there are fewer market players, where entry barriers are raised, where products of the suppliers are relatively unvarying and where information about prices or about production changes are available either before or after the price or production has changed. There are alternatives to collected data publication. When information is originally collected in

order to develop a governmental policy it is unlikely that publication of such information should be justified. The purpose however consists in supporting the consumers or supplying general statistics, as aggregate statistics support cartels to a lesser extent than specific statistics relating to suppliers.

> *- Exemptions from general competition norms.*

In many countries, certain suppliers or certain economic sectors benefit of exemptions from general competition norms. In some cases, these sectors are governed by their own legislation in the area of competition specific to every sector. In other cases, there is no restriction relating to anti-competition behaviour in these sectors. Where there is substantial derogation of the general enforcement of competition legislation there is also the obvious risk of cartel formation, of abusive imposition of prices and of the ensuing anti-competition mergers[40].

> *- Reducing client mobility by increasing costs associated with changing suppliers.*

Regulations may cause the consumers to be less wiling to change a supplier for another due to concerns for "transfer costs" – explicit and implicit costs borne by a supplier when changing a supplier. Transfer costs may result due to various reasons, including unreasonable long contractual periods or restricting goods by the suppliers in a manner that makes it uncomfortable to change suppliers, such as restricting access to a telephone number for a certain services supplier. When consumers are faced with high transfer costs, suppliers may impose higher prices for their goods and services. Consequently, suppliers often seek to create high transfer costs, sometimes by promoting regulations which will ensure such transfer costs.

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[40] A merger is a combination between two (or several) previously independent suppliers for the purpose of creating a larger supplier.

ADVANTEGES AND COMPETENCES AQUIERED BY COMPANIES PARTICIPATING IN PROJECTS

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Financing funds are financial instruments working to eliminate economic and social disparities, in order to achieve economic and social cohesion. The participation of the companies to financing funds aimed to support their activity through the financing of the productive sector investments, infrastructure investments or other investments in fields such is: education, employment and human resources development, local development and small and medium sized enterprises, but also to make possible the economic and social conversion of areas facing structural difficulties. This study aims to highlight the advantages and expertise acquired by companies participating in projects compared to those having deferred their enrollment in the project.

Keywords: local development, projects, financing, economic and social conversion

1. General objectives of projects

The main objective of companies participating in different projects is the training of company's employees to develop skills on innovation, support business competitiveness in the context of adaptation to business requirements. This competitiveness can be achieved only by companies seeking to sustain and develop their work and by participation at various projects (not only in purely technical matters, but also in management, human resources, market policies, etc.).

Projects aim to provide access to techniques, methods, strategies to be followed in order to stimulate creativity. Companies that participate in these projects will gain competitive advantage through which will better exploit the innovative potential of employees and will easily integrate into highly competitive environment given the current context of Romania's EU integration, as well as that of globalization. When elements of innovation and innovation management are not adequately represented in training programs, projects aim to substitute lack of harmonization of the educational system to labor market needs.

Projects are considering also obtaining the individual benefits for employees of companies participating in projects; they will increase their chances of promotion, labor market integration in Europe.

In the context of globalization, the competitiveness is a question of Romanian companies. Projects designed to sustain competitiveness in the Romanian companies aim to define, to design and develop an educational packet for the employees of these companies responsible for the development and exploitation of innovation. Innovation focuses not only on the idea, the novelty, but also the ability to apply the idea in practice.

2. Motivations of firms participating in projects

Main motivation of participation in projects is related with the possibility to acquire skills and advantages in terms of sustaining a competitive activity. Companies needs related to their staff need to be innovative to cope with competitive business environment, workforce qualification and retraining to meet better the needs of labor market participation are other motivations of firms in projects.

Training through participation in innovative projects will lead to development of managers and employees. Analysis of general needs and specific needs in training employees of small and medium sized enterprises to develop innovative edge, will allow companies to find innovative and creative solutions to business needs.

Therefore, firms will adapt more easily to changing business environment and will be more open to new ideas and change in general.

3. Case Study: small and medium sized enterprises **participation in projects**

Reasons for the choice of target group - small and medium sized enterprises were:

- in small and medium sized enterprises, especially in Romania, there is less coherent policy to stimulate innovation;

- project results are easier to assess for small and medium sized enterprises than for large companies because small number of employees in a small and medium sized enterprises;

- small enterprises number decreased continuously in recent years (in 1998 there were 295.486 small businesses operating in economically and in 2002 only 285.589), while the number of medium-sized enterprises increased. This trend indicates the maturation of small and medium sized enterprises sector in Romania. Since 1990, Romanian Government, with the EU assistance and other donors and financial institutions, has implemented a series of measures to accelerate growth of the small and medium sized enterprises's sector. These measures led to significant results, in 2002: the contribution of the SME sector to GDP increased to 60%, the share of small and medium sized enterprises in total labor force employed reached 50.5% and 24.4% value of total exports. However, development of SME sector is still a challenge for Romania.

Activities that should be considered in a project involving the participation of small and medium sized enterprises are focused on identifying business needs and employees' needs to respond positively to the challenges of competitive environment. The positive response consists in the possibility of obtaining superior results compared to those of competitors and against prior periods.

To demonstrate the efficiency of small and medium sized enterprises participation in projects and to highlight the skills and advantages acquired, we analyze results of 10 companies (of 50) who benefited from the opportunity to participate in a project (PHARE CBC 2005) held in 2007-2008. Positive results were obtained by correctly identifying the economic needs of various categories under pressure. Opening markets has caused new pressures on businesses, especially in traditional industries and small and medium sized enterprises have been exposed, especially to many changes in business environment due to economic restructuring and preparation for integration. Therefore, they have to make efforts to adapt to structural changes.

This project was designed to foster cooperation in the small and medium enterprises, because only by this population, economic organizations and civil border counties may be integrated into cross-border cooperation. The project aimed to increase the level of training of managers, entrepreneurs and employees among small and medium sized enterprises by developing skills in implementation of projects and funding request. The project proposed also to induce a change in attitude and mindset among small and medium sized enterprises vis-à-vis the European integration process, which is reflected in improvements in the application and interpretation of Community law, the efficient resource management human and material, the awareness of the need and usefulness of a management plan for short and medium business and a development strategy in line with the trends of the European single market. The project has superior economic

performance with economic integration, and increased competitive capacity of small and medium sized enterprises with import-export activity from border area.

After finalization of funding under the Phare CBC Program, Centre for Cross-border Business Services - CSAT will provide research and consulting for all companies engaged in foreign trade, and thus affected by the economic integration process.

The sample analyzed was set to include companies operating in the three economic sectors: agriculture, industry and services.

*Table 1: Distribution of small and medium sized enterprises (SMEs)
participating in the project sectors*

Sector of the economy	No. SMEs participating
Agriculture	10
Industry	10
Services:	30
- Commerce	*10*
- Transport	*10*
- Tourism	*10*
Total	**50**

Figure 1: Distribution of SMEs participating in the project sectors
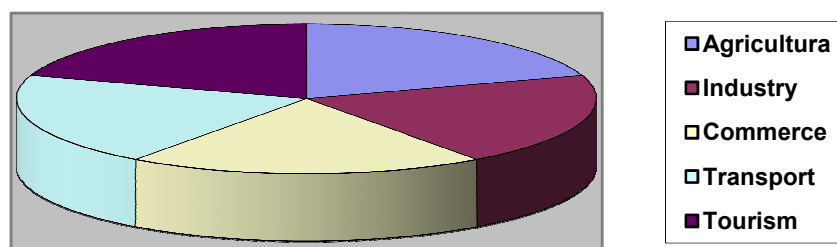
Table 2: Distribution of SMEs by sector analysis

Sector of the economy	No. SMEs examined
Agricultural	2
Industry	3
Services	5
Total	**10**
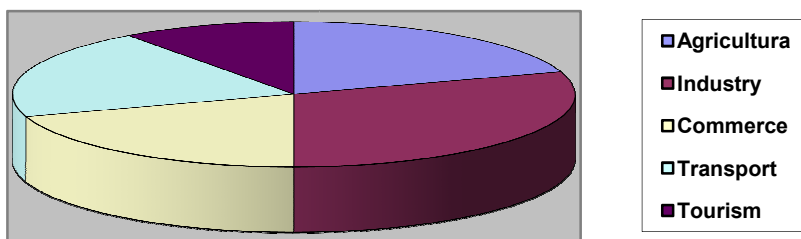
Skills acquired through participation in the project were:
- long term improvement of skills, training and specialization of staff and managers in the firm's problems;
- improve competitive;
- diversification and upgrading of products and services like customer adequate workforce;
- training to use new tools in business;
- ensuring the flexibility of labor in order to value employment opportunities;
- growth performance of small and medium sized enterprises on domestic and foreign market;
- to acquire a European mentality and cultivate partnership opportunity.

Benefits from participation in the project are:
- spread best practices for promoting small and medium sized enterprises in the context of alignment with EU standards;
- promoting innovations in business;
- for managers, will certainly be a way to encourage such investment in human capital of their firms.

Of the 10 small and medium sized enterprises examined, six have applied knowledge gained from participating in the PHARE CBC project compiling projects that have applied for grants to obtain funds national and European programs. These projects dealt with the purchase of equipment for the activities of industry and agriculture, modernization of transport and tourism activities, and creating e-shops. As a result of funding obtained, companies have created new jobs, won higher incomes and obviously, they made a profit. The current economic crisis has had an impact on their activity, but to a lesser extent.

Competencies and advantages gained by the participants in the project are reflected in the current activity of participating companies is quantified in terms of positive evolution of key economic indicators. To support those assertions, we analyze comparative financial indicators (turnover, profits) and the number of employees. The analysis covers the period 2006-2008, with forecasts for 2009.

Table 3: Evolution of indicators in the period 2006-2007*
at the 10 SMES selected from those participating in the project

Sector of the economy / company	2006			2007		
	turnover	profit/loss	no. employees	turnover	profit/loss	no. employees
Agriculture:						
company 1	7.667.921	136.130	41	12.624.954	195.098	45

company 2	828.240	89.966	17	1.043.604	31.861	18
Industry:						
company 1	8.154.667	14.140	213	7.721.078	37.197	196
company 2	18.574.975	-375.734	339	18.224.969	-1.776.551	240
company 3	1.076.217	12.257	25	1.955.854	232.938	34
Services:						
Commerce:						
company 1	20.677.099	1.709.458	85	20.916.467	65.684	91
company 2	10.799.957	-56.628	187	8.775.452	-2.299.660	182
Transport:						
company 1	63.234.724	1.150.774	434	74.530.771	829.530	424
company 2	2.309.459	87.652	2	3.008.563	198.814	12
Tourism:						
company 1	3.299.007	42.827	7	3.802.126	68.837	8

* Statistical data for the study were provided by the companies, according to the balance sheet

*Table 4: Evolution of indicators in the period 2008-2009 **
at the 10 SMEs selected from those participating in the project

Sector of the economy / company	2008			2009*		
	turnover	profit/loss	no. employees	turnover	profit/loss	no. employees
Agriculture:						
company 1	16.955.238	273.843	45	16.950.000	275.000	45
company 2	1.298.275	31.587	14	1.295.000	31.600	14
Industry:						
company 1	6.817.843	36.299	170	6.800.000	36.000	170
company 2	37.749.161	218.527	249	37.750.000	220.000	245
company 3	1.788.416	16.553	40	1.790.000	16.500	40
Services:						
Commerce:						
company 1	37.177.976	-1.275.787	102	37.250.000	- 850.000	100
company 2	4.487.001	-1.737.331	67	4.450.000	- 1.250.000	65
Transport:						
company 1	74.318.985	935.756	341	74.320.000	935.000	340
company 2	3.376.971	6.184	13	3.380.000	6.200	13
Tourism:						
company 1	3.977.947	99.654	8	3.500.000	95.000	8

* Statistical data for the study were provided by the companies, according to the balance sheet, for 2009 data were projected by the company.

Forecasting level indicators for 2009 took into account the experience of participation in the project, experience has tried to counter, in a proportion as high as possible, the economic crisis. If it was a realistic forecast data will be there after June 30 (according to the balance sheet).

Table 5: The average rate of increase/decrease of the level indicators on the economic sectors considered from their 2006 level

Sector of the economy	2008/2006			2009*/2006		
	turnover	profit/loss	no. employees	turnover	profit/loss	no. employees
Agriculture	114%	35%	1,7%	114,7%	41,8%	1,7%
Industry	66,7%	-	-23,5%	66,7%	-	-21,2%
Services:						
Commerce	32,3%	-	-37,9%	32,4%	-	-29,4%
Transport	18,5%	*-34%*	-28,9%	18,5%	-24,1%	-19,1%
Tourism	20,5%	*132%*	14,2%	6%	121,8	14,2%

The firms that in the period previous to the participation to the project suffered a loss, through the skills acquired, they have managed to cover these negative results and, in some cases, they have had a profit.

4. Conclusions

Note the growth of the considered indicators, a different growth rate from one sector to another, fact that soustains an efficient participation in the project and a good management of the knowledge acquired. In some cases, the factor that had a greater impact on business activity was still the economic crisis. Sure, in the future, companies will improve the situation, given the strong interest for participation in other projects.

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CONSIDERATIONS CONCERNANT L'ASSURANCE DE LA REPRESENTATIVITE DU CITOYEN EUROPEEN DANS LA SITUATION ECONOMIQUE ACTUELLE

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The participation of the social partners to the European governance, lately possessing a great „potential" in democratic terms,should stimulate definitively. The current experience demonstrates that the possibility to point out the benefits, but also the limits of such implication. Nevertheless it's true; the rules for such potential it should express (especially in the legislative procedure) must be consistent with the base principles of the democracy and the legitimacy for achieving the goal to represent a lot of voices.

Keywords: representativity, European citizen, social parteners, sectorial associations of the commercial union.

1. Rémarques introductives

La législation européenne débuta par être un ordre légal autonome par une série de traités internationales où le rôle de la Cour Européenne de Justice fut crucial pour défendre et enrichir le contexte de la société européenne. Apprécier la citoyenneté européenne dépend de considérer certains facteurs qui se trouvent dans la vie sociale qui créent l'identité européenne,de même qu'elle peut être structurée par la mettre en relation avec à la loi d'une part, et la mettre en relation avec les réalités en évolution pour devenir une citoyenneté européenne active, qui connaîtra un développement permanent, influencée par un accroissement graduel dans le statut légal.

La construction européenne connut un rythme accéléré de changement pendant les derniers vingt ans, fait qui engendra la succession de traités qui survinrent à des périodes de 5 ans: l'Acte unique européen, le Traité de Maastricht, le Traité d'Amsterdam, le Traité de Nice, le projet de traité constituant une Constitution pour l'Europe et, à présent, le Traité de Lisbonne, entré en vigueur dès le 1er décembre 2009.

Regardant les objectifs du Traité de Lisbonne[41], il est intéressant la superposition des certains aspects de la citoyenneté qui interagissent avec la loi positive et la théorie politique pour deux motifs. Un des motifs serait sa nature, parce que les deux perspectives impliqueraient deux discours distincts qui devraient se mêler. Le traité de Lisbonne, concernant la participation directe des citoyens européens, apporte comme nouveauté leur droit à l'initiative législative. Ainsi, un million de citoyens provenant de plusieurs pays membres pourront demander à la Commission de présenter une proposition législative dans des domaines qui tiennent de la compétence de l'Union. Pour implémenter cette initiative, on a besoin d'adopter un acte législatif européen qui détaille la méthodologie d'appliquer des prévisions. Si on fait une analyse, on constate le fait que les deux visions partagent l'idée de créer la citoyenneté par intégrer et identifier le soutien légal.

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[41] http:/europa.eu/lisbon_treaty/glance/index_ro.htm.

2. Problématiques au niveau théorique et débats au niveau pratique

Les débats ininterrompus en relation avec la manque de la légitimité, la responsabilité et la transparence démocratique au niveau de l'Union Européenne, l'intensification d'un meilleur gouvernement par accroître le niveau de participation de la société civile pour son amélioration, ont été fortement soutenus parmi les citoyens, mais aussi entre les institutions de l'Union Européenne.

Le concept de «participation»se trouve au fondement de la Charte Blanche du Gouvernement[42], mais la Commission identifia «la transparence, la participation, la responsabilité, l'efficacité, la cohérence»comme des principes fondamentales d'un bon gouvernement. La participation de la société civile au développement du gouvernement transnational par l'intermède des organisations représentatives des intérêts sur-nationaux, fut qualifiée par la littérature de spécialité comme la solution appropriée «de connecter la société à des structures de gouvernement».[43] *C. Sabel – M. Dorf* opine que conformément au modèle proposé par la Commission Européenne–qui semble être assez pertinent de la perspective de la démocratie expérimentale[44]-la participation à la démocratie est conçue comme le plus approprié chemin de suivre pour que la société civile arrive à influencer le gouvernement de la communauté publique.[45]

Une fois le Traité de Lisbonne entré en vigueur, le Parlement Européen, choisi par le vote direct, aura un plus de pouvoir, donc, un plus de responsabilité, comme il jouira de nouveaux instruments pour protéger les droits et les libertés des citoyens, leur permettant de prendre part au procès politique communautaire, mais il assurera la protection des droits des parlements nationales d'élever des objections aux propositions législatives communautaires, s'ils considèrent que le principe de la subsidiarité fut enfreint.

Les groupes d'intérêt ont été en permanence présents au niveau européen en soutenant le procès d'implémentation des politiques européennes,[46] mais comme la Charte Blanche fait mention aussi, la recherche dans le but de trouver des «règles de participation» de la société civile au gouvernement européen se trouve encore au début.[47]

Comme exception des règles informelles mentionnées, le gouvernement européenne est présenté dans le domaine des politiques sociales de l'UE, où la participation des groupes d'intérêts comme partenaires sociales[48] à la procédure d'adoption des lois fut garantie sur le plan constitutionnel (art. 138 et 139 du TCE). Comme résultat, le spectre des politiques sociales peut représenter maintenant un domaine important pour l'expérience dans l'importante recherche des nouveaux modèles de participation.

La literatura de specialité entreprend une analyse nuancée,analyse à laquelle on fait référence désormais, du mode dans lequel la problématique de la représentation des partenaires sociales au niveau de l'Union est comprise, dans le cadre plus large de l'approfondissement de son caractère démocratique. Cette analyse nous montre que, le but d'atteindre un gouvernement démocratique par l'intermède des modèles de participation peut être mis en danger si, au fondement, la

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[42] European Commission, European Governance: A White Paper, COM (2001) 428.

[43] K.A. Armstrong, Civil Society and the White Paper-bridging or jumping the gaps? Jean Monnet Working Paper no.6/01, au-dessus, n. 1, at. 97.

[44] C. Sabel – M. Dorf, A Constiuion of Democratic Experimentalism, Columbia Law Review, vol 98, 2, 1998, at. 267.

[45] P.P. Craig conçoit la démocratie comme « un point de depart d'un group d'hommes dédiés à la recherche désintéressée de l'intérêt public dans la société », P.P. Craig, The Nature of the Community: Integration, Democracy and Legitimacy, in P. P. Craig and G. De Burca (eds), The Evolution of EU Law (Oxford, 1999), 40 ff.

[46] B. Kholer-Koch, Organized Interests in European Integration: The Evolution of the New Type of Governance?, in Participation and Policy-Making in the European Union, H. Wallace and A. R. Young (eds), Clarendon, Oxford, 1997 at 42.

[47] L'activité d'autres groupes d'intérêts est en effet, même plus loin conformément aux procédures informelles ou institutionnalisées au moins" (comme est le cas de la „comitologie").

[48] Cette expression fait référence, dans le jargon de la loi communautaire, aux principes organisations des unions de commerce ou des associés d'employés qui opèrent au niveau européen.

représentation des intérêts n'est pas garantie. Lorsqu'il s'agit de connecter la législation, l'encouragement du procès d'auto ajustement par les organisations privées doit être mise en relation avec le besoin fondamental de représentation des intérêts de ceux qui ne sont pas représentés par les organisations impliquées dans la procédure, et qui seront affectés par le résultat du procès législatif.

D'une perspective historique, les unions de commerce et les associations de business– aujourd'hui, explicitement prévues dans la Charte Blanche, comme des organisations qui appartiennent aux groupes d'intérêts de la société civile– ont été organisées au niveau de l'Union Européenne dès le début de la construction communautaire. Et pourtant, si au début celles-ci n'ont été impliquées qu'au niveau du lobbying, leur participation évolua peu à peu, et à présent, elles sont mentionnées au niveau des schémas institutionnels.[49]

Il y eut des voix au cours du temps qui ont accusé l'Union qu'elle souffrait d'un *déficit démocratique*, manifeste par l'inapplication totale au niveau du fonctionnement de l'Union des procès spécifiques d'une démocratie. Ce déficit démocratique, on suppose, se réduit à la suit de l'entrée en vigueur du Traité de Lisbonne, qui accrût le rôle du Parlement Européen, de même que l'introduction du droit d'initiative législative des ressortissants des pays membres.

Le procès mentionné dans lequel les partenaires sociales du procès de consolidation des politiques sociales au niveau de l'UE connut une première étape au moment de l'apparition de l'Acte Unique Européen en 1986, lorsque la relevance «du dialogue social» entre les partenaires fut reconnue dans l'article 18b. Puis, en 1992, la Convention concernant les Politiques Sociales, annexée au Traité de Maastricht inventa le système de consultation et participation des partenaires sociales au procès législatif. Dernièrement, par incorporer le dessus Convention du TCE par le Traité d' Amsterdam en 1997, le procès législatif assure l'implication des partenaires sociales dans le cadre de la législation communautaire.

Le nouvel article 152 du Traité de Lisbonne mentionne que «l'Union reconnaît et promeut le rôle des partenaires sociales à son niveau, en tenant compte de la diversité des systèmes nationales. Cela facilite le dialogue, en leur respectant l'autonomie. La réunion sociale tripartite au plus haut niveau pour un croissement économique et emploi contribuent au dialogue social».

En jetant un coup d'œil plus attentif sur les règles du domaine de la représentation des intérêts, elles soulèvent des doutes sur la participation implémentée conforme à la pratique actuelle, peut accomplir l'objectif de la croissance de la légitimité démocratique dans le procès législatif.

Dans la même literature de specialité se montre que, les derniers amendements des Traités et l'évolution des stratégies politiques au niveau européen ont couronné le rôle majeur des partenaires sociales dans la formation des politiques sociales de l'Union Européenne.[50]Pourtant, l'autonomisation des acteurs sociaux du droit d'ébaucher la législation–une des fonctions principales du système politique–constitue la plus importante reconnaissance de la relevance attribuée aux acteurs de la collectivité.[51]

Les principales caractéristiques de la procédure législative dans laquelle les partenaires sociaux sont impliqués(procédure que l'on peut définir comme un «dialogue sociale»)peuvent être synthétisées: les partenaires sociaux peuvent participer au procès législatif conformément à l'article 138, par. 2 du TCE, la Commission, avant de soumettre une proposition dans le domaine des politiques sociales, doit consulter les partenaires sociaux, qui, à leur tour, peuvent émettre une opinion ou une recommandation. Apres une deuxième consultation, la proposition législative suit la procédure prévue dans l'article 251, qui implique le Parlement Européen et qui va être adoptée par le Conseil, soit avec une majorité qualifiée, soit en unanimité (art. 137).

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[49] M. Weiss, The Future Role of The European Union in Social Policy in C. Engels/M. Weiss (eds), Labour Law and Industrial Relations at the Turn of the Century, Den Haag 1998, S. 489.

[50] C. Barnard**,** The Social Parteners and the Governance Agenda, European Law Journal 8 (1), 80-101.

[51] B. Bercusson, European Labour Law, London, Butterworths, 1996, 538-552.

La procédure législative peut avoir une deuxième alternative (art. 138 par. 4), où les partenaires sociaux deviennent des joueurs importants: à la première consultation, les partenaires sociaux peuvent informer la Commission en relation avec leur désir de faire un accord dans le but d'adopter une proposition législative. Ainsi, les partenaires sociaux rédigent une proposition législative dans 9 mois (terme qui peut être prolongé par la Commission). Si les partenaires sociaux finissent par s'entendre, (art. 139 par. 2), elle peut être implémentée soit par une décision du Conseil, soit au niveau national (conformément aux procédures des partenaires sociaux et pays membres).[52]Mais si, les partenaires sociaux n'arrivent pas à s'entendre en relation avec une proposition législative, on appliquera la procédure « standard », prévue dans l'art. 137.(La Commission proposera la procédure prévue dans l'art. 251). A présent, le Traité de Lisbonne entré en vigueur, on observe quand même, une amélioration au niveau du dialogue entre les partenaires sociaux, comme il résulte de l'actuel article 155 (ex. art. 139 TCE), dans le sens où les Accords signés au niveau de l'Union sont mis en application en conformité avec les procédures et les pratiques propres aux partenaires sociaux et au pays membres ou, dans les domaines subissant les prévisions de l'art. 153 (notre remarque–c'est-à-dire les domaines dans lesquels l'Union soutient et complète l'action des pays membres), sur la demande commune des parties signataires, par une décision du Conseil, à la proposition de la Commission, le Parlement Européen est informé. Le Conseil décide en unanimité dans le cas où l'accord en cause contient une ou plusieurs dispositions se referant à l'un des domaines pour lesquels il est nécessaire l'unanimité en conformité avec l'art. 153 alinéa 2.

Jusqu'à présent, le Conseil implémenta toujours les accords des partenaires sociaux par l'instrument légal de la Directive, suivant la technique des «annexes». A cause d'une pareille procédure, l'accord–annexée à la Directive dans le texte original ébauché par les parties, produit des effets *erga omnes*, comme effet de la législation communautaire.[53]

On reconnaît aux partenaires sociaux l'option dès que la Commission les informe sur l'intention d'agir dans le sens d'accepter la proposition de la Commission. Dans ce cas, les institutions communautaires, c'est-à-dire, le Parlement et la Commission sont exclus d'intervenir dans le procès législatif ou d'élaborer parallèlement des propositions.

A la suit de ce que l'on a présenté, on peut souligner certains aspects critiques :
- En ce qui concerne les sujets de la procédure, l'article 138 ne prévoit aucune définition des «partenaires sociaux» et aucun critère d'accès à la procédure. En ce cas, qui sont les personnes qui font les règles?
- En ce qui concerne l'exclusion du Parlement Européen, conformément à l'article 138 et 139 du TCE, en case d'intervention des partenaires sociaux, le Parlement Européen ne joue aucun rôle, n'a aucun droit, pas même celui de consultation ou d'information. Y a-t-il une conséquence de cette procédure au niveau de la légitimité démocratique?
- En ce qui concerne le contrôle institutionnel, le traité ne contient pas de clauses spéciales relativement à une éventuelle pouvoir de modifier la Commission ou le Conseil en respectant la proposition des partenaires sociaux. Dans cette situation,en quelle mesure, les institutions évoquées gardent ses pouvoirs de contrôle sur la législation proposée? Quelles sont les limites des actions des partenaires sociaux?

Parce qu'il n'y a pas une définition des «partenaires sociaux» dans les sources juridiques de l'UE, en réalité, il y a une pratique établie qui fait référence aux associations «sectorielles» des unions commerciales et organisations d'entreprise (dans le secteur du commerce industriel, etc.) et à d'autres trois organisations «intersectorielles ou trans-sectorielles» (ETUC-European Trade

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[52] L'implémentation de l'accord par des procédures des partenaires sociaux au niveau national ne fut jamais mise en pratique, comme il n'y a pas le même système de relations industrielles dans l'Europe en mesure d'assurer une application uniforme dans tous les pays membres de l'accord adopté au niveau européen. S. Sciarra, Collective Agreements in the Hierarchy of the European Scources, au-dessus 11.
[53] Directive du Conseil 97/81/CE concernant l'accord de l'UNICE, CEEP et ETUC.

Unions Confederation, UNICE-Union of Industrial and Employers' Confederations of Europe and CEEP, European Center of Enterprises with Public Participation). Ces organisations sont présentes– du point de vue «historique»– dans le cadre de la Communauté Européenne. Toutefois, à partir du phénomène de reconnaissance du «dialogue social» à travers l'Acte Unique Européen (1986), ETUC, UNICE și CEEP sont devenues les principaux interlocuteurs des institutions européennes. ETUC, UNICE et CEEP réalisent la liaison avec d'autres agents collectifs– des représentants des travailleurs et du management au niveau national[54].

Quant à ce sujet, on doit préciser les suivantes choses :

- il y a encore des problèmes de coordination importants et de représentation entre le niveau national des associations et le niveau européen des organisations. Les actants du niveau européen sont impliqués dans l'élaboration de leurs règles internes, en leur manquant tout mandat d'agir comme des opérateurs de transaction à l'appui des associations nationales qu'ils représentent;

- il y a un lien relativement faible entre le niveau européen des organisations et leur action, à savoir les employés pris individuellement. Les associations du niveau européen constituent le point de lien entre les confédérations comprenant d'habitude des fédérations. Finalement, on peut observer que le bénéficiaire de l'accord ou de la mesure législative (l'employé) n'a aucun mandat pour pouvoir négocier avec les organisations européennes. Pour cette raison, la conclusion– que ETUC, UNICE, CEEP peuvent au moins être des organisations représentatives, mais pas pour la majorité des employés au niveau européen– est bien justifiée;

- le déficit de représentativité du travail et des associations d'entreprise au niveau national, à cause des quelques membres des deux parties. Il est évident que quels que soient les accords signés par des partenaires sociaux européens, ceux-ci sont valables seulement pour une partie des employés, à savoir ceux qui sont impliqués dans ce procès.

Concernant ces observations, la literature de specialité met en discussion le problème de la *représentativité des partenaires sociaux: la perspective de la Commission Européenne et du Tribunal de Première Instance* ont exprimé des certaines réticences vis-à-vis de la procédure législative en question.

Si l'on poursuit l'Accord sur les Politiques Sociales du 1992 et on se rapporte au droit de consultation pour les partenaires sociaux, on va constater qu'en décembre 1993, la Commission a établi trois critères de sélection pour pouvoir faire partie de la catégorie des «partenaires sociaux»[55]. En plus, la Commission a souligné le fait que les critères de sélection sont applicables seulement dans le cas des consultations des partenaires sociaux, car on leur applique le principe de la reconnaissance s'ils se décident d'entamer des négociations en vue de conclure un accord. Ensuite, la Commission a rédigé une liste avec les organisations, attachée à la même communication, liste qui est réactualisée presque chaque année.[56]

Cette formulation a conduit à des critiques considérables à cause des critères de sélection, des critères qui n'avaient rien à voir avec une «réelle» représentativité. Comme résultat, le Parlement Européen a conseillé de faire réviser les critères de représentation, en suggérant que les organisations devraient recevoir un mandat réel de la part des membres, afin de pouvoir agir comme des actants représentatifs dans la procédure du dialogue social[57]. Même jusqu'à présent de telles modifications n'ont pas été entreprises.

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[54] Sujet prévu dans l'article 5 de la Convention ILO no 87, du 9 juillet 1948, où l'on précise que « les organisations de travailleurs et management ont le droit d'établir et devenir membres des fédérations et confédérations; toute organisation, fédération ou confédération a le droit de devenir membre d'une organisation internationale d'employés ou employeurs ».

[55] Communication de la part de la Commission en ce qui concerne la Mise en pratique de l'Accord sur les Politiques Sociales [COM (93)600 final].

[56] Report on the representativeness of European social partener organizations, European Commission, Brussels, September, 1999.

[57] La Proposition du Parlement Européen a été signalée dans la Communication de la Commission Européenne, The Future of Social Dialogue at European level [COM (93)448 final].

Les partenaires sociaux participant aux négociations des accords qui ont mené à l'implémentation des Directives du Conseil ont été ETUC, UNICE et CEEP, pendant que d'autres organisations n'ont pas été admises dans la liste de la Commission pour des négociations. À cause de cela, l'entier système a été saisi au Tribunal de la Première Instance.

Le Tribunal a affirmé qu'une organisation privée ne peut invoquer devant les institutions communautaires aucun droit de participation aux négociations pour arriver à un accord, parce que cela est une «affaire exclusive» réservée aux partenaires sociaux. Quand même, le droit de recours devant l'Instance, pour raison d'exclusion, est admissible seulement si l'on démontre qu'il y a une «représentation insuffisante» des partenaires sociaux. Le concept de «représentativité cumulative suffisante» est présenté par le Tribunal, en faisant référence à la représentativité des toutes les parties signataires, prises ensembles, en respectant le contenu de l'accord[58].

3. Conclusions

Le moment où les partenaires sociaux demandent l'implémentation législative d'un accord, la Commission «après avoir résumé le contrôle de la procédure» a le devoir «d'examiner la représentativité des signataires de l'accord en question».

Malgré cela, la résolution du Tribunal de Première Instance n'a pas clarifié les incertitudes pertinentes concernant encore le «dogme» de la représentativité.

Le paradigme d'accepter le fonctionnement de la représentation des intérêts dans les politiques débattues constitue la principale caractéristique du système corporatiste. Tandis que le lobby est perçu comme un mécanisme des articulations d'intérêts dans un système basé sur une compétition ouverte, du point de vue corporatiste, l'insertion de la participation à la décision publique en étant réalisée à travers un petit nombre d'intérêts des associations.

On considère avec justesse que, jusqu'à une certaine extension, l'incorporation des intérêts, représentés par les organisations de travail, sont familières aux traditions des certains Etats membres où les modèles corporatistes ont été pleinement implémentés dans les années 1970. Quand même, la redécouverte–au niveau macro ou triparti–de la concentration au niveau national des dernières années, a déterminé le relancement des théories corporatistes et l'apparition aussi d'une littérature concernant ce phénomène.

Pour le futur de l'Union Européenne, la réalité de l'existence de 27 Etats membres a exigé une solution pour la réforme de l'Union, et le Traité de Lisbonne pourrait être le médicament pour une Union qui tend à s'étouffer a cause de son propre succès, mais, pour l'instant, il est trop vite d'attribuer au nouveau traité des mérites qui pourront être observés au long du temps.

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[58] En ce cas spécifique, la Directive concernant l'abandon parental, étant «un accord-cadre général», a été réalisée pour couvrir des différents employés, et en conséquence,«la représentativité générale» des organisations industrielles a été considérée par la Cour comme suffisante pour accomplir la demande mentionnée.

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SUB-SECTION: EU SUSTAINABLE ECONOMIC DEVELOPMENT AND COMPETITIVENESS

ROMANIA`S ABSORPTION POTENTIAL OF E.U. FUNDS FOR RURAL DEVELOPMENT – A REGIONAL ANALYSIS

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The post-accession programs supported mainly by the European Union create a better chance for the modernization of the agricultural sector and the rural area in Romania. However the funding process depends highly on the absorption capacity of the potential beneficiaries. The paper focuses on the regional distribution of financial allocations for rural development, especially for agricultural holdings, by correlating them to the determinant factors of the absorption capacity. The distribution of selected applications at regional NUTS3 level reveals that poorer regions with high employment in agriculture have no advantage in the access to development funds.

Keywords: rural development, regional development, financial support, absorption capacity of the agricultural sector

JEL classification: O13, R12, R38

1. Introduction

The process of Romania´s integration to the European Union determined major changes in the economy and society (Zahiu, 2006). The pre-accession programs (SAPARD) and later the post-accession programs based on non-refundable European support and funds from national public sources in agriculture and rural areas contributed to these changes (Toma, 2008). The development of rural areas is the main objective of the National Rural Development Programme of Romania 2007-2013 (NRDP, 2009), but this is also aimed by market policy measures in agriculture and other measures provided by post-accession operational programmes for development (Toma, 2009).

In 2010, after three years since the accession to EU, the programmes supported by European funds have made progress in institutional building, selection of applications for the funds and the payments process. The preparation period for some of the NRDP measures was extended because of institutional disfunctionalities and some of them will be implemented starting with 2010. The absorption of funds provided for investment in agriculture is still lagging behind, even if the process was accelerated in 2009. The rural area is changing not only as a result of post-accession programmes, but also of changes in the population behaviour in the new context.

2. Comparative analysis of projects` funding for rural development in the period 2007-2009

The only measure started for implementation in 2007 was *211 Support for mountain areas*, while the next measures started in March 2008 (NRDP Progress Report, 2009). At the beginning of 2010 most of the projects are in the stage of the funding process, so it is too early for evaluations of their impact. However the behaviour of potential beneficiaries of funds is reflected by the distribution of applications by measures and by the share of eligible projects in total applications. A high number of beneficiaries involves a larger part of rural population connected to the development process.

The following analysis takes into consideration the measures financed from NRDP, except the direct payments per hectare (measures 211, 212 and 214) and the direct complementary payment (measure 611). Regarding the total number of applications until 09.04.2010 (fig.1), in a good position are the measures *121 Modernization of agricultural holdings* and *141 Supporting semi-*

subsistence agricultural holdings. The measure 121 was attractive, since the 4529 applications in 2008-2009 sessions asked for a public support that is 1.4 times higher than the funds allocated by NRPD for the whole period 2007-2013. However only 34% of the applications were selected for funding, representing 53% of the total public allocation. The number of applications for the measure 141 is much higher, but the 6148 applications selected and contracted cover only 9.7% of the public allocation for 2007-2013. These projects have a lower average value and also lower potential for modernization of agriculture.

One of the most attractive NDRP measure was *322 Village renewal and development*, but the overwhelming number of applications was only partly selected, by reaching at present only about 52% of the total public financial allocation for 2007-2013.

Fig.1: Number of applications and contracts, by NRDP measures, 2008–2009
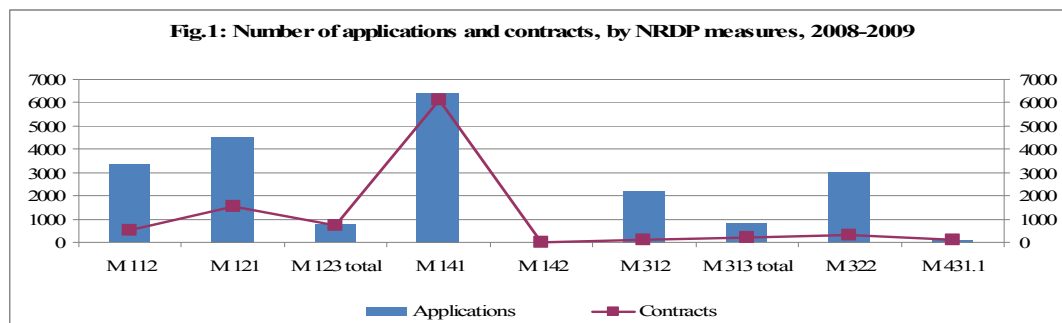
112 – Setting up of young farmers; 121 - Modernization of agricultural holdings; 123 – Adding value to agricultural and forestry products; 141 - Supporting semi-subsistence agricultural holdings;142 – Setting up of producer groups; 312 – Support for micro-enterprises creation and development; 313 – Encouragement of tourism activities; 322 – Village renewal and development, improving basic services for the rural economy and population and upgrading of rural heritage.

Source: Romanian Ministry for Agriculture and Rural Development, DG for Rural Development

The economic crisis had strong negative effects in Romania in 2009 and 2010 and is a factor that reduces the capacity of co-financing European programmes from national public and private sources, in accordance with the decreasing income of the state budget and of the potential beneficiary economic agents. Also there is reduction of the economic agents` absorption capacity of the financial allocation for market oriented activities, because of the decrease of the internal and external demand for goods. The crisis induces distorsions to the absorption capacity and also to expected results of financial support due to its deep impact and high uncertainity about the recovery process.

The measures for the improvement of competitiveness in agricultural holdings and semi-subsistence farms should contribute to the sustainable development of the Romanian agriculture. But the results of these measures will be seen only in medium and long term. The expected effects on agricultural producers are the increase of investments for modernization and transformation of holdings in entirely market oriented production units. The number of holdings able to comply with the quality standards for agricultural products should increase, as well as the number of units able to export agricultural products. The increase of investment leads to higher productivity and agricultural income, by having positive effects on the rural development.

3. Financial support for the modernization of agricultural holdings

The agricultural resources and the absorption capacity of the financial support for agriculture are unequally distributed in the territory (Alexandri, 2008). For the moment the best picture for this capacity is given by the regional distribution of the selected applications. Actually investment in agriculture is the key of rural development, since agriculture is still the main activity in rural areas. Potential beneficiaries that understand the advantages and the mechanism of the public support in a limited post-accession period and have the ability to apply successfully for funds

represent the main source for future rural development. The crisis may delay the process, but there is still time until the end of the programming period.

The following analysis is based on own calculations by using data from the Selection Reports of the Ministry of Agriculture regarding applications for the NRDP measures. The highest number of selected applications are in the regions South-East and South-Muntenia (fig.2), but their average total eligible value per project is lower than in other regions.

Fig 2: Number of projects and total value of selected projects, by regions (NUTS2 level)
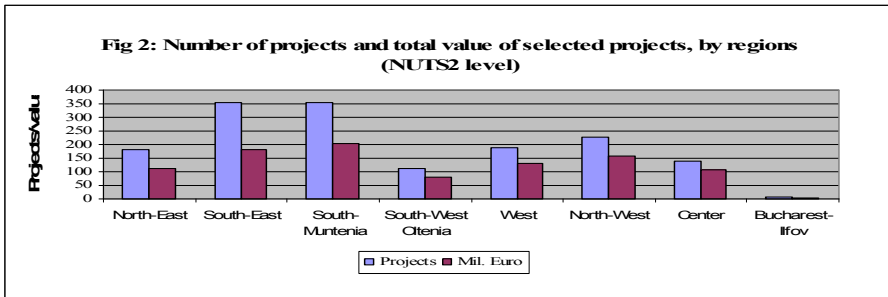
The deviation from the national average (in%) of the number of selected projects and their total eligible value by counties (fig.3-9) show the important local differences in improving the activity in agriculture.

Fig.3: Projects and total values in the North-East region
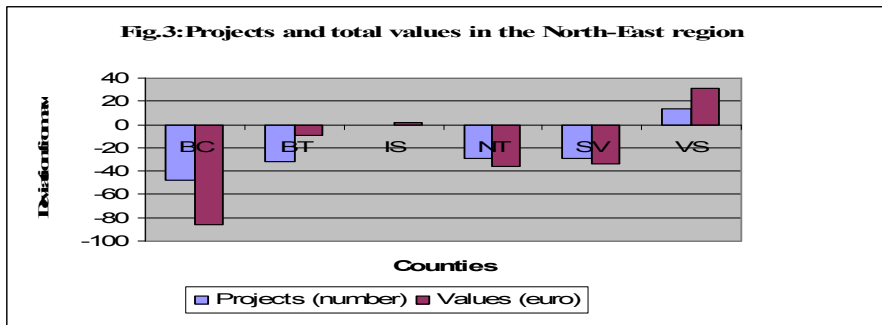
BC- Bacău, BT-Botoşani, IS-Iaşi, NT-Neamţ, SV-Suceava, VS-Vaslui

Fig.4: Projects and total values in the South-East region
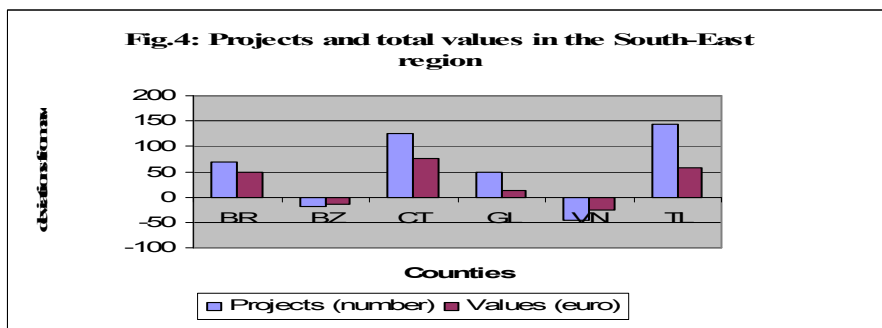
BR-Brăila, BZ-Buzău, CT- Constanţa, GL-Galaţi, VN-Vrancea, TL-Tulcea

Fig.5: Projects and total values in the South Region & Ilfov county
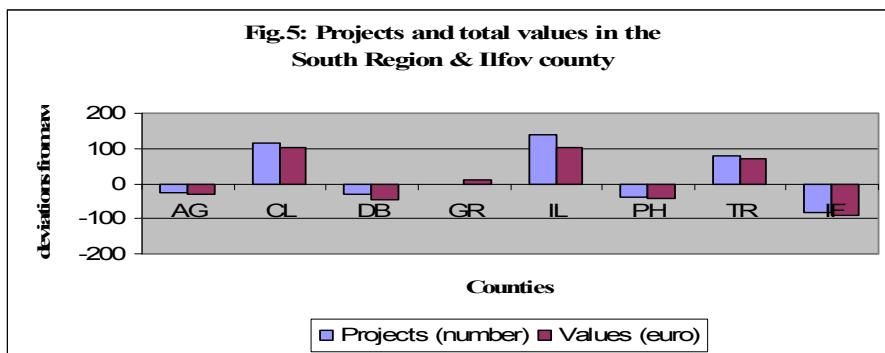
AG-Argeş, CL- Călăraşi, DB-Dâmboviţa, GR-Giurgiu, IL-Ialomiţa, PH-Prahova,
TL-Teleorman, IF-Ilfov

Fig.6: Projects and total values in the South-West region
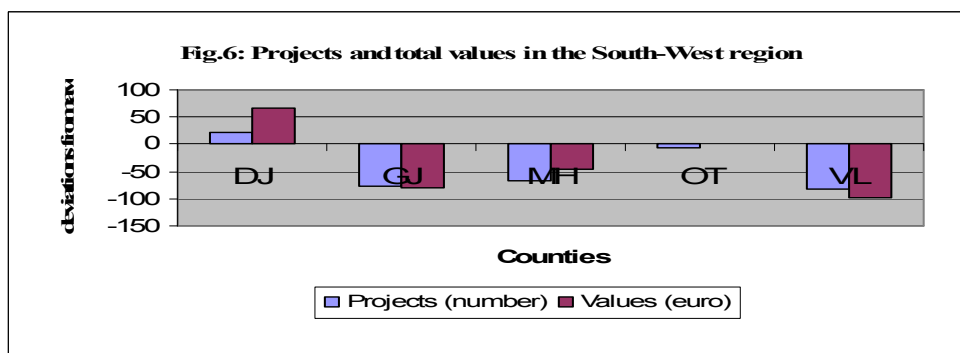
DJ-Dolj, GJ-Gorj, MH-Mehedinţi, OT-Olt, VL-Vâlcea

Fig.7: Projects and total values in the West Region
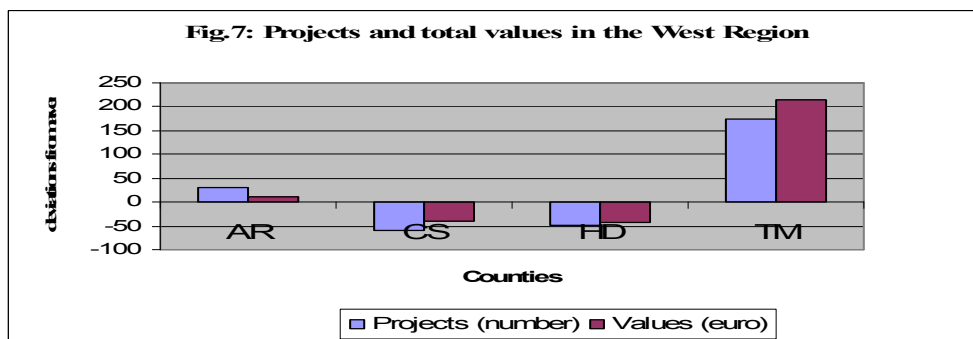
AR-Arad, CS-Caraş-Severin, HD-Hunedoara, TM-Timiş

Fig.8: Projects and total values in the North–West region
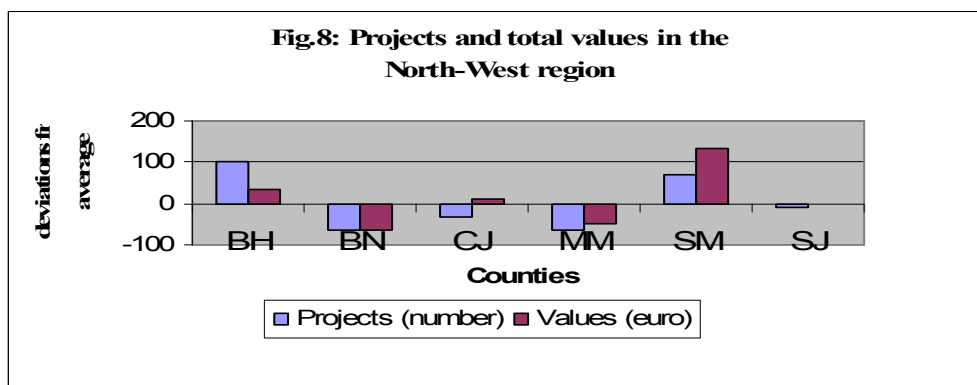
BH-Bihor, BN-Bistriţa Năsăud, CJ-Cluj, MM-Maramureş, SJ-Sălaj, SM-Satu Mare

Fig.9: Projects and total values in the Central region
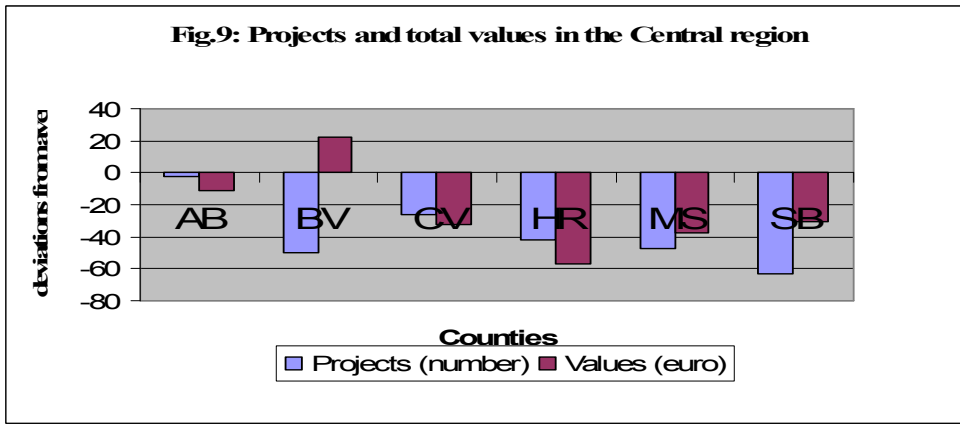
AB-Alba, BV-Braşov, CV-Covasna, HR-Harghita, MS-Mureş, SB-Sibiu

4. Determinants of the absorption capacity

The lack of homogeneity within the development regions in connection with the implementation of the 121 measure is due to the differential in endowment with natural agricultural resources, but also to other economic and social factors. The authors consider that the most important factors that determine the absorption capacity of the financial support at county level (NUTS3) are: gross value added (GDP), agricultural production, agricultural area, employment in agriculture, gross enrolment rate and share of rural population. While calculating the correlations, the factor "share of rural population" was eliminated from the calculations because of possible autocorrelations of error effects with employed population in agriculture.

The procedure used was the comparison of the number of projects and total eligible values of the projects with the absorption capacity given by the determinant factors in each county of every region.

Finally we tested the correlations between allocated funds and specified indicators. For that we calculated the deviations from the average level of each indicator for every county:

$$Dif(x_i) = \frac{x_i - \overline{x}}{\overline{x}} \cdot 100$$

Where:

$Dif(x_i)$ – deviation from average level of x

x_i – value of x variable for each NUTS 3 level

$\overline{x}$ - average level of x

By testing separately each indicator´s influence over deviation of distributed funds (F_i) and the selected projects (P) we found that only the agricultural area (S_AGR_i) is significantly correlated from the econometric point of view with both variables. The influence of the other indicators is not significant in the econometric correlation, but the gross enrolment rate has a special position.

However, in the combination of influence factors the best results of the econometric tests obtained are in the case of the econometric equations that use the independent variables agricultural area (S_AGR_i) and employment in agriculture *(Poc_AGR_i)*. The regression equations which add other factors besides the previously mentioned factors are not significant from the econometrical point of view. According to these conditions, we used the following equations of regression:

$DF_i = a*DS\_AGR_i + b*DPoc\_AGR_i + \varepsilon_i$
$DP = c*DS\_AGR_i + d*DPoc\_AGR_i + \varepsilon_i$
$i = 1, 2, ..., 42$ NUTS 3

where:

DF_i - deviation from average of Funds
DP - deviation from average of Project number
DS_AGR_i - deviation from average of Agricultural Area
$DPoc\_AGR_i$ - deviation from average of Employment in Agriculture

ε_i - estimation error

The comparative results for the two variables are in table 1.

The agricultural area has the highest influence on the number of selected projects, as well as on the value of the projects (with a slight difference in favour of project numbers – the coefficient of correlation 1.72 compared to 1.668 for project value).

Table 1: Coefficients of correlation

Variable	Funds	Number of projects
DS_AGR_i	1.668837	1.720024
[t-stat]	6.263487	5.871887
$DPoc\_AGR_i$	-0.445832	-0.522539
[t-stat]	-1.894956	-2.020167
C	4.37E-15	7.20E-15
[t-stat]	6.06E-16	9.08E-16
R squared	0.518237	0.481821

The authors consider that the correlation with the average size of the agricultural holding from each county would bring better results of the econometric tests, but there is a lack of necessary data for the moment. The findings of the procedure are normal because the efficient agricultural holdings need larger agricultural area. It is interesting that the employment in agriculture has a negative influence on the correlation to the allocated funds and the selected project number. Even if the value of the coefficients of correlation is low and at the limit of econometric significance, the results are normal if we consider the surplus of employment in agriculture.

5. Conclusions

The most successful measures for rural development in terms of application selection and their funding in the period 2008-2009 were those regarding the modernization of agriculture and the village renewal and development. The selected projects for investment in agricultural holdings (measure 121) are unequally distributed at regional level. The less developed regions North-East and South-West have also less accessed the development funds. According to the econometric analysis, the most important determinant of the absorption capacity at regional (NUTS3) level is the agricultural area, while the employment in agriculture has rather a negative influence.

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"ATTRACTIVENESS" VERSUS "CONSTRAINT" IN SELF-EMPLOYMENT OPTION IN A CERTAIN FIELD FOR MANAGER WOMEN OF THEIR OWN BUSINESS IN THE WEST OF ROMANIA

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Abstract
Starting from the way in which women, generally speaking, understand entrepreneurship – as a choice or as a necessity, the present paper aims to discover in what percentage women in the West of Romania, have been influenced in the decision to become entrepreneurs or in self-employment option by the "attractiveness" or by "constraint" and, then, in what proportion, considering the general entrepreneurs inclination, to start business in the fields that they have worked before, validates in their case the hypotheses that women choose the sector in which they have knowledge and experience. The first part of the paper analyses the literature in the field emphasizing on the occupational situation and professional training as factors of the feminine entrepreneurship, respective activity fields preferred by women for self-employment. The second part of the paper presents the preliminary research results regarding the correlations between occupational status, professional studies and activity fields in the case of feminine entrepreneurship in the West of Romania, results of AntrES project. The paper analyses the answers given into the questionnaires applied and reapplied to one of the aim groups of the project – manager women – in the period 17-31 July 2009, respective 20-28 November 2009 – at the beginning and at the end of the Entrepreneurial school at the level of AntrES territorial centers (county residence towns: Arad, Baia Mare, Oradea, Reşiţa, Satu Mare, Timişoara).

Key words: Entrepreneurship, women entrepreneurship, self-employment, entrepreneurial mobile, occupational status, professional training

JEL Code: E24, R11, J24

Literature review

Even though still poor in relation to the significant growth of the women proportion and their contribution in entrepreneurs line and yet far from creating adequate theories, starting from the opening operated by the first notable article dedicated to the subject - „*Entrepreneurship – a new feminine border*" (1976), the literature consecrated to the feminine entrepreneurship hangs upon some conclusions: entrepreneurs women have similar motivations with those of entrepreneur men: the wish of accomplishment, work satisfaction and independence (Schwartz, 1976); women are less qualified, less capable, less trained in the field of business, have a smaller inclination to entrepreneurship and manage to settle a business in a slower rhythm than men (Hisrich şi Brush, 1983, 1984, 1985, 1986, 1987; Brush et al., 2004; Casson, Yeung, Basu, Wadeson, 2006); women meet opportunities and barriers different from those encountered by men in the field, fact that affects their participation and performance in the entrepreneurial field (Parker, 2009); entrepreneur women are represented in few sectors of the economy, there exist fields „dominated" by men, for example, the building sector, the activity sectors preferred usually by entrepreneur women are: services; tourism; commerce etc., the biggest concentration being in the industry of services, especially in the field of sales and "other services" – financial services, insurance and real estate, vocational services, business services (Bates, 1995), the explanation is connected, on one side, by the lack of knowledge and technical abilities, that discourage starting a business in production or high technology field; on the other side, there is a more difficult access to financial resources, that determine choosing that activities who engages a lower capital level (Bruni, Gherardi, Poggio, 2008); considering the general tendency of entrepreneurs to start

businesses in the fields where they have worked before, women choose the sector where they have the highest knowledge and experience (Parker, 2009). We notice therefore from the literature in the field the „stereotype of business woman" – built around „less" than men – less capable, less qualified, less trained, less brave, slower, less equipped with capital or less able to access capital etc. Besides stereotypes, infirmed or confirmed by the literature in the field, the most accepted premises at the moment is that „the gender gap in entrepreneurship" is relatively, generally speaking, depended by cultural factors and customs regarding female participation in economic activity (The Global Entrepreneurship Monitor – GEM, 2007, 2008, 2009), but certainly exist with respect to new venture creation and business ownership (Report on Women and Entrepreneurship – GEM, 2007; Parker, 2009). Starting from the way in which women, generally, perceive entrepreneurship – as choice (an opportunity for personal development, a way of filling family's incomes, a wish to cover a social need, o solution to enter into an activity in which the selection criterions are less strict, a strategy to have a bigger freedom to administrate the activities of the business and of the family, etc.); or as a necessity (the unique way of growing family's incomes, of gaining financial independence, of growing the socio-professional statute, of independence and autonomy in the work developed, of fulfillment and personal satisfaction, etc.) (Bruni, Gherardi, Poggio, 2005), we propose to investigate to what extend the manager women in the West of Romania, who form target groups of the AntrES project, have been influenced in their decision to become entrepreneurs by the "amenity" or by "constraint" and, more on, in what proportion, considering the general tendency of entrepreneurs to start-up a business in the fields that they have worked before, validates, in their case, the hypotheses that women choose the sector where they have most knowledge and experience.

Aspects regarding the research methodology
The project entitled: *Entrepreneurship and the Equality of Chances. An Inter-regional Model of Women School of Entrepreneurship,* financed by the European Social Fund with an amount of over 3.5 million Euros, is the first strategic project in the field of human resources development in Romania that promotes female entrepreneurship. The covering area of the project is the Western part of Romania, and includes Maramureş, Satu-Mare, Bihor, Arad, Timiş, Caraş Severin Counties, being implemented by partner universities from each of these counties. The general objective is to promote the equality of chances in the field of entrepreneurship, by stimulating the implication of women, especially those coming from rural areas, to initiate and develop their own business in the context of sustainable development of their communities. The project is addressed to a overall target group of 1800 women wishing to develop their own business (288 SME female managers from urban area)– target group I, or to set up their own business (1440 women from urban and rural area) – target group II, or to become trainers in the entrepreneurship field (72 women, students in Economics, which will be trained and who will benefit from job as trainers for rural area, in the project)- target group III. The duration of the project is of 2 years, starting in January 2009. As initial result of the project, a *Women School of Entrepreneurship*, consisting of 6 territorial, 24 local and 72 rural centers, along the Western part of Romania, was set up, and training process *The School of Entrepreneurship - Module I – Business start-up*, respectively, *Module II – Business development* was finished at the territorial *level. Parallel with the training process in the* territorial centers, the inter-regional team developed specific methods designed to monitor the project's target groups, including a set of focused questionnaires in order to the development of a specific research activity, having female entrepreneurship in the Western part of Romania as main subject. So, in the period 07.17.2009-07.31.2009 (the beginning of the Entrepreneurial School at the level of Territorial Centers – at the first course) have been applied at the level of the territorial centers (the county residence towns: municipalities Arad, Baia Mare, Oradea, Reşiţa, Satu Mare, Timişoara) the research-monitoring questionnaires aimed to the manager women (target group I): 153 questionnaires, distributed on territorial centers, as it follows: Arad – 27, Bihor – 30, Caraş-Severin – 24,

Maramureş - 24, Satu Mare – 24, Timiş - 24. At the end of the Entrepreneurial school, level TC (at the last course, respective in the period 20-28 November 2009) it was reapplied the same questionnaire, more exactly a total number of 149 questionnaires, distributed on territorial centers as it follows: Arad – 24, Bihor – 28, Caraş-Severin – 24, Maramureş - 25, Satu Mare – 24, Timiş - 24. The questionnaires applied to the target group I – manager women – have been formed of a total number of 52 questions, grouped as it follows: 39 questions in section A – Questions about women entrepreneur/manager and their businesses; 13 questions in section B – Aspects regarding the psychological profile of the entrepreneur/manager women. The present paper proposes to analise the answers for the following characteristics: the occupational situation at the moment of initiation or acquiring the business; the reasons which stood at the base of the wish and of the decision to initiate its own business; the reasons which determined the choice of the field of activity; the field in which they developed their studies – professional studies. Regarding the characteristics enumerated, there have been formulated a series of hypotheses who were tested, as it follows: 1. *The higher educational level is associated to a bigger business, older, viable, smaller obstacles perceived at the beginning of the business and now*; 2. *The field that they have studied in is correlated with the field of activity of the firm, with the viability of the business, the fields considered more appropriate for the feminine entrepreneurship*; 3. *Participating at courses/trainings is benefic – according to the field/title of the course, could be registered a more easy access to financing, a perception less acute of certain obstacles.*

Results

The majority of the respondents(66%) are aged between 30 and 49 years, the average age of the respondents is 37,6 years; most of the respondents are married (66%) and live in households with 2-4 members, having one or two children(51,6%). The average household income for last month of the manager women questioned is 5276 lei, while the personal average income of those is of 2449 lei. Regarding the current businesses of the respondents, over 88% have been initiated by them, alone or with other persons. Only 12% have acquired the business in other ways: legacy – 5.4%, joining an existing firm -4.1%, buying it – 1.4%, franchise – 0.7%. The majority of the manager women in our sample (over 80%) has university or post university studies. As general fields of study, slightly over half of the respondents have done studies in the economic area (field associated in great proportion to the entrepreneurship and the management of a business) - 51,70%, followed by the technique field - 17,01%, socio-human - 12,20%, juridical - 5,44%, medical - 3,40%, environment - 6,12%, exact sciences - 0,68%, economic engineering - 2,7% etc. Many of the manager women (40%) have followed specialization courses or specialization courses in different fields. Out of those, predominate those related to the management and business administration: project management, financing forms, accountancy, human resources, audit, communication, insurance, tourism, management, business development, sales, quality, taxation, real estate agent, real estate marketing, entrepreneurship etc. The most important motivations, as well as the context in which the respondents have decided to initiate a business are very eloquent: most of the entrepreneur women started their business alone, over one third of them either did not have a workplace or were going to lose it, or they were unhappy with their workplace they had regarding the wage aspect, work conditions, climate, etc. The analyze of the problems from the occupational situation from the moment of the business initiation enumerated by the respondents at the question – Which of the following situations illustrate better the occupational situation from the moment you decided to start your own business? – leads to the conclusion that the choice of the perspective of self-employment has been conditioned by constrain (total 70% - I had a workplace, but the salary was unsatisfing, takes the first place – 35.3%, followed by – I did not have a workplace – 16.7%, but there are also answers like: I had a workplace, but I was going to lose it – 8.7%, I had a workplace, but the conditions were difficult – 5.3% , I had a workplace, but the relationships at the workplace were unsatisfing – 4%). There are answers that mirror the attractivity in the perception of entrepreneurship (I was happy with

my workplace -15.7%, the possibility of an additional earning – 0.8%, I was called in the administration board – 0.8%, I answered an offer – 0.8%), but attractiveness is situated here after constrain. In change, at the question – Which of the following situations illustrate better the moment in which you initiated your business? – surprisingly, on the first place it is situated the attractiveness – emphasized by answers as: I had a business special, favorable conjuncture – 29.45%, followed by – I had a special business opportunity – 28.77% (total 58,22%); and not the constrain – emphasized by answers as: it has changed the general economic context -17.81%, I needed money because the number of my family's members has raised -7.53%, I needed money because I remained the financial support of the family -6.1%, qualification -0.8%, workplace conflicts -0.8% (total 33.04%). At the question which is the reason for what you are ready to initiate a business – the wish of self-fulfillment remains the main option of the manager women (re-testing situates it on the first place, with 48%), followed by the need to earn more -27%, the wish to have a higher social statute - 20% and the opportunities on the market -5%. In enumerating the problems from the occupational situation from the initiating moment, the problem of unsatisfying salary is predominant, followed by the lack of a workplace (more than 53% of the respondents declared that at the moment of business settlement they had a workplace, but they were not happy with their salary). It is to be remarked that the unhappiness towards the occupational status from the respective moment has conjugated with the apparition of an idea or with a favorable conjuncture. The two conditions – unhappiness towards the occupational statute, but the favorable moment for the expression of the business idea – describe the context in which the present entrepreneurs assumed the risks of a business start-up coming from the prevailing wish to prove themselves and those around them that they can succeed. The accent falls, in our opinion, for this target group – on opportunity/attractiveness prevailing towards need/constrain. Regarding the previous fields of activity of the of the questioned manager women - 78% of them had previous workplaces before the entrepreneur experience. In average, manager women who worked in other places than their own business, had two previous workplaces, the highest number of workplaces being 6; fields of activity preferred with prevalence by them – fields in which it can be initialized a success business are, according to first choice: on the first place – services, services in general, (43), according to the literature on this topic, on the second place – commerce (31), followed by tourism (28) (totally over 80%); significantly less first choices head towards consultancy – 7, production -6, alimentary sector - 5, agriculture – 3 , medical-healthy – 3, construction – 2, sales- 2, transport -2, real estate – 2 , etc. Retesting reflects the validation of the hypotheses that the preferred field by women is the services one – on the first place – doing services, services generally, with a significant growth of the interest for consultancy services (financial, managerial, economic), but on the second place it is situated the tourism, followed by commerce, slightly reorienting towards fields as consultancy, lawyer services, reflect a trend at the moment, but also the birth of some new fields – education, kindergartens, events organizing, patisserie, beauty salon, old people care etc. reflects the movement of the weight center of initiative towards fields that perform starting from specialized expertise (women specific?!) and not from capitals.

Conclusions
After the correlation analysis taken, the situation of the hypotheses tested, respective 1. *The higher educational level is associated to a bigger business, older, viable, smaller obstacles perceived at the beginning of the business and now*; 2. *The field that they have studied in is correlated with the field of activity of the firm, with the viability of the business, the fields considered more appropriate for the feminine entrepreneurship*; 3. *Participating at courses/trainings is benefic – according to the field/title of the course, could be registered a more easy access to financing, a perception less acute of certain obstacles,* it stays like this:
   1. *The higher educational level is associated to a bigger business, older, viable, smaller obstacles perceived at the beginning of the business and now* – **does not validate.** From

a static point of view it is not proved the significant relation between the field of studying and the success of the present business, the size of the present business, future plans for developing the business, the way of perception of the obstacles and the perception of the adequate field for starting up business by women.

2. *The field that they have studied in is correlated with the field of activity of the firm, with the viability of the business, the fields considered more appropriate for the feminine entrepreneurship.* For example, women with economic studies should: prefer businesses in economic area, had several businesses in time and not been bankrupt, started their business rather alone, have a business plan at least started, perceive the economic constrains as being less acute etc. – **validates**. The analyses have revealed a significant relation between the field of studying of women and the field in which the business activity develops (χ^2=99.6; p<.001). So, the persons with education in the economic area develop their activity in tourism and services (rez. aj. =2.3), those who studied in technical area have firms with activity in industry, constructions (rez. aj.=2.8) and commerce (rez. aj.=2.0), and those who were trained in the field of environment protection, develop their activity in agriculture (rez. aj.=3.9), but also in education and research (rez. aj.=3.2).

3. *Participating at courses/trainings is benefic – according to the field/title of the course, could be registered a more easy access to financing, a perception less acute of certain obstacles –***validates.** Participating at specialization courses has a positive effect over the accession of repayable funds, credits. The analyses highlight a significant relationship so that women who have a further specialization through these courses have accessed in higher number repayable funds comparatively with those who do not have an additional education (rez.aj.=2.6). The relation is not significant in the case of accession irredeemable funds.

The manager women in West of Romania analyzed initiated their own business in proportion of over 88%. The option of abandoning a workplace, respective the perspective of self-employment has been conditioned by a constrain in proportion of over 70% (underpaid salary, not having a workplace, the possibility of losing the workplace, though work conditions or unsatisfying conditions at the workplace), but – surprisingly, in proportion of almost 60% - the way in which they describe the situation in the moment of the business start-up – lead to the idea that attractiveness of the applying a business idea perspective, in a favorable conjuncture, or after meeting a business opportunity and not the constrain (the general economic context, the need of financial resources, family constrains, workplace conflicts) have predominated the decision to become entrepreneurs and self-employ. The fields of activity preferred with predilection by manager women in the West of Romania (in proportion of over 80%) are services in general, with a significant growth of the interest for consultancy services (financial, managerial, economic) followed by commerce and tourism, respective tourism and commerce, exactly as the literature dedicated to the feminine entrepreneurship describes. The empirical data can lead to the conclusion that women in the western part of Romania prefer self-employment fields so-called "feminine": education, kindergartens, event organizers, patisserie, beauty salon, inside lay out, old people care, etc., the weight center of business initiative is in that areas in which the professional studies, competence and expertise specialized and specific "feminine" are prevailing and not the knowledge and technical abilities determine a low level of capital, confirming again, the hypotheses of the specialization side. The hypotheses that women have the tendency to start-up business in the areas where they have worked before and that they choose the sector in which they have most knowledge and experience validates as well, over 80% have graduated from university or have done a post-university degree, slightly over half have studies in the economic field, the analyses show that the persons with studies in the economic field develop their activity in tourism and services, those who studied technical have firms with activities in industry, constructions and commerce, and those who studied the environment protection develop their

activity in agriculture sphere, but also education and research. A happy result, and, equally encouraging in our efforts is that women in the western part of Romania consider that participating at specialization courses has a positive effect over accessing repayable funds, credits, and over their business generally speaking. The conclusions formulated represent preliminary research result, the research being developed during the project AntrES which regards women who wish to initiate their own business and it follows to be continued at the level of the local centers, respective rural centers in the West of Romania.

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AN OVERVIEW OF THE GENERAL EVOLUTION OF THE ROMANIAN FOREIGN TRADE AFTER 1989, WHILE TRYING TO JOIN THE EU (I)

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Those 17 years (since 1990 until the accession date to the EU) of institutional and economic-social reforms which, with all the good and bad things, brought Romania to the European Union starting with 1 January 2007, and should make us now be able to emphasise a few elements connected to the Romanian foreign trade. Thus, we consider that the present paper is of a significant importance for the specialists in the foreign trade problems, as well as for the Romanian and all other EU economic operators because we will try to realise a "radiography" of all the general aspects and tendencies of the Romanian External Trade during the years 1990-2006, and their effects upon the Romania's current and future membership to the European Union, as part of the Common Trade Policy, by presenting some relevant indicators, such as: the volume of foreign trade, volume of exports and imports, GDP growth etc.

Key words: Romanian foreign trade evolution, imports, exports, balance sheet, EU accession process, GDP growth

JEL codes: F14, F15.

We couldn't start our analyze on the Romanian foreign trade during 1990-2006, without considering the context of the international trade in the same period, which has suffered dramatically changes in the last few years and it might continue changing, such as: the liberalization and globalization inducing a higher mobility and a rapid delocalization of the factors of production, a higher fragmentation and specialization of the activities on the value chains of products and services. The area of service trade has also been expanded. The value retain at the national level is becoming more and more difficult to achieve due to the proliferation of global value chains in the attempt to minimize the costs and maximize the profits. The international competitively is, therefore, more dynamic and the competitive advantages are more volatile and less sustainable, the only perennial advantages being the absolute ones, due to the natural resources (see, for example, the OPEC countries). Even though, competitiveness was and remains fundamental for the so much claimed sustainable economical development, being highly necessary an assembly approach, so much the more the successful economies continuously create and recreate competitive advantages. Moreover, the macro-, mezzo-, and microeconomic strategic reasons, just like the different public or private interested institutional entities cannot be separated one from another, which through their activity generate an impact on the foreign trade, thus a coherent and unitary approach regarding the development of the trade being absolutely necessary.

It is also important to understand the fact that the competitive advantages do not come from protectionism, quota or preferential access to the market. On the contrary, they lead to stagnation, low levels of entrepreneurial abilities and low motivations of the private sector towards efficiency, quality, innovation and product development.

In this international economic context, Romania of the 90's, as an economy in transition, was clearly marked by the dramatic way in which the change of the role of the state in economy has been made favouring the increase of the role of the private sector. This change was though in accordance with the market oriented approach of the WTO and European Community, realities

marking the Romanian foreign trade after 1989. Therefore, once defined the direction of the Romanian economy, in the following years the state enterprises and its agencies, left as a result of the late privatization, had to – due to economic and legal reasons – adapt their way to develop business, including in what the goods and services purchase was concerned. But the evolution in this period of the Romanian foreign trade was influenced by the fact that there were numerous hesitations regarding the privatization of the state sector, as well as regarding foreign investments. Where the privatization of the state monopoles succeeded, though, the role of the state was simply transformed into a regulating one and as a result, positive evolutions have been registered. Regarding the private sector, the non-interventionist approach of the state towards the competition was justified by considerations regarding the market for a part of this sector, while on the other side, a pro-active policy would have been necessary to ensure the benefits of the economic liberalization.

As it concerns the methodological approached in this paper, for the analysis on the evolution of the Romanian external trade after 1989, we used a series of general statistic indicators, such as: *the volume of foreign trade, the volume of export, the volume of import (in prices CIF and FOB), balance of trade (exports FOB - imports CIF), balance of trade (exports FOB - imports FOB), and export per capita.* With these indicators' help, we can notice the evolution in time of the foreign trade in a particular country and they are very useful to make general comparisons with other countries. The terms of these comparisons could be easily considered superficial and irrelevant enough in the conditions of contemporary world economy complexity because the data presented by them are not sufficiently processed and, taken as such, can determine serious errors of economic interpretation (for example, comparison of the Romanian foreign trade's volume with that of the USA and the presentation of this comparison without interpretation and without taking into account the other factors specific to each country). In spite of all these, the analysis allows though the observation of an ascending or descending evolution in the case of exports or imports and can raise the interest for the identification of causes on which these phenomena are based. From this point of view, our analysis will be based on the unitary system of general indicators- *the volume of foreign trade, volume of export, export per capita* etc., as well as on a series of computed indicators (such as: *the degree of openness, the degree of concentration*), which we consider complex and eloquent enough in our attempt to determine and quantify the strong and weak points of the Romanian foreign trade in the context of European integration.

We would also like to state that, we started our analyze considering that, under normal circumstances, a deficit of the commercial balance does not necessarily involve a low level of efficiency in economy, because the way in which this deficit is financed matters, generally agreeing that there are countries which are net exporters and countries which are net importers, the difference being covered by foreign loans. As the foreign loans though did not have a correct destination and were not used efficiently, the pooling of direct foreign investments was affected, being important that at the government level to be correct investment policies so that they should cover both the initial loans as well as the commercial deficit. Form this point of view, Romania was permanently confronted with an insufficiency of financial resources coming from abroad[59], while the national potential was also more below the productive investments' needs of the Romanian economy.

The computed statistic data clearly suggests that since 1990, Romania was a net importer, while Romania's exports were quite low at the beginning of the transition period, registering in 1990 only approximately 5727 millions of Euros. Analyzing these data, we notice that for a 7 year period we have witnessed a growth in the exports' value of almost 5.6 times and in that of imports of 5.09 times. The ascending trend is obvious; no matter it is the case of exports, imports

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[59] We mention that fact that the financing of the commercial deficit of the commercial balance is made by current private transfers, but this manner of financing is considered illusory, due to the fact that these transfers depend on exogenous factors and their use in the current consumerism can, actually lead to import stimulation.

or balance of trade, of its deficit respectively. We can notice also an ascending trend of the export per capita, due to actually the growth of the total exports during the entire analyzed period. *Graph 1* presents the evolution of exports and imports, of the balance of trade respectively, and it confirms the tendencies noticed based on the statistic figures, that are a deepening of the commercial deficit of Romania.

Graph 1
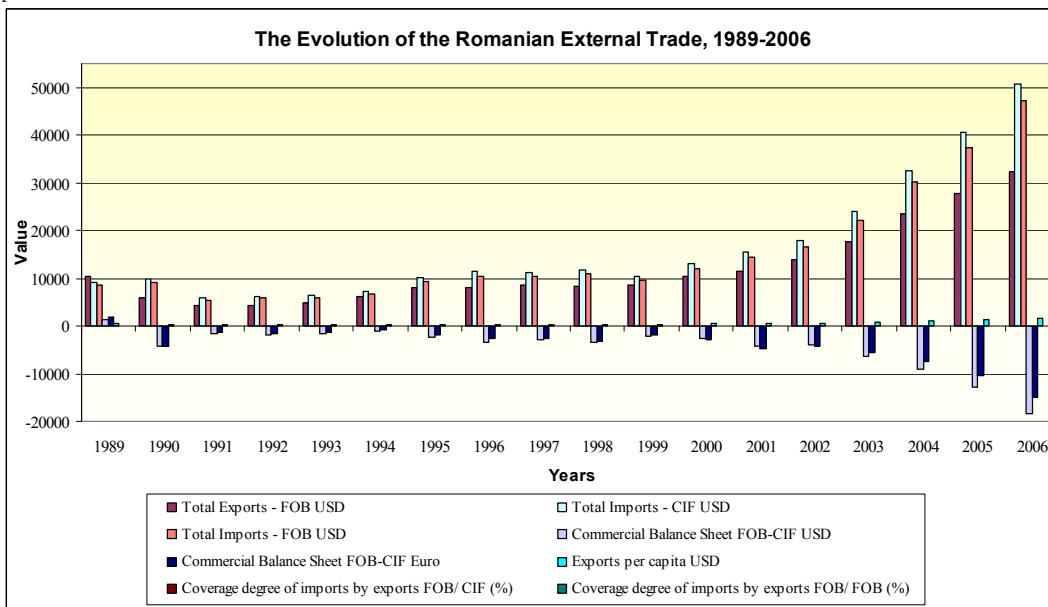
Table 1 provides the indicators of evolutions which, through the way they are computed and interpreted, are suited best for the general analysis of the foreign trade activity and reflect the fact that Romania was among the countries in transition with an inferior evolution of exports compared to the evolution recorded by imports. The computation made based on the data in US dollars of the *Annex 1*, reflects a more accentuated evolution of exports than if we consider an increase of 17.19% compared to the previous year, but if we express the data in Euro, the increase is more modest, around 16,15% (a clearer exemplification comes from the comparison of data for 2004). Obviously, the explanation resides in the more rapid depreciation of the European currency compared to the US dollar as against the national currency, during the same year. The same situation happens in the case of imports, a reason for which our analysis, concentrated also on the values stated in USD (US dollars), is not affected from the point of view of comparisons between exports and imports.

From the analysis of the two entries, we can notice that there were periods when the evolution of exports surpasses the evolution of imports (1991, 1993, 1994, 1997, 1999, 2002), but in the majority of the cases the situation was reverse (in all the other years). The imports had a higher growth than the exports, and the fact that there was a higher starting basis explains actually the existence of the commercial deficit of the country and therefore, of an under-capacity to export of the Romanian economy compared to imports. The superiority of the growth rate of imports compared to the growth rate of exports demonstrates that the liberalization policies of foreign trade have favoured the imports of merchandise and the quantity of goods exported remained reduced.

The evolution of the foreign trade activity in its whole is important because it actually presents both evolutions, of imports and of exports. We present this evolution, too in what follows (based on data in *Annex 1*) for clarification and on the trend of foreign trade in general, as a result of the two evolutions, of exports and of imports.

The trend emphasized in the following graph (*Graph 2*), for the sums stated in US dollars, a trend which does not appear anywhere on the graph for the values stated in Euro, shows us that there has been a relative stabilization of the volume of transactions for 1996-1997-1998, around the value of 20 billion US dollars. Practically, this stabilization results from the relatively constant level of imports and exports in this period and of the relatively low oscillations from one year to another.

Table 1. The Evolution of the Romania's exports and imports during 1990-2006

Year	Evolution of exports (US dollars) expressed in %	Evolution of imports (US dollars) expressed in %	Evolution of exports (Euro) expressed in %	Evolution of imports (Euro) expressed in %
1990	-44.931820	+9.046161	-59.589331	-19.969241
1991	-26,147186	-41,619019	-35,149293	-48,740771
1992	+2,297773	+7,542955	-9,558428	-4,814522
1993	+12,124685	+4.201949	+24,650194	+16,148425
1994	+25,735895	+9,000307	+23,381896	+6,978404
1995	+28,596976	+44,577296	+18,312040	+32,615949
1996	+2,199747	+11,257054	+5,579188	+14,844635
1997	+4,292429	-1,355488	+15,744615	+9,464344
1998	-1,530068	+4,946809	-0,923818	+5,253678
1999	+2,228379	-10,821085	+7,797297	-5,618939
2000	+22,151526	+23,662025	+41,318792	+42,953561
2001	+9,819620	+19,126771	+12,853721	+22,493129
2002	+21,809398	+14,795525	+15,351360	+8,675142
2003	+27,350736	+34,335966	+6,398637	+12,228045
2004	+33,146481	+36,088062	+21,269374	+23,961134
2005	+17,697512	+24,095747	+17,533668	+23,924128
2006	+17,193207	+25,389378	+16,158167	+25,108003
Average	+9,060899412	+12,60414194	-9,735594384	+9,735594353

Source: Personal computations based on statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerţul intraeuropean. O nouă perspectivă asupra comerţului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008

The subsequent growth trend is obvious, due to which we can state that Romania's involvement from the point of view of the total volume of foreign trade in the external economic exchanges is more and more intense. This, at a first sight, would seem an extremely favourable to Romania, in the conditions in which in the world, currently, it is promoted the idea of free trade and the advantages that it can bring. Actually, in the foreign trade's volume imports have a considerable weight which negatively affects the situation of the balance of trade and implicitly that of the current account deficit.

In order to identify the causes contributing to the global deficit of the balance of trade and to the increasing imports we have considered necessary to present data afferent to GDP, respectively the growth (or GDP diminution) in the period analyzed, and therefore, we can notice that the GDP evolution is negative at the beginning of the period of transition, some economists naming this phenomenon as *negative economic growth*. Starting with 1993 though, the bringing to a

normal state begins; therefore we have negative economic growth during 1997-1999, too. (See *Table 2*)

Table 2. The rate of GDP growth, 1989-2006, basis in chain

Year	Real evolution of GDP (%)	Year	Real evolution of GDP (%)
1989	-5,8	1998	-4.8
1990	-5,6	1999	-1.2
1991	-12.9	2000	2.1
1992	-8.8	2001	5.7
1993	1.5	2002	5.0
1994	3.9	2003	4.9
1995	7.1	2004	8.3
1996	3.9	2005	4,1
1997	-6.1	2006	7,0

Sources: Personal computations based on statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerţul intraeuropean. O nouă perspectivă asupra comerţului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008.

Graph 2
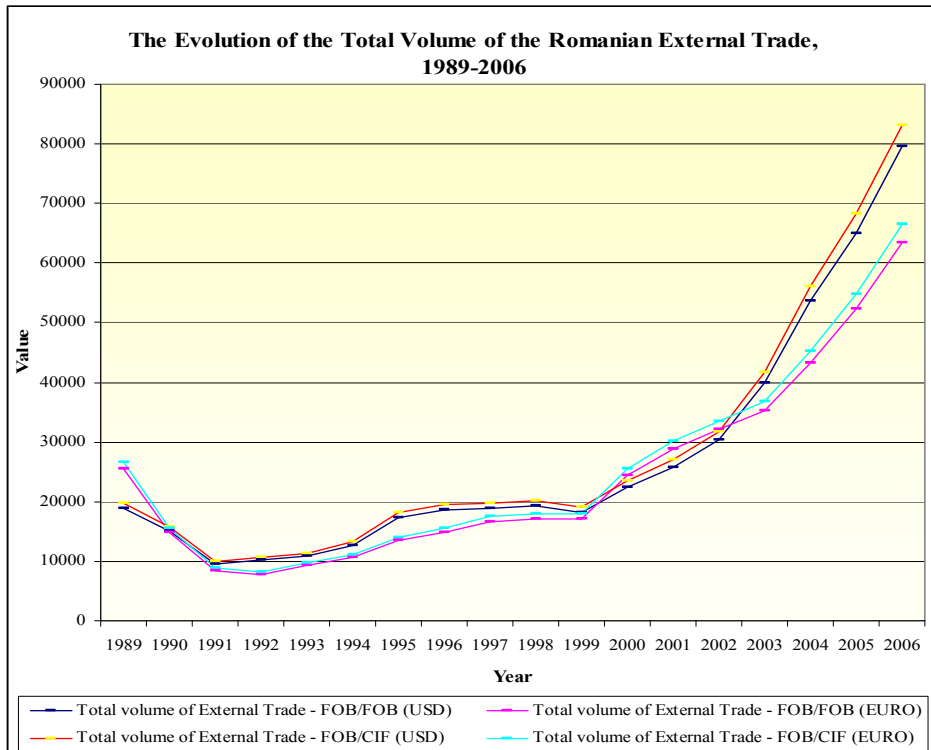
Source: Statistic data provided in the annexes of the book: Giurgiu, Adriana, *Comerţul intraeuropean. O nouă perspectivă asupra comerţului exterior al României (Intra-European Trade. A New Perspective onto the External Trade of Romania)*, Economica Publishing House, Bucharest, 2008.

In *Graph 2* we can notice that the highest rate of external trade volume growth was recorded in 2004, the analysts attributing this growth to the internal consumption, which is partially true as a result of the fact that our date relative to foreign trade reflected a high level of deficit in the balance of trade, meaning that, mainly, the consumption of import goods contributed to the country's economic growth. Let us remember that in that year the consumption credits were launched on the market for the population and thus it was recorded an explosion of import with electric appliances and electronics.

In **conclusion**, based on the above analyse and on the data regarding Romania's foreign trade, to be found in the specialty literature[60] there have been identified three stages of the evolution and tendencies in the Romanian foreign trade, that is:

- 1990-1993 – the stage of the accentuated decline of the Romanian foreign trade due to the changes in the system in the conditions of some massive imbalances on the domestic markets, especially on the important exporters' markets; in this period there was a series of external restrictions derived from the localization of Romania in a geographical area unstable from the economic and political point of view;

- 1994-1998 – the stage of the economic macro-stabilization efforts, characterized by attempts to force the exports, in the context of Romania's integration in the WTO structures and of Romania's candidature to the EU, the Romanian currency depreciated compared to its purchasing power, our country's accession to the CEFTA free trade area;

- 1999-2006 – the stage of real privatizations in the industrial sector and of restructuring the inefficient sectors, of the efforts with a higher degree of simultaneity in creating a liberal economic environment and of real facilities given to foreign investors.

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THE DIAGNOSIS ANALYSIS OF REGIONAL INNOVATION - APPROACHES AND OPINION

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The communitary strategic orientations that the European institutions promoted since October 2006 have at their base the fact that research and innovation have a direct contribution at the prosperity and the welfare of the individual and of the community. The main objective of the research and technological development policy promoted by the European Union is that in the following years this regional group to become the most competitive economy based on knowledge in the world. The studies have shown that the density of the local networks of knowledge and their degree of involvement in the making of a plus of wealth in the region could have a decisive contribution at the dynamism and the competivity of the enterprises, of the business environement, in general.

The promotion of the innovation policy at a regional level imposes a permanent diagnosis of the mechanisms of carrying out the system of regional innovation in such a manner that the efforts are focused on the incontestable priorities, that are the makers of added value and that we should give up the effort to decypher the meaningless details that lead to no future effects.

In the European programms of rising the competivity at a regional level and of occupying the work force the regions are often the managers of a global subvention for whose use the European Comission recommends the making of diagnosises that emphasises the strong and the weak points of the territories through the perspective of the innovation so that the consolidation of some effective innovative strategies is reached in connection to the European stakes.

Romanian projects regarding the regional innovation through the scientific approach that they have in mind try to give the local managers and to the specialists from research, education, a robust methodology of territorial diagnosis and the instruments necessary for steering and innovative management.

1. The systemic approach, creative concept of innovation

In literature it is shown that *knowledge networks* represent a collective factor of economic performance and one of the most important axes of the modern politics of innovation. The notion of "society based on knowledge" has become in the last years a concept that is common to all the states that are members of the European Union. Each economic agent, manager, researcher or employee comes into contact with numerous entities in the sphere of his own unit or in other units that are situated in the same geographical area or in other regions/ countries. From the experience of the developed countries it was noticed that the efficacity and the productivity of each economic agent depends largely on the number and intensity of these connections that become more efficient when the geographical proxemity is higher; because of this one of the main objectives of the European communitary politics is the development of innovation at a regional level. Frequently, the utility and the clarity of the scientific information is lost when their transmission is not made directly, through dialog, but by using informatic techniques of communication, because either the message or its content is altered. For this reason, in the making and following the putting into practice of some innovative projects the meetings "face to face" are preffered. Innovation is an interactive process. For this purpose, the production of

knowledge is necessary, but not sufficient for innovation, it creates potential that has meaning only if it exists as final demand. The production of knowledge must be capitalized through the constant interaction between producers, enterpreneurs, users or intermediaries of knowledge and the public institutions.

The fundamental role of knowledge when we talk about societies, institutions of higher education and research can be described through the image of "triple helix" (science – industry, industry – state, state – science) that is perceived as being the DNA of the economic tissue and of innovation. According to the circumstances, the universities, the industries and the public organisms can play different roles in the innovation process, around the three great actors, science – state – industry, gravitates a large variety of institutional networks. The collective decisions are the result of the complex institutional arrangements between local and national partners, in which the public collectivities play a dominant influence.

A frequent phenomenon that we can find in the modern democracies is the plurality of actors in making the politics of regional innovation. Many times they are situated on rival positions. This is why a correct institutional government of the innovation process means the creation of an equilibrium between the autonomy, cooperation and rivalry of the actors involved. In order to assure the development on the long run of the economical regions, the institutional government has to set the "rules of the game" in the so-called institutional "coopetion" (cooperation-competition); one must make the difference between the subjects that are the object of codecisions and that mean the coordination in activity, and the ones that assure the territorial dynamic through a form of rival politics. The rules of the game indicate the directions on which one can act as to obtain the maximum of effect. French literature and the literature of other European states recommends a demarcation of the action fields of the regional actors as it follows:

- Common fields: diagnosis, vision, the big axis of politics, the management of difficult priorities;
- Coordinated fields: financial and fiscal aid, incubators, the public scientific parks, the transfer organisms of technology that is financed by public fundings;
- Rival fields: the duties of the factories, the counseling in innovation and technique, the financing of the factories, the private incubators, and other actions that have effects through private efforts.

The defining of the regional policies of innovation means the deep knowing of how the regional economy works and the economical evaluation of the existing public strategies.

2. Regional systems of innovation, strategic diagnostic field

The role of the diagnostic analysis at a regional level is to identify the strong and weak points that are specific to the innovation process; it has to be methodical and to go beyond the mere enumeration of the statistical general elements (research staff, added value, investments, research expenses, number of patents) or of the list of universities, research centres, incubators, without being accompanied by argumented and scientific based commentaries.

The conclusions drawn from the analysis of a region must be completed by the diagnosis of the global stakes that are specific to the region, through the examination of the microeconomic dynamism of the actors of the innovation systems, by the appreciation of their capacity to generate knowledge and to turn it into new products and services or in "business models" (innovative) through the evaluation of the acces to capital.

The diagnosis analysis in the field of innovation at regional level is a must and it has to have three main dimensions:

- The analysis of the global components based on the indicators of economic activity and of the innovation potential;
- The analysis of the actors and of the networks of the regional system of innovation;

- The description of the functioning of the innovation government process and of the establishing the strategic priorities.

The deep description of the importance and of the dynamics of the main groups of activities allows the positioning of the specialization of the region as a strong or weak point and the making of the strategic activity clusters on which studies will be made afterwards and action programs will be implemented. The diagnosis analysis will aim at the "macroeconomic" elements of the regional system of innovation, that will be classified in the following categories: general indicators of the economic activity, human resources, financial resourses, data about the innovation environement, "innovation" outputs, the dynamics of innovation.

The diagnosis is the systematic analysis of the regional activity, under different aspects, through the identification of the main indicators that can offer information about the degree of innovation of the region and by the making of comparisons between regions or the European environements, of other countries etc. The diagnosis analysis imposes the putting into practice of an ensemble of quantitative and qualitative methods among which a high degre of use will have:
- Statistical methods: indices, concentration coeficient Gini, growth rates, specific weight, medium rythms etc;
- The score functions;-
- The evaluation ratings;
- Profiles technique;
- Decomposing, grouping and comparing;
- Swot analysis;
- Pareto method;
- Questionaries and surveys.

As general lines the diagnosis means the going through the following stages:
- the identification of the purpose of the innovation analysis at a regional level;
- the determination of the influence factors, of the chance relations betwwen these and of the methods – quantitative and qualitative – that can be applied;
- the analysis of the results and their interpretation according to region;
- proposing an action plan at a regional level;
- establishing the regional innovation strategy.
- presenting an informatic model about the evaluation of the innovation degree at a regional level.

The diagnosis will end by emphasasing the strong and weak points in a synthesis and the conclusions will lead to the making of innovation strategies of the region.

Comparison, as a qualitative method of diagnosis analysis, is best to be made by connecting the results of the region with the data of other regions and European countries. No indicator has scientific value if it is not compared in time and/or in space.

The regions used as a compariosn base in interpreting can be Romanian (them among themselves) because the purpose of this comparison is not to classify te regions, as European Inovation Scoreboard does, not to suggest to the region managers the reproduction of a model that is considered to be the best, but it only invites to reflection strating from the data presented. The major difficulty in analysing the innovation process on a national and regional level comes mainly from the limits of the statistic aparatus and from the fact that weft of the innovation is not really well localized and thus we do not have enough data for innovation.

European Inovation Scoreboard limited the analysis to a set of 7 indicators that describe the main characteristics of innovation in the European regions: the number of the staff hired in science and technology, the degree of participation to the continuous formation of the persons with ages between 25 and 64 years old, the share of the Research-Public Development (C-D) in the region PIB, the share of Research-Private Development in the region's PIB, the existing jobs in the manufacturing fields of low, medium and high technology (% of the total occupation), the

existing jobs in the fields of high techonology of services (% of the total occupation) and the number of patents at the million of inhabitants.

The present scientific paper wants to be a synthesis of the research made by the author with the ocasion of the first stage of the project INNOREG – MODEL AND INFORMATIC PROGRAMME FOR THE DETERMINATION OF THE INNOVATION DEGREE AT THE LEVEL OF DEVELOPMENT REGIONS (INNOREG) – 2008-2011 (see explanations in the paper "Innovation – the cornerstone of the economic succes at an international and regional level"), in which the ASE partner had as a responsability the study of the diagnostic analysis in the field of innovation at a regional level.

3. The selection of the indicators used in the diagnosis of the region

Although the attention of the authors in the project INNOREG is to identify an important number of indicators that can provide useful information regarding the degree of innovation in Romania – at a regional level – the experience of the European states that have tried the same procedure have shown that the analysis will limit itself only to a part of them, for reasons that have to do with the finality of the diagnosis, that has as a purpose the offering of a framework, common and simple, in an operational purpose, in the terms of public policies. The proposed elements that are a part of the diagnosis are available in general in the main informational sources (Eurostat, general indicators that are identified in every region).

The obtaining of information, that allows the making of the innovation indicators, faces an obstacle: the uncertain character of the innovation process. Tradition priviledges the patents (in connection to their number and their quoting) on the one hand and the input of the research on the other hand (expenses for Research-Development, number of researchers, research staff) as being relevant landmarks in the evaluation of the innovation process. In the last years progress was recorded regarding the way of reviewing the inventions that are effectively marketed but their importance is still limited because the obtaining of information is very slow.

The problem that appears is that of determining the measure in which these differnt indicators are combined, can be subtituted or are complementary. Many of the indicators that are specific to the innovation process are re-divided often in the fields of "high tech" manufacturing in the sense that each can be used as a "latent variable of the innovative performance". The situation is in requital, much more complicated in other fields ("low tech" and services).

A study made by Autant-Bernard and N. Massard insists on 5 indicators of output that they apply on the departamental data in the case of France. The main information of output of the innovation are in their opinion: the total number of patents that have a projection in the department, the number of projections belonging to a factory that introduced innovation as a method etc.

The diagnosis of each region imposes the complementary analysis according to necessities, the research project that has to be eleborated only offers a common minimum frame of analysis and presentation, that is called to evolve in the same time with the amelioration of the statistical aparatus.

Innovation is a multiform phenomenon that can be analysed as a transformation process of the resources and that is in the same time the manifestation and the result of a certain dynamics. The French literature regarding this subject describes the different dimensions of innovation through an ensamble of components that can be analysed, each, through a set of indicators, that we enumerated above:

- General indicators of the economic activity performance: refers to the description, with the help of this subensamble of indicators of the demographic and economic global data of the region that appear more as a data base and as results of the innovation process.
- The structure of the economic activity: the structures of the activity are an "entrance" and a result; a strong orientation of the region towards "high tech" emphasises a positive performance of innovation and in the same time a favourable factor of development of new productive capacities.

- Human resources of innovation: in all the studies on innovation and teritories, the degree of preparation of the human resources is one of the most direct elements in the making of the innovation process.
- Financial resources of innovation is also an important factor in all its forms.
- Data regarding the environement – the innovation enviromenet: cultural and technical capacity of dispersing the innovations into the economy is an essential dimension that can be apreciated today through the perspective of some partial and often fragile elements.
- "Output innovation": the dynamic of the exits appears as a particular component of the regional system of innovation because the evolution of the ensamble can manifest itself under very different forms.

These subensambles create among them a system which means that each represents on the one hand the casuality elements for other subensambles and on the other hand they are the results of other components. This synergy is known and from the diagnosis analysis made at a factory level where the same indicator can represent the cause and the effect of other economic phenomena. Mutual interactions are created that generate a favorable dynamics or on the contrary there is the risc that they lose the collective competivity. For example, the "innovation" performance and dynamic of the region depends equally on the human and financial resources; but at the level of international rivalry regarding the human talents/aptitudes and the financing, the growth of the resources is connected to the attractivity of the region, thus to its performances. It is only one of the examples that shows that the economical structures are connected on the long term with other dimensions of the inovation system.

Each dimension is involved in diagnosis through an ensamble of statistics available: *diagnosis is strictly conditioned by the possibilities of the statistical aparatus.* In the majority of cases the relevancy of each of the indicators that reflect the component that we are talking about, respectively innovation, would become a debate topic vaste and sterile; one must make a selection and a determination of the measure in which they are combined and they have a common result; the main goal is to apply the innovation's components in an unitary manner for the region's ensamble.

In certain situations we will mention statistics that will be available in a near future or that are in the making right now. Foe example, we are talking about the limited present possibilities of exploating at a regional level the CIS inquests. The analysis made by this organism allow us to have precise information regarding the importance and the relevance of the innovation policy in factories. Up to now this inquest was not made through a perspective of making its results regional.

For each indicator it would be useful to make simultaneously of a:
- time analysis (for a longer period, taking into account the structural nature of the given phenomena) with the positioning of the region in connection to the medium tendency of the reference regions;
- space analysis, comparisons with similar national regions or to the European regions of reference; if it is possible the comparison will be made with at least one American state and a Canadian region. For Europe a list of regions is proposed; it refers to the regions Flandra, Basque Country, High Austria, Piemont and Midland Region from the United Kingdom.
- positionings of the researched ensamble in connection to the European regions.

The different categories of indicators proposed by the authors have as a main goal the facilitation of analysis through the framing of the results, as strong/ weak points of the region according to a very strict description (swot analysis). For each subensamble a type of synthesis will be made under the form of an apreciation of the potential of the region, that is rated on a quantitative scale, from 1 to 5, mainly through comparisons with reference European regions; the interpretations will allow the emphasis of the possible and prioritary actions in connection to the findings made.

4. The analysis of the strategic priorities at the regional level

The methods used for the analysis of the strategic public options are very different. The strategic and bugetary decisions in general are the result of experience and inspiration of the specialist teams involved. A big importance in the making of the regional innovation strategy it has the demonstration of the share that the reasoning manner have regarding the quantitative methods. The specaility literature recommends to the public managers the specification of the personal criteria of selection and starting from this the manner in which they can build the "basic strategy". After the processing of the information it is suggested to reflect upon the way of governing and of steering of the putting into practice of the innovation strategy in order to find viable amelioration ways. The notion of strategy, well-known in the military field, was taken and even imposed to the factories starting with the '70s in order to mark better the action way in an environment with rapid shiftings and that is dominated by uncertainties on all plans. The strategic approach meant the determination of the activities that "were considered to be the most interesting ones" for the enterprises.

The startegic vision imposes itself nowdays even in the public collectivities, states or regions that should identify te major stakes of the entity, the action course, the priority fields or the way in which public resources should be focused and how to identify the directions towards which it is necessary to accomplish the convergence of the local actors' visions.

The central objective of the regional strategy is the economic development on the long term. Competivity and the economic growth often appear as secondary compared to the objectives that are considered to be major for the region: the growth of the degree of occupation of the work force and the assurance of the social fairness. Innovation is perceived sometimes as being involved in the deepening of the social inequalities and as favouring a limited number of entrepreneurs and employees. International studies show the fact that at an international level there is a certain hesitation among the population regarding the growth of the economy as an effect of the innovation. Some authors think that innovation determines the growth of the technicalness degree and that it diminishes the role of the human work. A simple example shows that in the last decade only by the informatization of the German bank system the number of employees was reduced by 70%. In a similar manner other fields gave up their work force in favor of technology in order to cut down expenses. Other authors consider that innovation on the one hand diminishes the work demand in certain areas but it is also an important generator of new professions and jobs through the creation of new activity fields. The truth will be learned in time; at a global level poverty is still a devastating scourge.

5. The instruments of the regional politics of innovation end their efficacity
The innovation politics has as its disposal many instruments some of which we enumerate here:
- *Actions at the physical resources level:*
- Stimulating savings and investments as well as the actions that will determine the region's attractivity for "external" investments.
- Attracting investements in education and research for:
- infrastructure;
- endowing the universities and the research organisms;
- challanges for improving the quality of the research and of the universitary production.
- *Actions to develop the entrepreneurial dynamism*:
- Actions that tend to facilitate the innovative entrepreneurs and their judicial and fiscal environement that depends mainly on the state;
- Direct and indirect financial support.
- Supporting the creation and the growth of the innovative enterprises, owing to the infrastructure, as scientific parks, incubators or technopoles.
- *Actions regarding the interactions of knowledge between the economic actors:*
- Cells that will support the sipn-off in the private universities or research center, to support the seed capital (amorçage) or of the risk capital.

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- Supporting the dynamics of the innovation phenomena at the level of the economic "tissue", especially through actions of counselling regarding the profit of the IMM, actions to stimulate the demand for knowledge, actions of transfer of knowledge after the institutionalization of the higher education.
- Supporting/ developing an ensamble of private intermediaries.
- Supporting the inovation poles policies (or of competitivity) and of the "clusters".
- *Actions of "policy intelligence"* what is the equivalent of actions conduct type for the improvement of the efficacity of the ways of putting into practice, at the level of defining the policies and at the level of ther following.

There is a real debate regarding the economic efficacity of many of these instruments; the dominant conclusions are that public institutions that have the right to make a decision must ask themselves "what efficacity I expect from the instruments used?", because it depends on the microeconomic circumstances and data: the selectivity and the identification process of the enterprises that support innovation, managing the competence and the efficient functioning of the knowledge infrastructures, and even the simple material realisation of the equipment in cause.

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EUROPEAN SOCIAL MODEL.COMPETITIVE ADVANTAGE OR ECONOMIC HANDICAP.

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*"**Corporative social responsibility**" (CSR) represents equally a very actual debate, but also an appraisal criteria of the dynamic of eco-social integration quality process at European level. Especially that the protection need is demanded by the current economic crisis.*
This concept is meant to combine the position, attitude and behaviour of the trade-unions with the interests of employer's organisations in search of possible influential mechanisms of the competitive advantage at European level. Due to the current economic crisis, the implications on the labour force market are causing an explainable anxiety.
*The attention of the decision takers is oriented towards joining the objectives "**social well being with economic well being**" in view of an expected economic come back. This approach proves a significant change at the level of economic and social policies within the European Union.*

Key concepts:
– *European social model*
– *Social responsibility*
– *Socially responsible enterprise (responsible entrepreneurship)*
– *Triple profitability line*
– *Workforce flexicurity*

The implementing measures of the Lisbon Strategy have pointed out the huge efforts of the European and newly joined countries, materialized in achievements but also in failures and arrears in what is concerning the proposed objectives. On top of these, the effects of the eco-social crisis have added major implications on the employment level at the European market of labour force.

The ideea of equal opportunities for all citizens of Europe, without discrimination, represents a principle and it is a well-known European value. Equal opportunities for all represents a desire and one of the substance components of everywhere democracy, next to liberty and respect of the fundamental human rights.

The aim of the present work is to prove that, in the current crisis context, there is essential for Europe's future to correlate the economic adjustment efforts with new coordinates of European social models.

In this regard, we will draft some dimensions of the eco-social approach of the effects and implications of the crisis at European level, comparing several models of economic[61] and European social models[62].

1.- „Social Europe" in time of crisis

With no exageration, it can be stated that we are now living a temporary crisis of the European labour force market. Indeed, more and more insistently it is spoken of the „*European overponderability*" in what is concerning the enlargement wave. In this direction, the

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[61] William J. Baumol, Robert E. Litan, Carl J. Schramm - ***Capitalismul bun, capitalismul rău şi economia dezvoltării şi a prosperităţii***, Ed. Polirom 2009
[62] Anthony Giddens - ***Europa în epoca global,*** Ed. Ziua 2007

Euroscepticals are formulating their opinion on the basis of the negative effects and lack of efficiency of enlargement on EU space on work conditions and life of the rest of the population.

The problem of the labour market it is not summing up just to quantitatively analyse the demand and the offer of workforce.

The approach of the qualitative size of the labour market requires an interpretative analysis of the qualification level, of the creative potential and other skills that has to possess the worker. The confrontation of workers diferently trained in East and West emphasisis opposite, if not contradictories qualities and lacks, mentalities and behavioural attitudes.

The social aspect has been ignored for a long period of time, the European market focusing almost entirely on the economic issue to obtain a competitive place in the world. The inclusion now of the social issue on the EU concerns due to an enlargement towards states from Eastern Europe that primed the socio-economic conflict, has determined a reorientation of the logics behind economic – social connection.

Now days, it is stated unreservedly that the binomial becomes social – economic. The performances and economic competitiveness can be achieved only through the social responsibility (SR) of the employer. *The ethical investments* are in this case, the motivation of the companies to realise and obtain the "*triple profitability line*", which express the join of the obtaining criteria of economic rentability with social and environmental ones[63].

The concept of "*European social model*" pleads for an in-depth investigation of the opportunities provided by the new good-practice of a global Europe. Confronted with the domino effects of the economic crisis, the EU citizens are asking themselves pressing questions regarding the economic – social future of the Europe that is suffering nowadays on the conflicts of community versus national interests. An anxiety attitude it can be notices in what is concerning "*the future of the European identity*".

The scenario of a "*social model*" is in the same time, questionable and disputable.

The European social model (ESM) is, in Giddens opinion, a disputed notion, since there are views according to which, the model is neither social (entirely), nor European (by tradition), nor... properly a model !

In order to sustain the relevance of the eco-social report, ESM is absolutely dependent on *two essential economic factors: economic prosperity and redistribution schemes*.

In spite of these, ESM is suffering due to the lack of economic support, both factors being put under impossibility sign, since of the actual crisis.

The golden era of the "*welfare state*" has passed since unemployment, inflation, globalisation, lack of social protection measures have gathered and questioning ESM, even determining its collapse. If it is respected the connection ESM – economic prosperity, then the indicator GDP/inhabitant is eloquent to prove that the economic performances are supporting the high level of social performances and standard of living.

The different types of social models: northern (providence state), conservative or corporate (Germany, France, Italy), liberal or Anglo-Saxon (Great Britain, Ireland), Mediterranean (Spain, Portugal, Greece)[64] are a starting point in the analysis of the most suitable development forms of the social space with mutual implications on the economic performances.

In support of the veracity of these correlations, it has been added three criteria that form "*the trilema of economy working*" (according to Esping-Andersen). These are:

1. a balanced budget,

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[63] The information documents concerning the ethical investments (RSI) are low as number, which indicates a lack of concern for this category of investment. They are reaching a level of 5% only in Great Britain. Nowadays, the attitude has significantly changed also at EU level, by reaching a greater level of interest for the RSI products. Thus, 30% of the managers consider RSI of important success on short term and 86% appreciates its profitability on long term.

[64] The classification of welfare state from Europe has been realised for the beginning by Gøsta Esping-Anderson, and reviewed then by other dedicated authors.

2. reduced economic inequalities, and
3. a high level of employment.

We need to mention that these criteria are to be found in Lisbon Treaty.

Of course, the capacity of governments to promote satisfactory policies for all three lines of action is limited. This is why the social models are distinguished through the different combinations of those three criteria; clearly, though never it will be possible to simultaneously achieve all three objectives.

And then, how should we obtain economic growth and social justice in the same time?

An economically disputable idea is that of the correlation of a high level of employment (70% in accordance with Lisbon regulations) with a minimum decent wage. In our opinion, the present European context is marked by the struggle of trade-unions for a level of *European income*, which makes questionable the above-mentioned correlation. The flexibility of the labour market is another dimension that, in theory sounds well.

In reality, the pronounced practice of protectionism by EU leading countries is an opposite reaction to the right of free movement of the workforce.

2.-Competitive advantages of economic development models.

The classification of economies in four categories: state managed capitalism, oligarchic capitalism, big companies capitalism and entrepreneurial capitalism[65] leads to the idea that in the companies behaviour it is compulsory to be introduces the concept of "*corporate social responsibility*" (CSR) in order to define an European system suitable to the human being and not only to the business world. *The responsibility and social cohesion are integral parts of the competitiveness*.

This term has acquired new connotations since, with great insistence, *social affairs, workforce and equal opportunities* have represented at European level the three forces that have expressed the concern and interest for the fundamental objective: creation of new jobs in view of modernizing economies.

The motivation of introducing CSR in the behaviour of companies, it can be found actually in their attitude towards the issue of the hired worker. It is well-known the fact that businesses that disregard or neglect the man and its social problems, especially the position of workers employed, do not meet the ethical criteria. The existence of the market and the analysis of its eco-social dimensions highlight the inequity and the need of social justice caused by the competitive mechanism. Moreover, a behaviour that proves neglect of accountability and social responsibility of the employer towards the employees leads to conflict, unfavourable tensions for work climate and finally to a decrease of the profit.

The second reason for taking into the account the CSR by the companies is the desire to be successful in business, to display a reference example in business world on how to approach the employer to employee, always ready to respond to the issues related to the place and work conditions, the level of income claims, social insurances, etc.

Since the competitiveness is a qualitative feature, it arises that CSR is expressing a trait and a quality of management style and activity organisation that contributes, through its positive effects, to the development of the individual and society progress, diminishing in the same time, the environment impact*. In this case, the social responsibility it can be considered as added value for the company and society.*

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[65] The classification belongs to Baumol-Litan-Schramm authors and it is welcomed to explain the advantages/disadvantages of guiding the development efforts of its suitable markets.

3.- The responsible entrepreneurship and "triple profitability line"

The assessment of the company responsibility level is performed through the awareness of the positive effects of SR on businenesses. The transfer of know how among good practices of the companies contributes to the improvement of the application framework of the social responsibility.

The inclusion of SR in the European policies significantly contributes to the European strategy for economic growth and job creation.

In the partially confuse application and assessment circumstances of SR at European level, there are several approaches that try to prove nevertheless the existence of interest and concerns related to the concept implementation in business behaviour.

Involvement of social actors in policy formulation and search of SR implementation related solution is a task and an objectiv of U.E social-economic policy.

„The culture" of a company is fundamented on compulsory and voluntary basis to adopt economic and social responsibilities. The firms have a economic accountability towards the shareholders and a ethical and social responsibility towards employees.

 The adversity and opposition of the enterprises comes even from the incumbency feature of the constraint and the need to assume the SR measures.

Major issues facing the EU today are:

− *The social-responsible approach* to the problems at European level which can lead to successful economic recovery;
− Application and generalization of a *European "social model"* confirms that *economic competition can be reconciled with social and environmental responsibility*, which means that economic profit can be assimilated with the social-human one;
− Determination of leaders to build a better and stronger Europe, *for the benefit of citizens*.

If the European Commission does not support more vigorously the implementation of CSR principles, it is possible that the UN initiative "Global Compact Network" and the "Global Reporting Initiative" to take the bar in the procedures for implementing CSR.

In the current context of qualitative development of European space, CSR must prove its viability and to manifest as fundamental element of the European social model. The practices related to the social responsibility are a contribution to the sustainable development and providing equal opportunities to all members of the society becomes a long term strategy of the sustainable development.

In a society fully marked by risk and uncertainty of today and tomorrow, the restoration policies do not provide job security or continuity of employment. *The restoration interventionism* as positive approach of social protection comes to ensure further coverage of the risks.

Diversity and welfare, immigration and citizenship, lifestyle changes, environmental issues, climate change associated with energy shock are all the issues of the current period, which we are living in.

Europe's right to a second chance has become an obsession. The idea is fair and retains its identity in the throughout the conceptions marked by a unite Europe's ideology. Here it is a reflection subject for us all.

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THE CURRENT ACCOUNT DEFICIT AND THE FIXED EXCHANGE RATE. ADJUSTING MECHANISMS AND MODELS.

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The main purpose of the paper is to explain what measures can be taken in order to fix the trade deficit, and the pressure that is upon a country by imposing such measures. The international and the national supply and demand conditions change rapidly, and if a country doesn't succeed in keeping a tight control over its deficit, a lot of factors will affect its wellbeing. In order to reduce the external trade deficit, the government needs to resort to several techniques. The desired result is to have a balanced current account, and therefore, the government is free to use measures such as fixing its exchange rate, reducing government spending etc. We have shown that all these measures will have a certain impact upon an economy, by allowing its exports to thrive and eliminate the danger from excessive imports, or vice-versa. The main conclusion of our paper is that government intervention is allowed in order to maintain the balance of the current account.

Keywords: current account, trade deficit, trade surplus, absorption, elasticity, the Keynesian multiplier model of national income, fixed and floating exchange rate.

JEL codes: F32, F31, O11, O24, P1.

1. Adjusting mechanisms of the current account deficit, if the exchange rate is fixed.
Both in practice and theory, the accent is set on the deficit of the external trade balance (and not on its surplus), because the adjusting process determines the reduction of the international reserves, and forces the country to impose corrective measures.
If the exchange rate is fixed, the corrective process involves the transfer of national resources abroad. These transfers can be measured by the following methods, which limit at studying the behavior of the current account and the adjusting process of its deficit: elasticity approach; income approach; absorption approach.

1.1. Elasticity approach
The elasticity approach is based on the variations of the nominal exchange rate (devaluation, appreciation) for the necessary adjustments in reestablishing the external balance. By devaluation or appreciation of the currency, there will be an inflationary or deflationary regime that counts for the growth or decrease of the internal prices.
In the case of a regime of fixed exchange rates, currency appreciation or devaluation are used to optimize the external trade balance. This affirmation is based on some key premises that some economists consider that are arguable in some poor developed countries. These premises refer to the extent that the change in import prices affects the quantity asked by imports and exports, measured by the elasticity of demand by price.
In the case of devaluating the national currency, the relative prices of imports and exports suffer changes. So, the export prices in foreign currency decrease compare with other countries prices, and the internal import prices rise compared with the national products that substitute imports, provoking the decrease of the imports volume, and the growth of the export volume of goods, thus improving the situation of the current account. So, the devaluation concentrates on the

reduction of excess spending on imports, and the appreciation process focuses on the reduction of excess revenues from exports.

The elasticity of imports (exports) by price, is an instrument which shows the measure that physical volume of imports (exports) suffers modifications, when the price fluctuates. This is reported like this: $E_{M(X)}$ = percentage modification of imports (exports) quantities / percentage modification of imports (exports) prices.

If the price modification reflects in the modification of imports, than the demand is elastic to the price. If the demanded quantity suffers less modifications, than the demand is inelastic to the price.

If the elasticity of demand for imports based on prices is nil, than the demand for imports is perfectly inelastic, and the same amount of goods will be imported no matter what the price is in the national currency.

1.2. The absorption approach

The absorption approach is the name of a set of ideas about the external trade balance, associated with the work of Meade, Alexander and Mundell, expressed in a paper by Johnson (1958).

In a closed economy, the national income can be separated into sectors where the production is being sold: consumption, investments, public spending; and also in those sectors where it is won: consumption, saving and taxes: C+S+T = Y = C+I+G, (1) were: Y is the national income, C is the consumption, S is the national private savings, T is the taxes, I is the national investments, and G are the governmental spending.

Because C +I +G = A, were A is the internal absorption, it results that Y=A(2).

From equation (2) we conclude that in a closed economy, the national spending has to be equal to the national income. And, if we assume that there is a budget equilibrium (G=T), it results that the national investments has to be equal to the national private savings (S = I).

When we pass to an open economy, we add the income earned through exports (X) minus the national spending on imports (M). The equation becomes (1) C+ S+T = Y= C+I +G +X-M(3)

By reorganizing the equation number (3), we obtain: X-M = (C+ S+T) – (C+I +G) = Y-(4)

The national income can be larger or smaller than the internal absorption, meaning that the current account output can be a deficit or a surplus.

Starting from equation number (3) and by rearranging the terms we have: S +(T-G) –I = (S–I) +(T-G) = X-M(5). The equation number (5) signifies that the net financing capacity of an economy = net financing capacity of the private sector from which we lower the need of financing of the public sector = the account of the current operations.

If we consider the budget surplus (T-G) as governmental savings, or the budget deficit as spending, we can define the national savings as EN = S+(T-G). Than the equation cand be written EN - I = BC (6). This equation has the following meanings: the total national savings out pass investments with a sum equal to the external trade balance account.

1.3. The income approach (the Keynesian model of the national income)
1.3.1. The Keynesian model of a small country

The income approach refers to the effects of the national income modifications over the adjusting process of the current account. The modifications of the national income can contribute positive or negative to the correction of the external imbalance, but in both cases, the effects can be incomplete, having to be accompanied by alternative correction measures, like the change of the nominal exchange rate.*This analysis derives from the model of the Keynesian simple multiplier, in the case of a small but open economy.*

The national income in an open economy is determined by the sum of consumption, investments, governmental spending and the net external spending on goods and services. So, by resuming the equation number (3): Y = C + I + G + (X - M)(3)

$$C = C^* + cY \quad (7)$$

In the simple Keynesian model, both governmental investments and spending are considerate exogenous (fact showed by the asterisk in the right of the letter) $I = I^*$ şi $G = G^*$

The demand for exports (imports for foreigners) is a function of relative prices and national income from abroad (Y^*): $X = X_d (E, Y^*)$

So the simplified formula for the demand of exports, regarding the fact that the exchange rate is fixed, and the foreign income is exogenous, we have: $X = X^*(8)$

The demand for imports depends on the relative prices and the national income: $M = M_d (E, Y) = M^* + mY$, (9) were: Y is the national income; C is the aggregated consumption; C^* is the autonomous consumption; c the marginal inclination to consumption; I^* are the autonomous investments; G^* is the governmental autonomous spending; X is the exports determined by external factors (like the external income); M is the aggregated imports; M^* is the autonomous imports; „m" is the marginal inclination to imports affected by the national income, and assures the connection between the national income and those of the imports. We consider "m" as positive and subunit, following the fact that imports are an increasing function of national income. So the imports go the same way with the national income, but in a smaller proportion.

Replacing the equations (7), (8) and (9) in the equation number (3), we obtain: $Y = C^* + cY + I^* + G^* + X^* - (M^* + mY)$

$$\Delta Y = \frac{\Delta C^* + \Delta I^* + \Delta G^* + \Delta X^* - \Delta M^*}{1 - c + m} \quad (10)$$

The multiplier of an open economy, like in the equation number (10) is $\frac{1}{1-c+m}$. This is smaller than in a closed economy, ($\frac{1}{1-c}$) because of adding the marginal inclination to imports (m), which represents a leakage of incomes abroad care.

$$\frac{1}{1-c+m} \langle \frac{1}{1-c}$$

$1 - c = s$, were „s" is the marginal inclination to savings.

The equation number (10) can be expressed:

$$\Delta Y = \frac{\Delta C^* + \Delta I^* + \Delta G^* + \Delta X^* - \Delta M^*}{s + m} \quad (11) \text{ or } \Delta Y = \frac{\Delta A^* + \Delta X^* - \Delta M^*}{s + m} \quad (12) \text{ were}$$

$A^* = C^* + I^* + G^*$ represents the exogenous component of the aggregated demand.

The multiplier for any autonomous component of the spending is: $\frac{\Delta Y}{\Delta A} = \frac{1}{s+m}$ (13)

In practice, the sum between „s" and „m" is less than 1, and by this ht multiplier is supraunit. That means that an autonomous increase of spending can provoke the increase of the national income in a greater measure.

The equation number (11) can be used for determining the impact of the modification of the components of the national income over the external equilibrium. The current account can be expressed like this (if we consider that as majority the commercial flows, and the other components – the income and transfers – unimportant): $CC = X - M$ resulting $\Delta CC = \Delta X - \Delta M$ (14)

By replacing the equation number (9) în the equation number (14) we obtain $\Delta CC = \Delta X^* - \Delta M^* - m \Delta Y$ (15)

With the help of the equation number (15) we can determine the direct impact of the modification of autonomous imports and exports, and the indirect impact of the modification of any component of the national income, over the external equilibrium. So, the changes of the national income (in any direction) will affect the external equilibrium.

By introducing in the equation number (15) the ΔY from the equation number (11), and by rearranging the terms, we obtain:

$$\Delta CC = \frac{s}{s+m}\left(\Delta X^* - \Delta M^*\right) - \frac{m}{s+m}\left(\Delta C^* + \Delta I^* + \Delta G^*\right) (16)$$

If we suppose that ΔM^* is very small, almost equal to zero, than: $\Delta CC = \Delta X^* - m\,\Delta Y = \Delta X^* -$

$$m\frac{1}{s+m}\,\Delta X^* = \frac{s}{s+m}\,\Delta X^* (17)$$

The expression $\dfrac{s}{s+m}$ is smaller than 1, which means that external trade balance is improving less than the exogenous growth of exports, because of the increase of imports based on the increase of the national income.. Per total the effect is positive, because imports don't increase as much as exports.

1.3.2. The Keynesian model with two big countries

In this model we consider two countries large enough to affect each other's national income, because the development of the rest of the world depends on the evolution that country, and the exports evolution of the host country depends on the abroad evolution. By this, the rest of the world (in order to ease the analysis we consider the rest of the world as one country) and the host country are interdependent.

Because the abroad national income is endogenous, the foreign country shapes itself analog to the host country, admitting that its exports are the imports of the host country. This depends on the national income of the host country: $M = M^* + mY (18)$

The imports of the foreign country are the exports of the host country. These depend on the national income of he foreign country: $X = X^* + m_s Y_s$ (19) were m_s is the marginal inclination to imports of the foreign country, s_s is the marginal inclination to savings of the foreign country, and Y_s is the national income of the foreign country.

So, from the equation number (19) results that when the national income increases abroad, the foreigners import more from the analyzed country.

In the equation number (12) X^* is replaced by the new expression of exports, resulting a new formula of the *equilibrium national income*: $Y = \dfrac{A^* + X^* - M^* + m_s Y_s}{s+m}$ (20)

From the above equation we assume that the internal national income depends positively from the foreign national income. When a big country registers an expansion, it imports more from its trading partners.

In these conditions, the solution for the foreign equilibrium income is: $Y_s =$ $\dfrac{A_s^* + M^* + mY - X^*}{s_s + m_s}$ (21), were A_s^* represents the autonomous component of foreign spending.

The equation number (21) is the version for the foreign country of the equation number (20). The equilibrium national income for any of the two countries is obtained by resolving simultaneous of the two equations. The multiplier of an expansion of the host economy is:

$$\frac{\Delta Y}{\Delta A} = \frac{1}{s+m - \dfrac{m_s m}{s_s + m_s}} < \frac{1}{s} (22)$$

This is larger than the multiplier of a small country $1/(s + m)$, because a part of the spending that gets out of the country as imports they comeback as exports. Also, the multiplier from the

equation number (22) is smaller than that of a closed economy (1/s), as long as "m" and "s" are higher than zero.

In the case of the model with two countries: $\Delta BC = m_s\Delta Y_s - m\Delta Y$ (23). From the equation number (23) we find that if the host country registers an expansion larger than the foreign country, than the host country will suffers a deterioration of the external trade balance, assuming that two countries have the same marginal inclination to imports.

1.3.3. Transmitting the economic shocks in the Keynesian model

Next, we will analyze the way of transmitting, over the borders of one country, the economic shocks, in the conditions of a fixed exchange rate in comparison the floating one, starting from the Keynesian model. This comparison is one of the criteria that a country uses in order to chose its exchange rate.

1.3.3.1. Transmitting the economic shocks in the case of a fixed exchange rate

For simplicity we start from the premise of a small country. Another premise is to ignore the repercussion effects due to the modifications of the foreign national income.

According to the equation number (13),an internal imbalance, like a reduction of the demand of investments, can provoke the decrease of the internal national income with $\dfrac{\Delta Y}{\Delta I^*} = \dfrac{1}{s+m}$ in the mode with a small country. An external imbalance, like the reduction of the export demand, can provoke the modification of the national income wit the same amount: $\dfrac{\Delta Y}{\Delta X^*} = \dfrac{1}{s+m}$. In this case, a part of the foreign modification is transmitted, through the external trade balance, in the host country.

In the model with two big countries, the export multiplier is higher (as we can observe from the equation number (22)), because a part of the national income leakages return as imports, return back as exports

1.3.3.2. Transmitting the economic shocks in the case of a floating exchange rate

In the case of the floating exchange rate, the Central Bank doesn't intervene. We assume that there are no capital, financial or transfer flows, so the external trade balance is nil. In the condition of a floating exchange rate, you cannot realize a surplus of the external trade balance, because the excess of the foreign currency, obtained by reducing imports, provokes the appreciation of the national currency, which in return supports imports and discourages exports.

The zero sum of the external trade balance means $\Delta BC = \Delta X^* - m\Delta Y = 0$, from which results $\Delta X^* = m\Delta Y$.

The reduction of net exports determinate by the appreciation of the national currency has to be suffice to counteract the downfall of imports provoked by the diminish of the national income. To calculate the variation of the national income we start with the equation number (11): $\Delta Y =$

$$\frac{\Delta I^* + \Delta X^*}{s+m} = \frac{\Delta I^* + m\Delta Y}{s+m}$$

$$\Delta Y = \frac{\Delta I^*}{s} \ (24)$$

1.4. Conclusions of the mechanisms that adjusts the current account when the exchange rate is fixed.

The adjusting problems do not appear in the case of flouting exchange rates, because in this regime the adjustment is automatic and its determined by the market conditions. The nominal

exchange rate reacts in the changes of the supply and demand of imports and exports, and thus, the adjustment of the external balance is done automatically.

The analysis stated above has only one major flood, and that is the minimization of the external balance to a null entry in the current account (the difference between imported and exported goods and service registered in the current account), the capital and financial accounts not being analyzed This characteristic imposes serious limits regarding the conclusion of this paper.

In practice, the external balance is equal to the zero sum of the aggregate current account and the capital and financial accounts. By introducing the capital and financial accounts, changes the shape of the analysis in a radical way.

Although the model of the national income multiplier is restrictive, with its help some interesting information can be obtained.

The most important conclusions are evident in the simpler form of the Keynesian model, when the foreign national income is considered constant. This premise is realistic if we assume that the host country is to small to influence the foreign national income. The first conclusion refers to the variation of government spending. Such changes have a multiplying effect upon the national income, because at every round of spending, a part of the obtained income is transforming in more spending, but the effect upon the national income is lower than in a closed economy, because a part of the income is spent outside the country for new imports, which can increase the deficit of the trade balance. Feedback effects through the foreign national income can be obtained only in the case of big countries, and amplifies the effects upon the internal national income.

The next conclusion refers to devaluation. If the Marshall-Lerner condition is obtained, the devaluation of the national currency will determine the improvement of the trade balance, and of the national income, because of the multiplier, but because the growth of the national income amplifies imports, the improvement of the trade balance will be smaller than in the case of omitting the effectsof the income.

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SIBIU EUROPEAN CULTURAL CAPITAL PROGRAM: MEASURING THE IMPACT ON THE ACCOMMODATION SYSTEM

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The Sibiu 2007 European Cultural Capital (ECOC) was monitored in order to highlight the long-term impacts of the event. Preliminary findings on the tourism impacts are presented based on field research among visitors and statistics and field inventory. The most visible as well as the most significant impact on the city is the growth of accommodation supply. Not only did the number of licensed units and room grow substantially, but there was also considerable growth in the informal accommodation sector. Not only the city of Sibiu, but also the surrounding region benefited from the ECOC opportunity. The research shows that although the informal sector was able to respond fastest to the growth in accommodation demand, the greatest economic impact came from the development of large commercial hotels in the city itself.

The European Capital of Culture staged in Sibiu during 2007 was a unique event. It was the first European Capital of Culture (ECOC) to be staged in one of the post-2004 EU accession countries, and it represented a major challenge in being staged just as Romania was joining the EU. A framework for monitoring the impacts of the 2007 ECOC in Sibiu was established in January 2007, as part of the ATLAS Winter University, which formed part of the ECOC programme. Pilot surveys were carried out with residents and visitors in order to design the final research instrument. This was largely based on questionnaires already utilized for other ECOCs, including Rotterdam (2001), Salamanca (2002) and Luxemburg (2007).

The surveys were also designed to provide comparisons with earlier surveys conducted in Sibiu by the "Lucian Blaga" University in the framework of the ATLAS Cultural Tourism Research Project. These surveys provide a useful benchmark for the period before the ECOC, with data collection having started in 2001. This research, which is still in progress, has revealed some particular methodological problems that arose in comparing field research with official or officious statistical data. Most of these issues are related to accommodation data.

In attempting to measure the tourism impact we have found that it is difficult to separate the impacts of the ECOC itself from the general growth in tourism supply in Sibiu, which would probably have shown some growth without the ECOC. However, looking at the pace of growth, it is clear that the period after 2007 has seen a substantial increase in the supply of hotels and other accommodation facilities. In particular there was a sharp increase in the number of hotels and hotel beds in the city of Sibiu itself.

Capacity in Sibiu county hotels, 2006-2009 according to official statistics

	2006	**2007**	**2009**
units	22	27	43
rooms	1072	1227	1988

This growth has been reflected to a greater or lesser extent across the county of Sibiu and in other categories of accommodation as well.

Capacity in Sibiu county all accommodation, 2006-2009 according to official statistics

	2006	**2007**	**2009**
units	271	359	481
rooms	2316	3057	5039

The overall result has been a doubling of total accommodation supply since 2006.

   % growth in accommodation supply 2006-2009
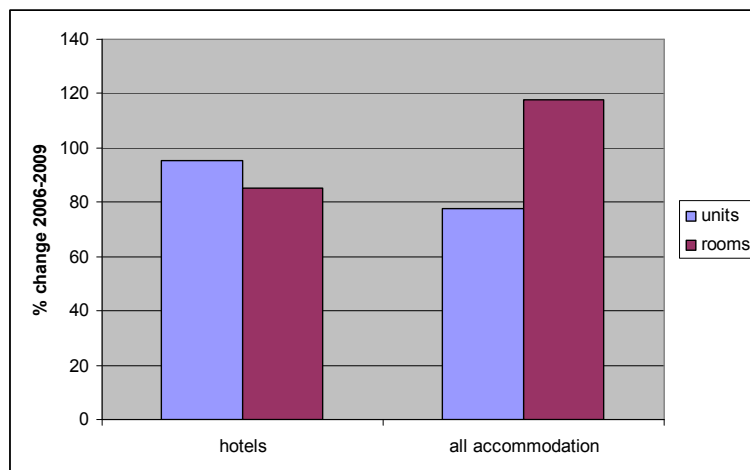
Trends in the economic impact of tourism are also evident from the data on tourism tax revenues. These show clearly that 2007 marked a giant leap forward in terms of the development of the tourism economy of the city and the contribution of tourism to civic finances. Tourism tax revenues grew by over 70% between 2006 and 2007, and have remained at these high levels in 2008 and 2009. In spite of the general downturn in tourism in Romania, tax revenues were still 70% higher in the first half of 2009 than they were in 2006. This shows that the ECOC was successful in stimulating a qualitative change in the development of the tourism industry in the city.

Although the overall pattern of growth in accommodation supply is clear, detailed analysis of the accommodation data reveals major challenges in trying to reconcile different sources of information. Hotel statistics present considerable problems of analysis, because of different categorizations and a lack of coverage of certain types of accommodation. The Master Plan for tourism in Sibiu County presented in November 2009 by Marketscope shows that Sibiu County has a total of 518 accommodation units, of which most are rural tourist pensions (159), followed by general category of pensions (124) and urban tourist pensions (66).

Types units	Classified				Inventory (total tourist)			
	Number of units	% Of total units	Capacity (capacity)	% Of total capacity	Number of units	% Of total units	Capacity (capacity)	% Of total capacity
Apartments for rent	1	0.3%	2	0.02%	18	3.5%	117	0.9%
	11	3.3%	464	5.2%	36	7.0%	1,173	9.1%
Rooms for rent	14	4.2%	152	1.7%	17	3.3%	176	1.4%
Camping	2	0.6%	120	1.3%	2	0.4%	120	0.9%
Hostel	8	2.4%	389	4.3%	18	3.5%	984	7.6%
Hotel	32	9.5%	3,107	34.6%	39	7.5%	3,584	27.8%
Motel	7	2.1%	257	2.9%	8	1.5%	281	2.2%
Pensions	69	20.6%	1,218	13.6%	124	23.9%	2,144	16.6%
Rural Tourist Pension	125	37.3%	1,865	20.8%	159	30.7%	2,332	18.1%
ourist town Pensions	61	18.2%	1,173	13.0%	66	12.7%	1,278	9.9%
Villas	5	1.5%	236	2.6%	31	6.0%	704	5.5%
TOTAL	335	100%	8,983	100%	518	100%	12,893	100%

Sibiu County: synthesis parameters of accommodation capacity BY TYPE OF UNIT, CLASSIFIATION OR AS ASSUMED BY THE UNITS

Source: Marketscope (2009)

In respect of accommodation available, rural tourist pensions account for less than one fifth of the total (18%) and hotels account for approximately 28%. But pensions have almost half the total volume of accommodation available in the county (44.6%).

Accommodation supply in Sibiu County, 2009 (official statistics)

Types units	Sibiu County Number of units	Sibiu County Capacity (places)
Hotels	28	2473
Hostels	3	147
Motels	7	197
Touristic Villas	6	263
Touristic Chalets	11	396
Touristic boarding houses (pensions)	32	580
Agro-tourist boarding houses (pension)	74	1135
Camping	1	120
School and pre-school camps	7	590
Touristic house let-type units (*casute*)	3	112
Total	172	6013

Hostels and camp sites are not counted either by the Sibiu County Statistics Direction's monthly report or the National Institute for Statistics. The data as presented in Annex 2 of the Master Plan also show that some of the listed units are excluded from the statistics, as accommodation units of less than 5 bed spaces were not taken into account by official statistics and from January 2009 all units with less than 10 places were excluded.

Comparing the data from various sources underlines the problems in monitoring the accommodation impacts of the ECOC.

Accommodation supply according to different data sources, 2005-2009

	2005 statistics	2006 statistics	2006 licensed	2007 statistics	2007 licensed	2009 statistics	2009 AJTS	2009 licensed	2009 inventory
total county									
units	111	120	273	137	359	172	481	335	518
rooms			2315		3057		5039	3335	5417
places			7399		6352	6013	12083	8983	12893
average places/room			3.20		2.08		2.40	2.69	24.89
average places/unit			27.10		17.69		25.12	26.31	24.89
sibiu town									
units			62		82		162	108	148
rooms			1029		1321		2284		2284
places			3756		2463		4633	3735	4584
average places/room			3.65		1.86		2.03		2.01
average places/unit			60.58		29.91		28.60	35.05	30.97
around sibiu									
units			170		221		189	no data	189
rooms			852		1305		1289		2284
places			2199		2487		3919		4663
average places/room			2.58		1.91		3.04		
sibiu and surrondings									
units			232		303		351	no data	
rooms			1831		2626		3573		4568
places			5955		4940		8552		9247
other locations									
units			41		56		130	no data	
rooms			434		431		1466		849
places			1444		1412		3531		3648
% of sibiu in county									
units			44.45		43.21			0.00	440.93
places			50.76		38.62			42.14	35.55

In general, the data show that the surrounding regions of Sibiu (villages and towns with in 30 km of the city) reacted sooner than city to the opportunities presented by the ECOC. The main growth in the Sibiu region took place in 2007, but the main expansion in the city itself didn't come until 2008, largely as a result of the delayed opening of major hotel projects there.

It is clear that the Sibiu region has a large number of small capacity units (most of them pensions), which practically double the accommodation capacity of the city. Field research has shown that the prices in this area are much lower than in Sibiu itself, and clients choose them not only on the basis of lower prices but also as a distinct offer, with a rural lifestyle contrasted to the urban experience offered by the city.

According to the Tourism Ministry data Sibiu county had 2315 rooms with 7399 places (3,2 places / unit) in 2006 compared with 4354 units with 11882 places (2,96 places / unit) in 2009. The number of units also grew significantly in the city, from 1029 units with 3756 places (3,65 places / unit) in 2006, to 2062 units with 6106 places (2,96 places / unit) in 2009. In spite of the opening of large chain hotels in Sibiu the smaller accommodation units grew faster. In the period before the ECOC in 2002 – 2005 this led to a shift away from tourists staying with friends and relatives towards staying in the newly-opened small accommodation units.

Although the informal sector was able to respond more rapidly to growing accommodation demand prior to the ECOC, our field research shows that few small owners had any specific business strategy or marketing plan. Some owners took advantage of growth in demand by opening their own website, often linked to the homepage of the Municipality. Many simply relied on month to month promotion. There is a general lack of professionalism among smaller accommodation operations and there is a need for special training.

The most surprising findings relate to the influence that the city has in the surrounding areas. These areas saw a growth in accommodation units of 116% between 2006 and 2009, and a 98,4% growth in the number of beds over the same period. Together, the city and the surrounding areas

now have 3904 units with 19469 bedspaces, or almost 90% of the capacity of the county as a whole. The city of Sibiu itself only accounts for 53,3% of overnights in the county, which indicates that the city has generated tourist flows in the surrounding region more than in the city itself. Building the tourist offer for Sibiu must take into account the surrounding regions both in terms of additional supply and as a complementary tourism product.

However, effective planning for tourism development must also be based on accurate information about the supply of accommodation. These official figures from the Sibiu Department of Statistics are calculated using a sample of the licensed tourist accommodation units. In using these statistics the composition of this sample must be taken into consideration. Because of the ECOC the sample for Sibiu is larger than those for other counties as stated by officials from Sibiu Department of Statistics. It is very difficult to use detailed data from this source as the databases are custom-made and have to be analysed by the Department itself. These databases also contain no qualitative information on issues such as: tourist motivation, sources of information, tourist expenditure, etc. To gather these data field research is required.

The importance of collecting more detailed statistics is indicated by long term trends in tourism demand. An important change in the tourist season has occurred since 1990: a change in seasonality for high category hotels. Until 1990 all hotels were full from April until October because of mass tourism and coach groups. During the low season from November to March the only foreigners were Soviet groups on their way to visit relatives on Hungary, Czechoslovakia or the GDR. Now the major chain hotels have their low season in summer and their high season in spring and autumn because of events organized in Sibiu mainly by Romanian companies or global companies located in Romania. Further investigation is required to analyze this trend.

There are also no available data on the turnover of tourism industry in the city. Direct observation has shown that the restaurants are well developed in the city and in the neighborhoods. They are not only serving local people but also contribute to the animation of the areas in which they are located. During January 2007 the students of the ATLAS Winter University found that 84% of people visiting the main square regarded the general atmosphere of the city as the most important factor in their visit.

Some of the increase in hotel revenues is due to tourism growth, but there is also an important effect from the upgrading in the hotel stock. By 2009 Sibiu had an additional 6 four or five star hotels compared with 2006.

Number of hotels by category in Sibiu

	unclassified	1*	2*	3*	4*	5*	total
2006			6	6	1		13
2008			5	9	1		15
2009	3	1	7	12	6	1	30

Because many of the hotel projects related to the ECOC were not actually operational until 2007 or even in 2008, the biggest effects of hotel development were actually felt the year after the ECOC.

Not only did tourism increase, but visitors also stayed in higher grade accommodation and therefore paid higher average room rates. This picture only began to reverse in 2009 with the effects of the crisis, but this decline is also in line with national trends.

The growth of hotel accommodation in Sibiu itself also had a strong impact on the surrounding region. Growth in the regions close to Sibiu was just as strong as in the city itself.

Accommodation units in Sibiu County
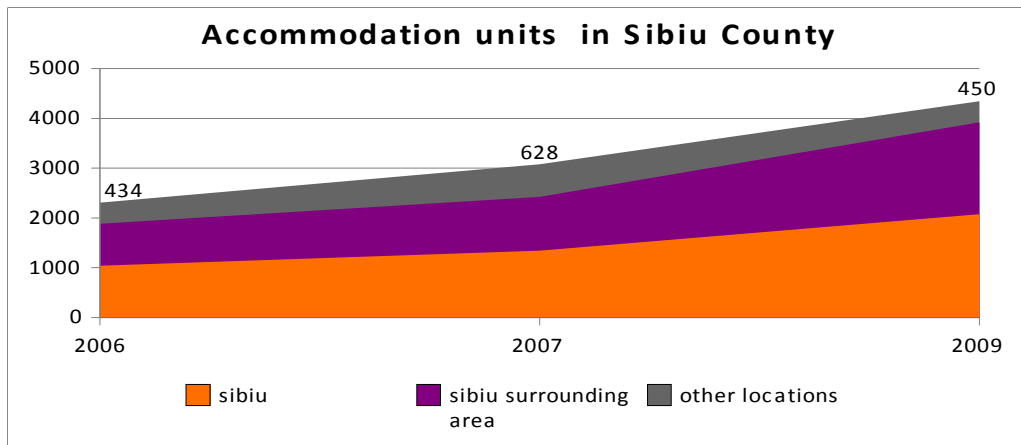
In conclusion, our preliminary findings show that Sibiu ECOC has had a strong impact on accommodation development both in terms of quantity and quality, not only in the city itself but also in the surrounding region. Although the informal accommodation sector responded fastest to the opportunities offered by increased demand stimulated by the ECOC, the greatest economic impacts were derived from the opening of high-quality chain hotels in the city centre.

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THE COMPETITIVENESS OF EMU MEMBER STATES IN THE FINANCIAL CRISIS

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In the context of the financial crisis the imbalances in the euro area have been underlined. The issue had been previously debated during the years preceding the financial crisis, but the strong global economic expansion and the ongoing economic integration within the euro area partly masked the problems arising from these differential developments. This paper analyses the advantages and disavantages of the monetary union before and during the financial crisis and focuses on identifying solutions to correct the structural problems that are at the root of the economic divergencies within the euro area. Another issue that we discuss is how did price competitiveness diverged from one euro-area member state to another since the introduction of the euro, causing gains in price competitiveness for a small group of countries and significant losses for a larger group. The issue of competitiveness is essential for Romania as we are heading towards joining the euro zone.

Key words: EMU, competitiveness, structural problems
JEL classification: H7, O2, O4

1. Introduction

It is clearly that since it was created ten years ago, the economic monetary union contributed to a favourable climate for economic growth within the euro area. Throughout the financial crisis, however, the euro proved to be far more than a growth factor for the euro area. In several respects it has stabilised the member economies (the absence of exchange-rate risk within the euro area has represented an additional benefit during the crisis avoiding problems like appreciating currencies and inflationary pressure). Practically, it has significantly diminished money market tensions and therefore served as a buffer against global financial market shocks.[66]

At the start of the global recession, the Euro appeared to be faring relatively well. Germany and France were two of the first major OECD economies to emerge from recession. The collapse of Iceland had many people suggesting the Euro as the solution to global instability. However, in the past few months, the growing problems of Greece and other peripheral Eurozone countries have highlighted some of the problems with the bold Single Currency experiment.

The first problem facing the Eurozone is the prospect of a deep and persistent recession in the southern Eurozone economies. Greece, Spain and Italy already have falling GDP, but, current economic policies make it hard to see how they will recover.

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[66] Weber, A., Challenges and opportunities for the competitiveness of EMU member states. The euro in the financial crisis, Presentation at the Copenhagen Business School, Copenhagen, 22 March 2010

Taking the specific adjustment processes in a monetary union into account, we have to think about the conditions for sustainable growth in all euro-area economies and about how they can be achieved.

2. Literature review

There are several papers on the subject of the European Monetary Union. We will provide only a short description and analyse of the way the idea was created, developed and implemented.

After 1993, when economic growth was strong, both in Europe and The United States, the enthusiasm grew among European policy makers for completing the transition to the monetary union. Still, there were two countries that dropped aut of the process: the United Kingdom and Denmark. Targets for inflation, interest rates, exchange rate stability, and fiscal stability were set as criterion for participation in the monetary union (the most important: a budget deficit of not more than 3 % and a public debt of not more than 60% of GDP).[67]

In order to preserve the fiscal discipline, a Stability Pact was agreet in June 1997, and for stabilizig exchange rates between the euro and the currencies of the EU members that hadn't entered the monetary union, an ERM II was established. As for the ones that were do to enter the euro area, they agreed to lock their exchange rates from the mid-1998 for January 1999.

In 1998, The Economic Council decided for a large monetary union (including: France, Germany, Austria, Belgium, Luxembourg, Netherlands, Ireland, Italy, Spain, Portugal and Finland. The European Monetary Institute was created to prepare the common monetary policy.[68]

The European Central Bank developed the common monetary policy, focused on establishing anti-inflationary credentials. Critics argued that it was excessively rigid in what unemployment was concerned, but it allowed inflation to repeateadly stray above its target of 2%. The introduction of the euro began in 1999 and was completed at the beginning of 2002 (including Greece).

In 2002 and 2003, Portugal and then France and Germany violated the rule concerning the maximum percent of budget deficit in GDP. The Stability Pact was repeatedly bent and broken, under the umbrella of reformation in order to permit greater budgetary flexibility.[69]

The ECB considered price stability as an important objective, so in the context of a common monetary policy, the only tool that remained for dealing with each country's difficulties was national fiscal policy. The effective use of this instrument requires a budget close to balance in good times, so that a larger deficit would not damage confidence.

3. Implementation of the ECB Common Monetary Policy

3.1 Joining the euro area: advantages and disavantages for national economies

Obviously, a single monetary policy was difficult to satisfy the needs of several national economies. For example, Italy, which competed with China in the production of specialty consumer goods, would have preferred a weaker euro exchange rate and a looser ECB policy, in contrast with Ireland, whoose fast growing economy lead to rapid increases in property prices, so a tighter ECB policy would have been preferred.

For the relatively poor countries, like Portugal, joining the euro area meant decreasing the interest rates, which lead to growth of house-hold consumption and investments of firms. Increased demand resulted in increased wages, lagging competitiveness, and rising unemployment. The only solution was deflation and fiscal restraint, which were rising political issues at the national level.

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[67] Miron, D., Folcut, O., *Economia Integrarii Europene*, Editura Universitara, Bucuresti, 2008
[68] Ghica, L.A. et al, *Enciclopedia Uniunii Europene*, Editura Meronia, Bucuresti, 2005
[69] Eichengreen, B., *Globalizing capital – A History of the international monetary system*, Princenton University Press, 2008

The main advantage of the single currency is that it eliminates most of the financial risks, as the intra-European exchange rates fluctuations could no longer be a source of such risks, or of amplifing them. Another positive result of the euro was stimulating the growth of European secuties markets, by the effect of scale economies on bond markets, greater liquidity and lower transactions costs. It became easier for companies to issue bonds, which meant they benefited from a lower cost of capital, that resultes in an increased competitiveness.

An important beneficiary of the euro is the European consumer, as he can easily compare prices from different countries, which puts more pressure on the retailers and wholesalers. Studies by the OECD suggested that product market competition is critically important for stimulating productivity growth.

3.2 International currency competition

The short-term impact of the euro introduction was to reinforce the dollar's preeminence, as the foreign-currency reserves of two important European economies were tranformed into dollars. France needed to exchange it's reserve of deutsche marks into dollars and Germany did the same with it's reserve of francs.

After that, the euro began to gain strength, as the financial markets in euro area became more liquid than before, when there were many different national currencies.

Five years after the single currency creation, international debt securities issued in euros actually exceeded those issued in dollars (2004). The United States remaines the world's largest financial market, but the evolution of exports shows clearly that the EU is the international major exporter.

Table 1: Exports in goods (value), in billions of US dollars, monthly average

	2008	2009	2010 Jan
European Union	489,15	379,44	404,02
United States	107,29	88,07	98,40
China	119,16	100,13	123,70
Japan	65,31	48,25	63,68

Source: Monthly Statistics of International Statistics, OECD, 2010

The adoption of the euro by Slovenia (2007) and Malta (2008), extended the euro area, plus the prospect of new members from Central and Eastern Europe gives hope for the single European currency to gain more ground.

Of course, the evolution of the currency is directly related to labour productivity.

Figure 1: Labour productivity annual growth rate
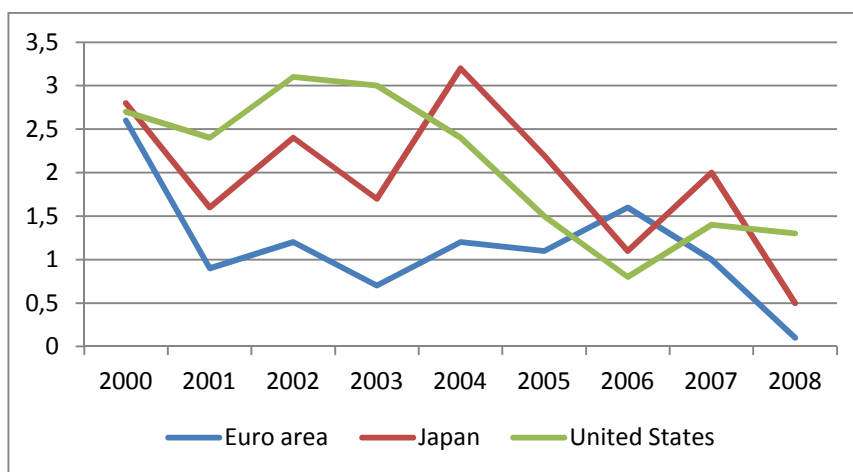
Source: OECD, Statistics, 2010

3.3 Effects of the crisis on the euro-zone. The issue of price competitiveness

The financial crisis has led to a renewed debate about perceived imbalances in the euro area, which revealed the structural nature of the disparities. The issue had been previously debated during the years preceding the financial crisis, but the strong global economic expansion and the ongoing economic integration within the euro area partly masked the problems arising from these differential developments.

One of the practical problems that EMU member states have to face is that of differences in price competitiveness between them. Losses in competitiveness that some countries have experienced are not the root of the problem but rather a symptom of underlying unsustainable structural developments in some member states. Accordingly, the marked gains in price competitiveness the German economy has experienced have been a result of necessary structural reforms that were finally addressed in 2003 when domestic problems such as high structural unemployment, rising social security contributions and repeated excessive public deficits became more and more pressing. Analysing the German experience can help draw some conclusions for those countries that have lost competitiveness since the launch of the euro.

One important reason for growing heterogeneity within the euro area is that the benefits of monetary union, in particular lower interest rates and the elimination of exchange rate risk, have not always been used wisely and have tempted some countries to live beyond their means: Too often inflowing capital did not reach the most productive sectors, and in some cases cheaper and easier access to funding led to excessive credit dynamics facilitating a rise in household and corporate debt and ultimately causing the real estate markets to overheat. In addition, fiscal policy often failed to use higher growth and lower interest rates to reduce deficits sufficiently. In economies with rigid or only partly flexible labour markets all these large expansionary stimuli resulted in accelerated wage increases that were well in excess of productivity growth, reducing price competitiveness and exports of domestic firms.[70]

Consequently, price competitiveness has diverged significantly from one euro-area member state to another since the introduction of the euro. Whereas a small group of countries, led by Germany, has achieved gains in price competitiveness, a larger group suffered significant losses, amongst others Greece, Italy, Spain and Portugal. These underlying economic divergencies within the euro area are also reflected in persistent discrepancies in the current account positions of EMU member states.

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[70] Weber, A., Challenges and opportunities for the competitiveness of EMU member states. The euro in the financial crisis, Presentation at the Copenhagen Business School, Copenhagen, 22 March 2010

The evolution of exports in the OECD countries can be observed in Figure 2, the main trend is descending between 2008 and 2010.

Figure 2: Exports in goods (value) s.a., in billions of US dollars, monthly average
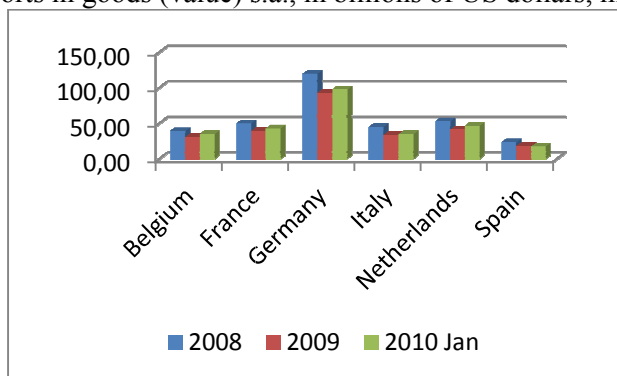
Source: Monthly Statistics of International Statistics, OECD, 2010

As long as a flourishing world economy and the growth dynamics within the euro area masked the associated problems, those developments were neglected. However, the financial crisis has revealed the unsustainability of this state and therefore increased awareness of the risks it involves. These risks imply depressed future growth prospects, disturbances in capital flows if markets doubt the sustainability of large external borrowing requirements as well as difficulties for monetary policy as a result of the growing heterogeneity of euro-area member states. Hence, correcting the structural problems that are at the root of the economic divergencies is one of the major challenges for the future: For example, domestic firms have to become more competitive by increasing productivity and keeping costs in check, labour market flexibility has to be increased in order to mobilise a larger share of the working age population and to facilitate reallocation of workers to more profitable sectors (BIS Review 34/2010).

And structural deficits have to be brought down to sustainable levels by broadening the tax base or, preferably, cutting expenditure on government consumption and certain transfers.

Taking the current account as one indicator of the extent of these divergencies, one could get the impression that the financial crisis has halted the trend of growing heterogeneity within the monetary union, since current account positions have narrowed significantly in the years 2008 and 2009 (except for Italy and France). However, a closer look at the developments that underlie the changes in current account deficits shows that the reductions are still largely cyclical as they have been driven mainly by sharply falling imports rather than increasing export market shares. Hence, more profound and far-reaching changes have to be undertaken in countries that have lived beyond their means and thereby driven the divergencies within the euro area.

3.4 The competitiveness of Romania

The problem of competitiveness is becoming a vital issue for the future of every country and it is especially important for Romania as it is heading towards joining the euro zone.

A correspondent level of competitiveness needs to be mirrored first in the central parity which paves the way for ERM2 and, later, in the conversion rate agreed with the European Central Bank, the European Commission and the other member states. Blockages caused by the drop in prices and salaries would burden and would make it more costly for the adjustment of a over-evaluated parity under the relation between employment and economic growth.[71]

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[71] Isarescu, M., Europe's problem is the competitiveness difference between North and South, Speech at Symposium on competitiveness, april 2010

In some economies, the authorities want depreciation due to the favourable effects on external competitiveness, but the negative impact may overcome the positive one. At least that is the opinion of specialists at The National Bank of Romania, so our currency is not overdepreciated.

4. Conclusions

Growth in the last quarter of 2009 has been revised downwards to 0.0%. Markets show no sign of letting up on the Greek Bond Market. The impact of this bad news has been to depreciate the Euro. The question is what will be the impact of a weaker Euro on the EU economy.

A weaker Euro would make Eurozone exports more competitive and increase the cost of importing goods into the Eurozone. A weaker Euro would make exports cheaper and could provide a boost to EU growth and employment. This is particularly important for Eurozone countries who rely on export led growth such as Germany.

However, the impact of a weaker Euro may be limited. Evidence suggests that demand for exports is often inelastic, a weaker currency is no guarantee of strong growth. The impact of a weaker Euro will have a different impact within the Eurozone. However, a weaker Euro will do nothing to redress the imbalance within the Eurozone area. Much more is needed than a depreciation in the Euro, as the majority of trade in the Euro is within the Eurozone. For example, a depreciation in the Euro would not restore the competitiveness of Spain's exports with regard to EU partners such as France and Germany. Other solutions must be found to solve the pressing problems in many Eurozone economies.

Structural reforms should be initiated for achieving the necessary adjustments to the market and bring back heterogeneity within the euro area to a natural and sustainable level. In addition, the effort and inconvenience associated with those adjustments will pay off as they lead to strengthened economic conditions in the individual economies and the euro area as a whole. The EMU urgently needs such market-based adjustments as they are a prerequisite for economic divergencies to come to a halt, for sustainable economic growth within the euro area and thereby for the continuing success of the euro.

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THE COMPETITIVE ADVANTAGE OF ROMANIA IN THE CONTEXT OF ECONOMIC RECOVERY

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The economic crisis has given the opportunity for the world to reconsider the use of resources, so the subject of competitive advantage has became actual. There are several relevant papers on national competitiveness, but we consider that there are still important issues to discuss in order to identify the economic sectors in Romania that have the potential to create successful products for the global market. The paper applies modern competitivity models on the features of our country, and concludes about the best use of our resources, in terms of increased productivity and optimal results. The goal is to encourage exporters to extend on several international markets and multinational companies to invest in developing new businesses in Romania.
Keywords: competitive advantage, resources, economic recovery
JEL classification: F16, F 59, O47

1. Introduction

The competitive advantage of a country refers to it's ability to offer products or services on the global market, at the best price/quality ratio on a certain moment in time, and the national strategy for development should indicate the directions for assuring the sustainability of present competitive advantages and identifying new ones as the demand and offer on the global market changes. Obviously, the global financial and economic crisis, which started in 2007, had a strong impact on the global prices and sales on international markets. For example, the oil demand has decreased in 2009, and the price has fallen almost a 100$ a barrel from a record high of 147,27 $ a barrel. The consumption of oil worldwide can show a good perspective on the slowdown of the global economy.

In this context, it is vital to reconsider our position on the international market, as a recovery after an economic crisis is always a time for earning new advantages or losing former ones. It is up to the country's leaders to formulate a winning strategy at this critical moment, and the economists must do their best to offer the theoretical basis for it.

2. Literature review

The main reference paper on the subject of national competitiveness is Competitive Advantage of Nations (Porter, 1990), where the author develops the diamond model, proposing five factors that influence a country's competitivity on the global market. In his book, Porter argues that national prosperity is not inherited, but created under the influence of indigenous and exogenous variables. The indigenous variables are Factor Conditions, Firm Structure, Strategy and Rivalry, Related and Supporting Industries, and Demand Conditions. The exogenous variables are Government and Chances.

There were several developments of Porter's model, which are briefly presented in Figure 1 .

Figure 1: Extensions to the Diamond Model

	Physical Factors	Human Factors
National environment	**Model 1: The single diamond** • Porter (1990) • Porter (1998) • Porter, Tackeuchi & Sakakibara (2000) • Porter (2003)	**Model 2: The nine factor** • Cho (1994) • Cho & Moon (2000)
International environment	**Model 3: The double diamond** • Rugman (1991) • Rugman & D□Cruz (1993) • Moon, Rugman & Verbeke (1998) • Dunning (2003)	**Model 4: The dual double diamond**
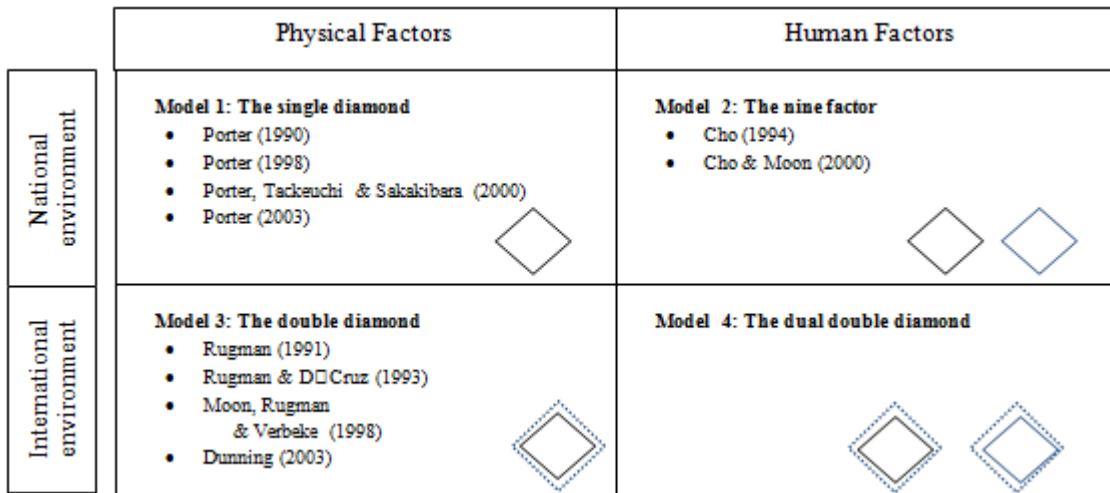
Source: Moon, Hwy-Chang, 2006, *Competition and Cooperation between Korea and Japan: A Business Perspective*, 21COE, University of Tokyo MMRC Discussion Paper No.65

The horizontal axis shows the extension to the diamond model in terms of the sources of national competitiveness. The vertical axis, on the other hand, demonstrates the extension with regard to the scopes of national competitiveness.

The two extensions double the original single diamond in two distinct ways. Model 2 in Figure 1 introduces a new diamond of human factors as an extension to sources of national competitiveness.

On the other hand, Model 3 doubles its original diamond as an extension to scopes of national competitiveness, from a domestic context to an international context. Thus, the integration of these two extensions into a single framework results in a dual double diamond. At the lower right hand corner of Figure 1 is the DDD model, encompassing the previous extensions. The DDD model considers both physical and human factors in both domestic and international contexts. [72]

There are two international institutions that publish national competitiveness reports: the International Institute for Management Development (IMD) and the World Economic Forum (WEF). The first report was published in 1989, when the two institutions were not divided, and they started to develop separate reports since 1996.

Table 1: Original models of the two reports (1996-2000)

IMD Report (1989 – 2000)	WEF Report (1996 – 1999)
Domestic Economy	Civil Institutions
Internationalization	Openness
Government	Government
Management	Management
Finance	Finance
Infrastructure	Infrastructure
Science and Technology	Technology
People	Labor

Source: Cho, D.S. and Moon, H.C., *National Competitiveness:Implications for Different Groups and Strategies*, International Journal of Global Business and Competitiveness 2005, Vol. 1, No. 1, pp 1-11

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[72] Moon, Hwy-Chang, Competition and Cooperation between Korea and Japan: A Business Perspective, 2006.

We can see the similarity of factors which are taken into consideration by the two reports, still they have different views on the definition of competitiveness and their models have been evolving over years, as it can be seen in Table 2.

Table 2: Revised Models of the Two Reports

IMD Report (2001 – 2009)	WEF Report (2001 – 2009)	
Economic Performance	Aggregate Country Performance Indicators	Macroeconomic Environment
Government Efficiency	Public Institutions, Law	Public Institutions, Corruption
Business Efficiency	Company Operation & Strategy	Domestic Competition
Infrastructure	General Infrastructure	Cluster Development
	Technological Innovation and Diffusion	Information and Communications Technology
	Environment Policy	

Source: Cho, D.S. and Moon, H.C., *National Competitiveness:Implications for Different Groups and Strategies*, International Journal of Global Business and Competitiveness 2005, Vol. 1, No. 1, pp 1-11

3. Research metodology

After comparing the models found in the relevant litterature on the competitive advantage theme, we chose an extension of Porter's diamond model, the nine-factor model proposed by Cho, 1994; a comprehensive scheme is presented in Figure 2.

Figure 2: The nine-factor model
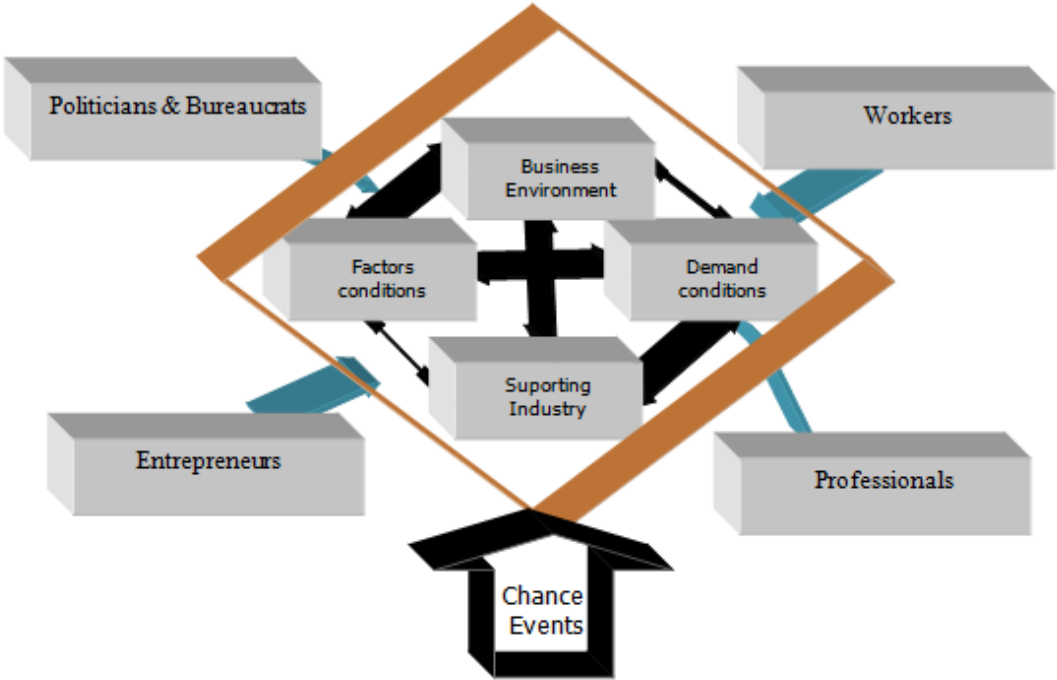
Source: Cho, D.S. and Moon, H.C., *National Competitiveness:Implications for Different Groups and Strategies*, International Journal of Global Business and Competitiveness 2005, Vol. 1, No. 1, pp 1-11.

The study we conducted applies this model on Romania, identifying the main features of each factor mentioned in the figure above. The informations were colected from official websites, reports and surveys among key-decision makers in the central administration.

4. Investors view on the competitive advantage of Romania

Sustaining the exporting activity is a rather difficult task for the goverment, as the economic situation doesn't seem to improve rapidly and the budgetary expenditures must be reduced.

So we can identify two main directions that should be included in the strategy for sustaining the romanian exports: the first one is offering taxe reduction for the sectors which are identified as main export industries and te second one is to attract foreign investors for these.

Long-term investors seek attractively priced companies with prospects for sustainable value creation. Value creation means a company generates returns in excess of the cost of capital on its investments. [73]

Companies with global activity seek optimal supplying for material and components and choose locations for production in countries where they can get the highest scale economies.

Other resources that should be taken into consideration are the natural resources, like surface and underground waters, fertile agricultural land, oil and gas.

The table below shows the major macroeconomic development of Romania during 2005-2009.

	UM	2005	2006	2007	2008	2009
GROWTH AND ASSOCIATED FACTORS						
GDP growth	%	4.2	7.9	6.2	7.1	-7.2
Final consumption (% in GDP)	%	69.5	68.9	66.9	64.8	62.8
Gross Fixed Capital Formation (% in GDP)	%	23.7	25.6	30.2	31.9	25.6
TRADE AND INVESTMENT						
Exports FOB	Mil. Euro	22255	25850	29549	33614	29036
Imports FOB	Mil. Euro	30061	37609	47371	51813	35790
Trade balance	Mil. Euro	-7806	-11759	-17822	-18199	- 6754
Current account deficit	Mil. Euro	-6888	-10156	-16677	-16877	n.a
INFLATION						
CPI (average)	%	9.0	6.56	4.84	7.85	5
EMPLOYMENT						
No. of employees in economy	Thou. pers	4559	4667	4885	4806,0	4594,6
Unemployment	Thou. pers	523	460	367	403	709
Unemployment rate	%	5.9	5.2	4.0	4.4	7.8
EXCHANGE RATE						
RON/USD (average)	-	2.9137	2.8090	2.4383	2.5189	3,0493
RON/EURO (average)	-	3.6234	3.5245	3.3373	3.6827	4.2373
FOREIGN DIRECT INVESTMENTS						
	Mil. Euro	5237	8723	7047	9308	4766

Source of data: INS, BNR, Eurostat

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[73] Mauboussin, Michael J., *The Ecosystem Edge*, Legg Mason Capital Management, 2005.

As political advantages we can name the EU and NATO membership and as geographical location, Romania is situated at the turning point between EU, the Balkans and CIS countries, Romania is crossed by three important pan-European transportation corridors: corridor no. IV linking Western and Eastern Europe, corridor no. IX connecting Northern and Southern Europe and no. VII – Danube River, facilitating inland water transportation, at the same time connecting the Romanian Port of Constanta (the biggest Port to the Black Sea) to Northern Europe, through the Rhine. [74]

An increased interest of Foreign Investors has been noticed, Romania was found as leader destination for FDI in the region in a survey by Ernst&Young, April 2008. [75]

Still, the effects of the financial crisis can be observed at the level of Foreign Direct Investments in Romania, which has decreased in 2009, by almost 50% compared to the previous year.

An important resource advantage which our country can offer is a highly skilled labour force at competitive prices. The main sectors identified by the Romanian Agency for Foreign Investment are IT, engineering, and foreign languages use.

The premises for the development of the IT sector are insured if we take into consideration the numbers revealde by recent studies. There are over 13.000 IT companies in Romania (9.000 of which are exporters) and €400 million in software and IT services revenue each year.

As for the specialists in the IT sector, our country is the European leader and 6th in the world, in the number of certified IT specialists it produces: 230 IT specialists per million people graduate every year, one of the highest rates in the world and greater than that of the US and Russia.[76]

The Romanian market is, following Poland's, the second largest market in Central and Eastern Europe, with the fastest growing and the fourth IT market in Europe. Romanian companies serve the world's most demanding offshore customers in IT outsourcing, business process outsourcing, call center support, and product development.

4. Conclusions

In terms of implementing business projects, Romania offers an incredible potential for obtaining high profit margins. Whether they are situated in the western part of the country where business has grown bringing high rates of FDI, or the North Eastern area where lower FDI but high availability in terms of labor pool and land, locations for implementing business projects are spread all over the country.[77] Investors can choose between greenfield or greyfield investments, as locations for buying or renting are available at lower prices than in developed countries in the EU, and there are several existing plants, which can be bought at acceptable prices, and can be modernised at affordable costs.

As for the main sector that has the greater potential for exports, is the IT sector we recomand that invetments should be encouraged by taxes reduction and special condition in credit offers.

The industry has two main segments: IT services and hardware production. Both segments will be drivenby some large projects for the upgrade and extension of IT systems in large Romanian companies, in banking, telecom, utilities or manufacturing, areas where the privatization process or fierce competition play key roles in IT adoption.

As for the exports of the Romanian IT sector, there are already foreign companies that are using services for software testing or creation and others that have delocalized their call centers for customers support. National policies should encourage investors to choose Romania for establishing their offshore businesses.

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EUROPEAN TRANSFERS: EVALUATION AND CONSEQUENCES

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The paper is an evaluation of EU regional policy. We evaluate the institutions related to regional development in the EU-15 with the help of those guiding principles established by the EU to guarantee the most effective realisation of the common regional policy. Those principles are decentralisation, additionality, programming, partnership, efficiency (absorption capacity), and transparency. The study draws a clear picture of the northern - southern differences among the European countries. Nordic countries (together with The Netherlands) consistently show the best results. They are socially richer, seem more equal, enjoy lower levels of corruption, good governance and a high quality of democracy.

In order to evaluate the institutions related to regional development in the EU-15, we must find appropriate criteria for judgement. The best choice would be those guiding principles established by the EU[78] to guarantee the most effective realisation of the common regional policy. To complement this it would be a good idea to examine the effects of Europeanization, which also indicate the adaptation to changes.

An examination of *decentralisation* shows that the more space a country allows for its provinces (see federalised states), or regions (regionalised, decentralised states), the less it has to struggle with problems caused by regional differences. This is illustrated by Fig. 1, which shows changes in regional variation as a function of types of state. The so-called unitary, or strong central government member states, are much less able to deal successfully with differences within countries *(Horváth 2004)*.

An important precondition of the efficient use of supports is that the transfers help the growth of private investment rather than crowding it out. If we consider capital investment made by regional and local authorities as a proportion of total government investment (Fig. 2.), then we can also see that Greece has the most centralised system, while in Belgium 80-90% of investments are coordinated at a regional or local level. The basic principle of *additionality*, as described in the case of programmes supported in the Objective 1. framework, is that member states agree with Brussels beforehand on the level of nationally provided common finance, which in general should not be lower than that achieved in the period preceding the supports. The external examinations carried out after the 1994-99 and the 2000-2006 periods showed that this was not achieved everywhere *(EC 2004:100)*. The performance of The Netherlands and Sweden was, however, outstanding. *Midelfart-Knarvik and Overman (2002)* however, show that there is clear evidence from the supports directed to the processing industry that a higher level of EU support is accompanied by lower state support, while a lower level attracts a higher level of state support.

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[78] These are decentralisation, additionality, programming, partnership, efficiency (absorption capacity), transparency.

Fig. 1.: Changes in regional differences between most and least developed regions
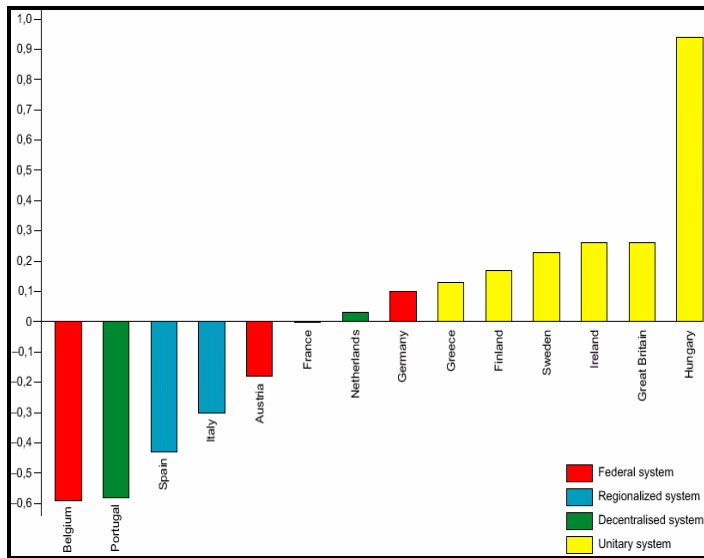
Source: Horváth (2004)

Fig. 2.: Capital expenditure by regional and local authorities (1995-2004)
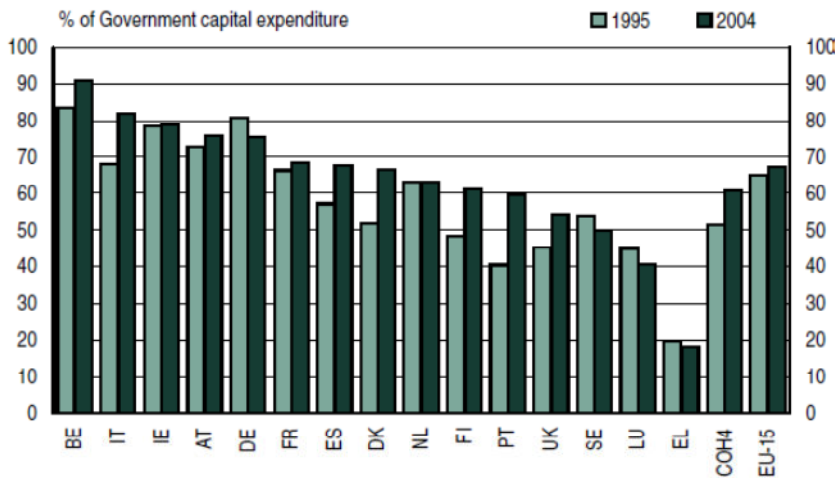
Source: EC (2007:147)

In the analysis of the following basic principles the informal institutional system of the member states is compared with various indicators of regional policy. These include the effectiveness of *programming* and the absorption capacity which can be measured against the quality of state regulation according to the World Bank's Government Effectiveness Index[79]. These indicators show very well the advantage enjoyed by Scandinavian nations over Mediterranean nations; the highest values are found in Denmark, Finland, Sweden and Holland, while the list is closed by Italy and Greece. Other studies (eg. *Van de Walle 2005*) comes to the same conclusions. Limiting their examination to the institutions of the social systems *Bakács and Borkó (2006)* establish a ranking for the competitiveness of the Scandinavian and Mediterranean models, compared to the

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[79] This index gives a numerical value for bureaucratic expertise and the quality of public services, based on data collected from 30 separate databases by the Worldwide Governance Indicators project.

Continental and Anglo-Saxon models, and here the Scandinavian model is first and the Mediterranean model last (for the bureaucracy and the political clientism of the southern states see *Sotiropoulos 2004*).

According to the concept of *partnership* expressed in the EU's decrees, one of the keys to the efficient and transparent use of supports is that during the planning stage the interests of local, regional, sectoral and social groups should be taken into account to the maximum extent, because on this basis the various actors will be able to claim and use the sources available. In the context of the principle of partnership in the process of social agreement an important role is also played by communication and by the publication of the details of the structural funds.

The question arises, however, whether the relationships are built on the basis on the Putnam style mutual offers of help and mutually shared information, or whether the groupings are formed in the Olson style, based on bonds formed to represent group interests, rent-seeking behaviour and lobby interests. From this perspective we can also examine the general levels of social trust and the corruption indexes in the old EU member states. In the *LSE PS's (2007)* study on social capital a ranking was established with Scandinavian-Mediterranean poles at each end of the scale (Fig. 3.), to show the results obtained from the Special Eurobarometer questionnaire. The results are similar as mentioned above.

Fig. 3.: Generalised (social) trust in international comparison
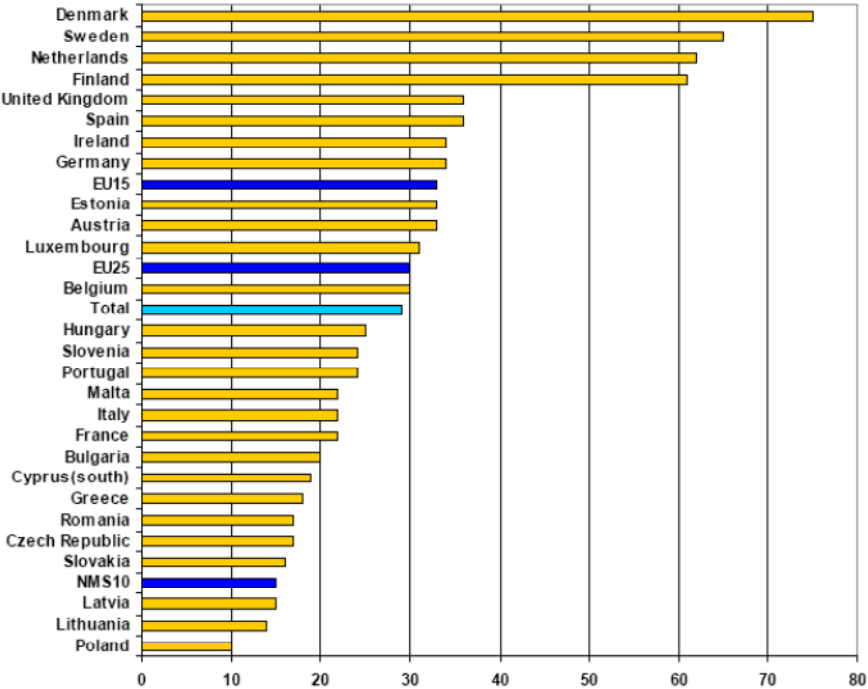
Source: LSE PS (2007:14)

The appearance of corruption can also be compared using the World Bank's Worldwide Governance Indicator which examines to what extent the public sector uses its power to achieve personal ends, and here the higher values represent the cleaner, less corrupt countries (Fig. 4.). Finally, we demonstrate the negative relationship between the inequality within countries and the level of trust between individuals, (Fig. 5.), where, once again, the Scandinavian communities stand out.

As we can see, Nordic countries (together with The Netherlands) consistently show the best results. They are socially richer, seem more equal, enjoy lower levels of corruption, good governance and a high quality of democracy.

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Fig. 4.: Levels of corruption in different models (2005)
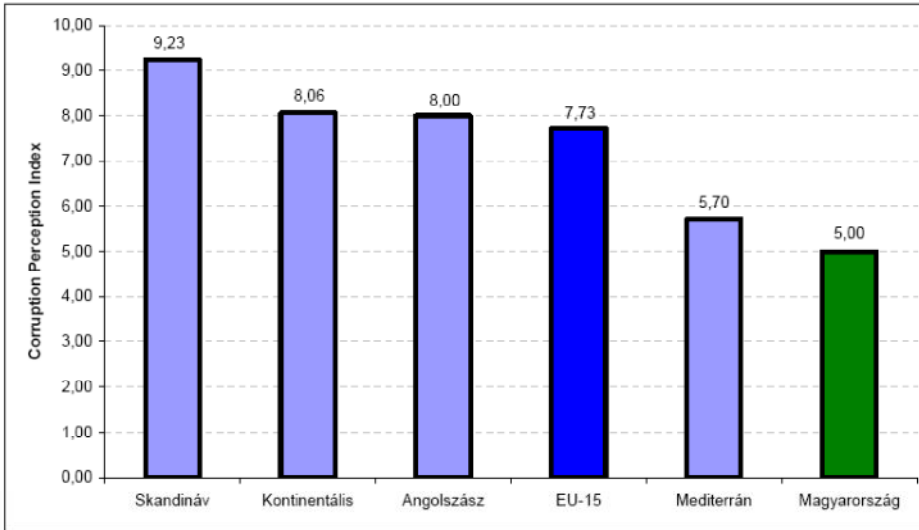
Note: 10 – no corruption, 0 – high corruption; so the lower the index value the higher the level of corruption. *Source: Bakács – Borkó (2006:17) on the basis of the Transparency International CPI (Corruption Perception Indices).*

Fig. 5.: Trust and inequality
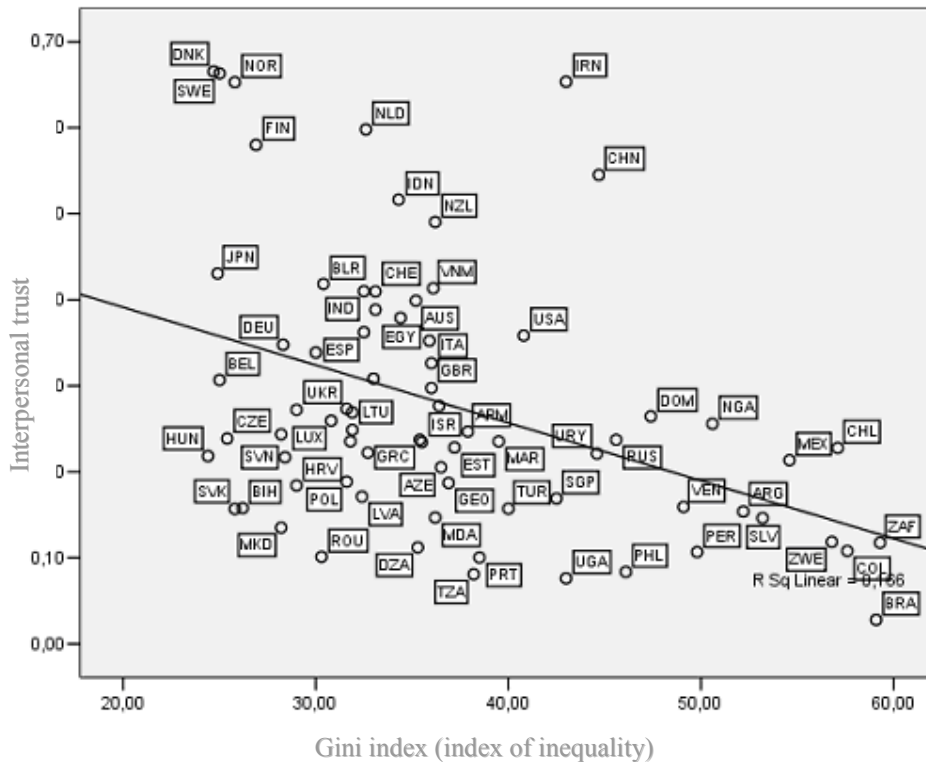
Source: LSE PS (2007:76)

The question arises whether the high level of social capital generally produces these positive factors and thus the more efficient use of supports, or whether the Scandinavians only appear as

exceptions , which means that a high level of social capital is so closely linked to Nordic culture that it cannot be copied and repeated elsewhere. *The question then, is whether there exists a Nordic model which can be copied as good practice, or whether this phenomenon is linked to Nordic culture, which is historically determined and thus is unlikely to be easily transferred to others.*

It is difficult to deny the more pessimistic version. According to *Putnam et al (2003)* social capital changes relatively slowly and it is difficult to change it with concrete political measures, although attempts have been made (see *TÁRKI 2005*). On the other hand, by examining culture we can arrive at an understanding of the present state of institutions, and of the practical activities carried out and it is evident that here too changes are occurring; it is enough to refer here to the processes and changes of Europeanization in the new member states. From this perspective it seems that at least something can be learned from the Nordic experience, for example, how the links between the civil sphere and the state are institutionalised and how they take shape in concrete development tasks to maximise the effects of good government; and how society takes part in the day to day business of formulating special policy and government.

In any case it is necessary to conduct a deeper analysis into how is it possible that those who are the least needy can use the development funds most efficiently, while those who are in real need do not fulfil the preconditions for efficiency.

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SUB-SECTION: THE IMPACT OF FOREIGN LANGUAGES ON THE BUSINESS ENVIRONMENT

L'EMPREINTE CULTURELLE ET SA DYNAMIQUE DANS LE MILIEU PROFESSIONNEL. COMMUNICATION ET ADAPTATION INTERCULTURELLES DANS LES ENTREPRISES ITALO-ROUMAINES

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The present paper presents a few aspects reflecting the difficulties that Italian businessmen face when adapting to the Romanian social and cultural environment or when leading Romanian working groups and their reaction towards working with Italian managers. The differences of mentality and both sides adaptation difficulties were detected starting from two questionnaires applied in mixed enterprises in county Bihor. The study underlines that the Romanians and Italians have two different ways of working, as a result of historical, economical, social and cultural differences.

1. Introduction

Ces vingt dernières années, la réalité économique roumaine a connu une série de changements. L'un des plus importants concerne les investissements étrangers. Outre les incontestables bénéfices apportés par les investissements allemands, français, italiens ou américains, ceux-ci ont fait surgir des difficultés d'ordre juridique, économique, mais aussi culturel et ont déterminé des modifications significatives dans le milieu d'affaires et dans le micromilieu de l'entreprise.

Dans son ouvrage de 1996, Gh. Gh. Ionescu résumait les différences entre les organisations internes et les organisations mondiales à l'aide de deux notions: la *dispersion géographique*, relative à la question si les entreprises produisent ou exportent seulement dans des pays étrangers, et le *multiculturalisme*, à savoir les circonstances où plusieurs cultures interagissent dans les affaires.

La présente communication se propose d'analyser quelques aspects interculturels qui dérivent de l'implantation – dans la province de Bihor – d'entreprises dirigées par des investisseurs italiens. L'on retrouve ici les deux caractéristiques énoncées par le professeur Gh. Gh. Ionescu: les entrepreneurs italiens réalisent la production à l'extérieur de leur territoire national, en utilisant du personnel provenant de deux espaces culturels différents : l'espace italien et l'espace roumain.

Nous définissons *l'espace culturel* comme l'ensemble des conditions matérielles et spirituelles dans lesquelles vit une communauté linguistique. C'est une réalité placée sous le signe de la tradition culturelle. Celle-ci peut influencer la manière dont les membres de la communauté perçoivent ou filtrent les informations, comprennent le monde, construisent leur discours et exercent leur activité (Catarig 2009).

En investissant en Roumanie, les hommes d'affaires italiens se sont retrouvés d'une part dans la situation d'entamer des relations d'affaires et de collaborer avec des entrepreneurs roumains, d'autre part dans celle d'embaucher, de diriger et de motiver le personnel appartenant à une culture différente. À leur tour, les hommes d'affaires et les employés roumains ont dû s'adapter aux exigences d'entrepreneurs étrangers.

Certes, entre les deux peuples il y a de multiples affinités, qui peuvent être expliquées par l'origine latine des Italiens et des Roumains. Néanmoins, le fait que chaque peuple a une histoire, des valeurs et des symboles qui lui sont propres crée un nombre considérable de différences culturelles, que l'on ne doit pas négliger, car elles peuvent donner naissance à des malentendus, et parfois même à des conflits dans les relations de travail.

2. Méthode de recherche

Les chercheurs dans le domaine des études culturelles et dans celui du management ont démontré que les valeurs, les attitudes et le comportement des gens ont des racines profondes dans l'histoire et dans la culture d'un peuple. Ces aspects influencent non seulement la vie quotidienne, mais aussi la manière dont les gens travaillent. La plupart des études se réfèrent toutefois aux différences culturelles observées dans les milieux d'affaires américain, japonais, chinois, français ou allemand. Il y a très peu de recherches concernant la culture d'affaires en Italie ou en Roumanie.

Pour identifier et estimer les différences culturelles qui se manifestent dans le cadre des organisations dont les membres proviennent des espaces culturels italien et roumain, nous avons appliqué deux questionnaires dans dix entreprises fondées par les entrepreneurs italiens dans le département de Bihor. Pour que les résultats obtenus soient pertinents, nous avons sélectionné les entreprises qui opèrent depuis au moins dix ans sur le territoire de la Roumanie.

Le premier questionnaire, rédigé en italien, s'est adressé aux investisseurs, techniciens et ouvriers italiens et a été complété par douze personnes travaillant dans les domaines de l'industrie et des services. Au second questionnaire, adressé aux employés et collaborateurs roumains, ont répondu soixante personnes, dont 45% économistes.

L'analyse des réponses nous a aidé à établir en quoi consiste l'*empreinte culturelle* (ou les traits caractéristiques) respectivement des Italiens et des Roumains, à décrire comment s'actualisent ces traits dans les relations de travail et à plaider en faveur de la connaissance et de la gestion efficace des différences culturelles.

3. La manière dont les représentants de l'espace culturel italien perçoivent le milieu professionnel roumain

En général, les Italiens affirment que les principaux motifs pour lesquels ils ont investi en Roumanie ont été les perspectives de développement et la liberté d'action des entrepreneurs. Avant de réaliser l'investissement, ils ont analysé d'abord les règlementations économiques, ensuite le risque politique.

En ce qui concerne les relations avec le milieu d'affaires roumain, un nombre restreint d'Italiens travaillent directement et collaborent avec des investisseurs roumains. Ils considèrent que les entrepreneurs italiens ont une vitesse plus grande d'exécution des projets, une expérience plus vaste, un meilleur sens de l'organisation et une majeure précision.

Quant à la main d'œuvre roumaine, celle-ci est considérée assez compétente. Comme modalités de perfectionnement professionnel, les dirigeants italiens choisissent aussi bien pour le personnel italien que pour le personnel roumain les cours de spécialisation sur le lieu de travail et les cours de formation en Italie.

Devant faire un choix parmi plusieurs qualités figurant sur une liste, seuls 25% des investisseurs italiens attribuent aux Roumains des qualités telles que la précision, la ponctualité, l'opérativité, le sens de la communication, la flexibilité et l'attitude positive dans les relations avec les étrangers. Toutefois, la plupart des employeurs apprécient l'habileté manuelle des ouvriers roumains, même s'ils considèrent que le temps de réaction de ceux-ci est lent.

En revanche, entre 75% et 100% des employeurs italiens pensent que les travailleurs italiens peuvent être appréciés pour la ponctualité, l'opérativité, la précision, le sens de la compétition et le temps rapide de réaction. Suivent des qualités comme le sens de la communication, la disponibilité d'effectuer des heures supplémentaires, celle d'apprendre une nouvelle langue étrangère et la bonne attitude dans les rapports avec les étrangers.

Devant indiquer les points forts et les points faibles des Roumains, les Italiens apprécient le fait que les Roumains parlent plusieurs langues étrangères, qu'ils apprennent rapidement l'italien et qu'ils ont une bonne formation théorique. Mais, à leur avis, les Roumains n'obtiennent pas de bons résultats dans la pratique, sont caractérisés par un manque d'intérêt, ne se rapportent pas au

futur, ne sont pas créatifs, rencontrent des difficultés dans les interactions avec les collègues et consomment de l'alcool pendant leur programme de travail.

En général, les Italiens croient que les principales différences entre les employés roumains et les employés italiens et les aspects auxquels les Roumains sont déficitaires peuvent être identifiés au niveau de la ponctualité, de la vitesse et de la précision dans l'exécution des tâches, de l'expérience, de l'engagement, du zèle et de l'intérêt pour le travail.

Bien qu'ils affirment qu'ils parlent assez bien le roumain, les investisseurs italiens préfèrent utiliser l'italien comme langue de communication dans l'entreprise.

Quant à la mentalité des Roumains, 50% des interviewés pensent qu'elle est différente de celle des Italiens et 50% affirment qu'elle est très différente. Aucun répondant n'opte pour les variantes « très similaire » ou « assez similaire ».

4. La manière dont les employés et les collaborateurs roumains perçoivent les représentants du milieu d'affaires italien

La majorité des répondants au second questionnaire sont embauchés dans des entreprises ayant du capital italien (86%) et occupent des positions d'économistes, techniciens, directeurs, juristes, secrétaires et ouvriers. Les autres (14%) sont des collaborateurs dans les domaines de l'assistance juridique, commerciale et des services immobiliers.

À la question « Quelles sont les qualités de l'investisseur ou de l'employeur italien ? », les répondants ont principalement choisi : les longues discussions, l'ouverture au dialogue, l'opérativité et la rigueur. Quant à l'investisseur ou à l'employeur roumain, celui-ci est perçu par ses anciens employés comme étant flexible, communicatif, permissif et caractérisé par l'esprit de compétition.

Les aspects auxquels les employeurs italiens et roumains ont obtenu un score similaire sont les suivants : l'ouverture au dialogue, la communication explicite, la ponctualité et la capacité d'apaiser les conflits. D'autres aspects communs, ajoutés par les répondants, sont : l'implication dans le déroulement de l'investissement, le désir d'obtenir du profit et l'inventivité.

Les plus grandes discordances regardent les longues discussions et la rigueur (propres aux Italiens), la permissivité et la flexibilité (propres aux Roumains). De plus, les répondants affirment que les Italiens sont plus habiles dans les affaires, se préoccupent davantage de la formation des employés, s'intéressent beaucoup aux nouveautés législatives et apprécient davantage le travail des employés, tandis que les Roumains se montrent plus compréhensifs et s'adaptent plus facilement aux diverses situations.

Chez leurs collègues italiens, les Roumains apprécient l'opérativité, la disponibilité d'effectuer des heures supplémentaires et celle d'apprendre une nouvelle langue, la ponctualité, l'esprit de compétition, la communication explicite, mais estiment qu'ils sont réticents dans les relations avec les étrangers, jasent et transmettent aux supérieurs hiérarchiques les discussions qu'ils ont eues avec leurs collègues roumains. Les répondants prisent également la spécialisation stricte, la connaissance, l'acceptation et le respect des règles, la discipline et les liens étroits avec les autres membres de la communauté italienne. Quant aux défauts, ils mentionnent le manque d'attitude collégiale et le fait que les employés italiens se lamentent beaucoup.

Parmi les premières différences de mentalité rappelées par ceux qui ont voyagé en Italie, on peut mentionner la propension à la propreté, le respect des règles, le respect de soi, la préoccupation pour l'élégance vestimentaire (surtout chez les hommes), le respect de l'heure du déjeuner, mais aussi l'avarice et la réticence envers les étrangers.

Finalement, 54% des répondants estiment que la mentalité italienne est différente de la mentalité roumaine, 28% considèrent que les Italiens sont assez similaires et 9% optent soit pour la variante « mentalité très proche », soit pour la variante « mentalité très éloignée ».

5. Conclusions

Quoique dans la vie quotidienne il semble que les Italiens et les Roumains se ressemblent beaucoup, en réalité l'on a affaire à deux modèles différents de perception du monde, qui dérivent d'un parcours historique, social et économique différent. Les différences culturelles deviennent visibles dans le milieu professionnel et donnent naissance à un style de travail typiquement italien et à un style de travail typiquement roumain.

Nous n'avons pas l'intention de faire une différenciation catégorique, mais nous pouvons extraire quelques caractéristiques déterminées par la manière dont chacun des deux peuples conçoit le monde, ainsi qu'elles résultent de l'attitude envers le travail.

L'empreinte culturelle de la communauté italienne inclut des traits comme : la préférence pour les longues discussions, la communication explicite, l'orientation vers le futur, l'individualisme, la discipline et le respect des normes et des règles, l'opérativité, la rigueur et la précision dans l'accomplissement des tâches, la spécialisation stricte, l'intérêt pour le travail, l'option pour l'italien comme langue de communication. L'entreprise est vue comme un système que la direction, mais aussi les employés doivent faire fonctionner.

L'empreinte culturelle de la communauté roumaine se caractérise par : la communication explicite, l'ouverture au dialogue, l'adoption très facile des langues de circulation internationale dans la communication d'affaires, la flexibilité, l'adaptabilité à diverses situations, l'habileté manuelle ou dextérité, l'orientation vers le présent et le passé, l'oscillation entre l'individualisme et le collectivisme, le laxisme en ce qui concerne la discipline et le respect des normes et des règles, le degré élevé de tolérance, la permissivité, la lenteur dans la réaction, un moindre intérêt pour la réalisation opérative, exacte et ponctuelle des tâches. Seule la direction est responsable du fonctionnement de l'entreprise.

Il est utile de connaître ces traits caractéristiques pour savoir surmonter les difficultés que suppose l'interaction des dirigeants et des employés au sein des entreprises multiculturelles. Les acteurs du milieu professionnel devraient acquérir une sensibilité interculturelle qui leur permette de transformer les différences culturelles en facteurs favorables à l'interaction, à la collaboration et au travail rentable.

Ces traits, dus aux évolutions historiques, sociales, économiques et culturelles des peuples, ne sont pas immuables. Des études ultérieures pourront refléter la dynamique des empreintes culturelles, étant donné les changements intervenus dans l'évolution de la Roumanie après l'intégration dans l'Union Européenne et les tendances de l'économie internationale.

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LES COMPETENCES LANGAGIERES – SUGGESTION POUR UNE ADAPTATION STRATEGIQUE DANS LE MANAGEMENT DE L'ENTREPRISE

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La dynamique de la société actuelle privilégie la libre circulation des personnes et de l'information. L'Europe, sans les frontières physiques qui séparaient autrefois les peuples, fournit le sentiment naturel d'un espace global, aujourd'hui violemment frappé par la crise économique. Dans le contexte des réductions des budgets, les entreprises doivent se redresser par l'implémentation de stratégies compétitives. Le modèle de la roue compétitive de Marc Ingham permet d'envisager les ressources humaines et leurs compétences linguistiques comme une valeur ajoutée, facteur stratégique révélateur de différences. La formation langagière étant cependant dispendieuse, nous suggérons une solution équilibrée et économique: la formation aux compétences partielles en langues étrangères par l'intercompréhension linguistique.

L'EUROPE 2020 - la nouvelle stratégie globale européenne

Des syntagmes tels que « monde globalisé », «communauté planétaire», « village global », exotiques ou inexistants à l'aube du XXème siècle, sont devenus aujourd'hui des lieux communs, usés par les analyses et vidés de sens à force des répétitions. Ces images de la globalisation doivent servir de toile de fond sur laquelle se lisent de nos jours la vie des individus et des organisations. Presque chaque famille de Roumanie compte au moins un membre qui est allé à l'étranger pour travailler ou pour faire du tourisme – et cela sans les entraves d'autrefois. L'idée de la libre circulation des bien et des personnes est complètement assimilée; les gens ne se posent plus le problème si *c'est possible* de travailler / voyager ailleurs, cette question étant remplacée par des préoccupations du genre *pourquoi*, *où, comment* ou *quand* le faire.

Tous ces propos, inattaquables il y a deux ans, portent aujourd'hui le gros fardeau de la crise économique déclenchée en 2008. Peut-être jamais le signal d'alarme n'a-t-il été si sonore, installant des priorités dans une stratégie multinationale. Publié il y a deux mois, en mars 2010, le projet « Europe 2020 » est la nouvelle stratégie pour une croissance intelligente, durable et inclusive décidée par les responsables européens.

La préoccupation sincère pour le devenir européen nous autorise à le lire plutôt comme un plan de sauvegarde pour une décennie décisive: «*L'Europe est confrontée à une période de transformation. La crise a annulé des années de progrès économique et social et révélé les faiblesses structurelles de l'économie européenne. Entre-temps, le monde bouge vite et les défis à long terme, comme la mondialisation, la pression sur les ressources et le vieillissement, s'intensifient* »[80]. (COM(2010) 2020: 3). Plus loin, la même analyse devient encore plus nuancée: « *La récente crise économique est sans précédent pour notre génération. Les progrès constants de la croissance économique et de la création d'emplois enregistrés au cours de la dernière décennie ont été annulés... notre production industrielle est retombée aux niveaux des années 1990 et 23 millions de personnes – soit 10 % de notre population active – sont actuellement sans*

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[80] Commission Européenne - EUROPE 2020 Une stratégie pour une croissance intelligente, durable et inclusive, COM(2010) 2020 , Bruxelles, 2010, consultable en synthèse sur
http://ec.europa.eu/eu2020/pdf/COMPLET%20FR%20BARROSO%20-%20Europe%202020%20-%20FR%20version.pdf, vérifié le 3 avril 2010.

travail. La crise a été un choc violent pour des millions de citoyens et elle a révélé certaines faiblesses fondamentales de notre économie. » (COM(2010) 2020: 6).

Face à ce tableau apocalyptique dont les traits définitoires sont *l'annulation* des années de progrès, de la croissance économique et de la création d'emplois, *les faiblesses* fondamentales*, la chute* de la production*, la perte* de millions d'emplois*,* plusieurs interrogations apparaissent naturellement: Quel est l'avenir des entreprises, nationales ou internationales, quelles stratégies de reprise et de développement devraient-elles implémenter afin de dépasser ce choc violent? Sur quoi intervenir? En quoi investir? C'est dans ce contexte que nous proposons d'encourager les entreprises à investir dans le personnel de l'entreprise, dans sa formation et ses compétences.

Parmi les sept initiatives phares[81] imposées par « Europe 2020 » comme priorités dans la stimulation du progrès et d'une gouvernance économique crédible, nous trouvons un argument à l'appui de notre jugement. L'intérêt porté dorénavant de manière programmatique à l'implémentation d'une **stratégie pour les nouvelles compétences et les nouveaux emplois** permettrait aux personnes de développer leurs compétences tout au long de leur vie (COM(2010) 2020: 4). Ces compétences seraient un multiplicateur de valeur pour la personne, l'entreprise, le marché de travail et les relations qui s'y établissent, dans le sens de l'adéquation entre l'offre et l'emploi et la mobilité professionnelle.[82]

Pour l'instant la crise reste un indicateur d'inadaptation, et paradoxalement, devient un révélateur de stratégies d'adaptation et un ressort du changement.

La roue de la stratégie compétitive de Marc Ingham

Notre analyse se fonde en premier lieu sur un modèle bien connu dans la théorie du management, le modèle LCAG[83] qui reste, malgré les reproches que lui sont faits, le premier modèle qui insiste sur le besoin d'une approche globale dans l'utilisation efficace des ressources et compétences distinctives dans l'espace économique.

*Dans l'esprit du modèle LCAG, **la roue de la stratégie compétitive,** adapté par Marc Ingham d'après deux pionniers du management stratégique, Andrews (1971) et Porter (1980), relève une interdépendance de tous les facteurs impliqués dans une organisation.*

Ingham note que dans son approche, le concept de stratégie « dépasse largement la définition de l'activité et le choix des produits-marchés et des activités pour inclure les principaux acteurs de l'environnement concurrentiel et socio-économique. La notion d'organisation recouvre les structures, les processus, les questions de leadership mais aussi les ressources de l'entreprise et les composantes distinctives dont elle dispose» (Ingham: 6).

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[81] Il s'agit, dans une énumération simple, des stratégies *«Une Union pour l'innovation», «Jeunesse en mouvement», «Une stratégie numérique pour l'Europe», «Une Europe efficace dans l'utilisation des ressources», «Une politique industrielle à l'ère de la mondialisation» «Une stratégie pour les nouvelles compétences et les nouveaux emplois», «Une plateforme européenne contre la pauvreté».*

[82] Le même objectif, l'entrée sur le marché du travail, focalise les jeunes et le renforcement des performances des systèmes éducatifs dans le cadre du volet *«Jeunesse en mouvement».*

[83] Le nom vient des initiales des chercheurs Learned E. P., Christensen C. R., Andrews K. R. et Guth W. D., auteurs de Business Policy, text and cases, Richard D. Irwin, Homewood, IL., 1965.
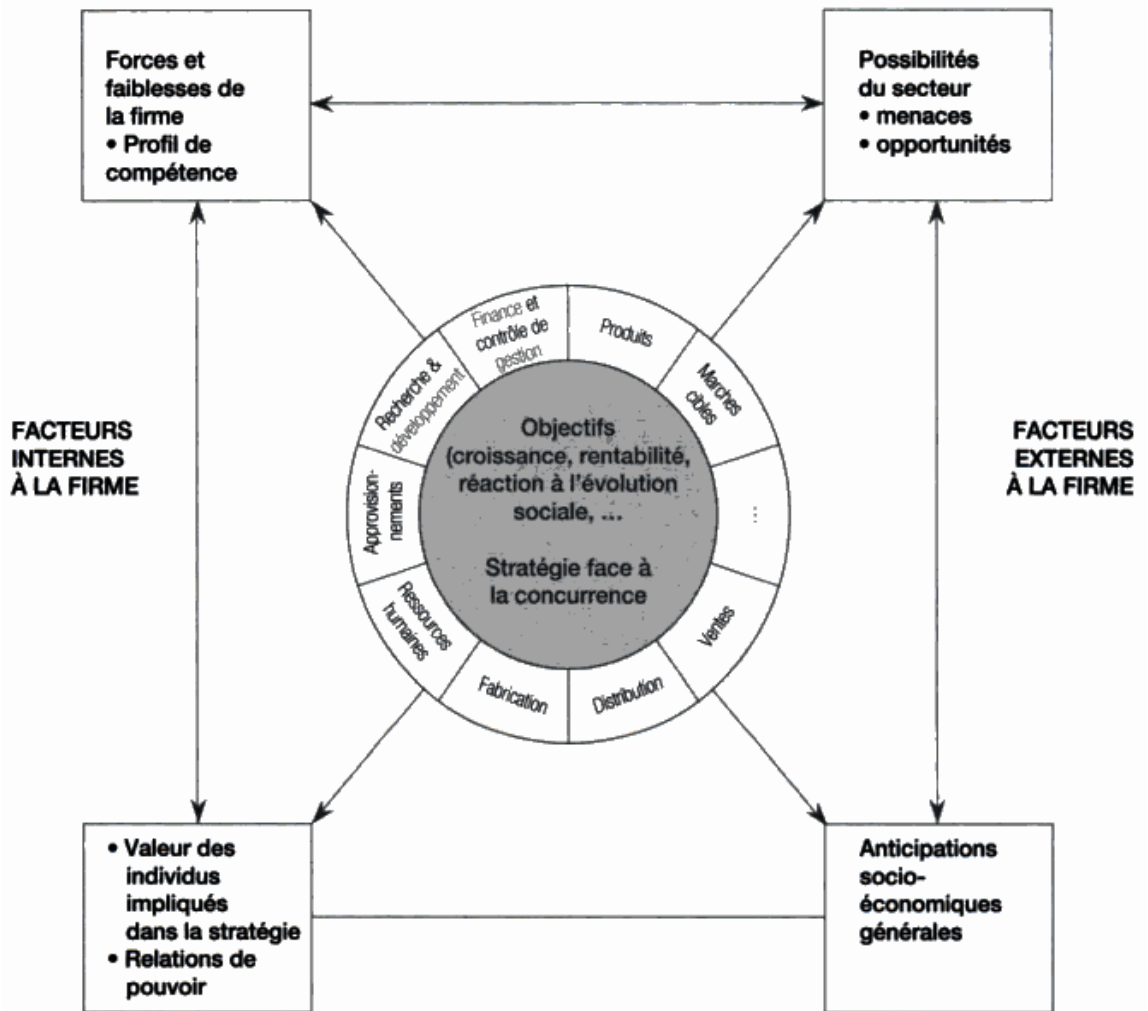
Fig.1 ***Roue de la stratégie compétitive*** *d'après Marc Ingham (1995)*

Nous nous permettons d'observer que la stratégie compétitive est comme un engrenage qui, actionné correctement, permet à l'entreprise de se débloquer et de rester sur le marché, produisant un avancement et une transformation; plus encore, tout ce mécanisme complexe et sensible ne serait pas à même de fonctionner en l'absence d'une bonne communication, l'équivalent d'une « huile » de qualité.

a). Au centre de la roue compétitive, en relation d'interdépendance, se trouvent d'une part les ***objectifs*** *d'une entreprise soucieuse de faire face à la concurrence par une réaction adéquate à l'évolution sociale (croissance, rentabilité, etc.) et d'autre part la* ***stratégie*** *de la firme.*

b). Tous les facteurs économiques – ***finances et contrôle de gestion, produits, marché cibles, ventes, distribution, fabrication, ressources humaines, approvisionnement, recherche et développement*** *- sont ancrés au centre de la rue, dans les objectifs et la stratégie de management. Une relation d'interdépendance s'établit entre l'axe central et les rayons. Une intervention sévère sur une ou l'autre des composantes aurait un effet d'entraînement des distorsions.*

c). Tout ce fonctionnement est cadré par un autre dispositif, plus général, qui est celui des relations entre les ***facteurs internes à la firme*** *et* ***les facteurs externes à la firme***.

c.1). ***Les facteurs internes*** *concernent d'une part les forces et les faiblesses de l'entreprise à travers l'identification des compétences distinctives par rapport à la concurrence*

et d'autre part la valeur des individus impliqués dans la stratégie et les relations de pouvoir dressées au sein de l'organisation.

Dans la perspective de ce modèle, nous estimons les individus comme une ressource de l'entreprise et leurs compétences comme une composante distinctive. Ce sont les facteurs internes à la firme, générateurs de forces ou de faiblesses de l'entreprise mais aussi d'avantage compétitif. Nous constatons facilement que la dynamique de toute entreprise est extrêmement complexe et que « *l'avantage compétitif* des chances offertes à la firme de se faire une place de choix dans la concurrence et *la synergie* qui est une mesure de l'aptitude de la firme à réussir dans une nouvelle activité, jouent un rôle central dans le processus de croissance ». (Ingham: 7)

c.2). **Les facteurs externes** renvoient à l'identification des menaces et des opportunités du secteur, en lien avec l'anticipation socio-économique générale. Nous devons situer par conséquent notre réflexion sous le signe de la mondialisation qui a marqué le passage du national vers l'international, avec toutes les implications de renouveaux et d'adaptations stratégiques dans le management de la firme.

Attentif au processus d'accélération de **l'internationalisation** au début des années '90, Jean Brilman résumait les nouveaux mots d'ordre du management dans des directives qui restent encore actuelles *« Si vous êtes une entreprise nationale, devenez internationale! Si vous êtes une entreprise internationale, devenez mondiale! »* (Brilman: 22). Jean-Marc de Leersnyder (2002) observe[84] une tendance à la standardisation des managements: « Les principes du management tels qu'ils sont enseignés dans les business schools du monde entier tendent à se standardiser», suite à une tendance renforcée par des « réglementations de plus en plus pan-nationales » (in Dupriez, Simons: 5). A tous les niveaux d'entreprise: mononationales, semi-internationales, internationales, transnationales[85]   (Hagedoorn et Schakenraad, 1995: 21), les roues de compétitivité se trouvent affectées dans un secteur ou dans un autre.

Les compétences langagières - composante stratégique dans la firme

Nous nous arrêtons en ce qui suit aux entreprises qui comprennent le trait inter-national et conséquemment inter-culturel et pluri-culturel. L'implantation d'une entreprise à l'étranger suppose automatiquement l'émergence de la problématique interculturelle et de l'apprentissage des compétences interculturelles, dans la gestion des particularités. Selon Brilman, dans le contexte international, l'homme d'affaires doit considérer *deux niveaux* de différences: *les différences de systèmes (*géographie, climat, démographie, organisation de la société, politique, économique, légale) et *les différences culturelles*...(Brilman: 357)

Les différences culturelles commencent avec *la langue* qui pose une empreinte sur la manière de penser. Dans la lignée de plusieurs études dans le domaine, Brilman affirme que la langue est *la base de la culture* et identifie dans les problèmes langagiers le plus grand défi de l'activité à l'international, remplaçant les anciennes entraves liées aux télécommunications, supplées par le progrès technologique. La langue est un facteur de différence et de différenciation, d'avantages économiques au niveau de l'entreprise et de l'individu L'œil de l'économiste observe finement « ceux qui opèrent dans leur langue maternelle ont un avantage considérable sur les autres en terme de facilité, vitesse, nuances. Les autres, dont la connaissance s'échelonne de nulle à bonne, accomplissent, en sus du travail normal d'écoute ou de formulation, un travail de traduction à la fois imparfait et fatigant. Ceux qui n'opèrent pas dans leur langue paraissent moins intelligents,

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[84] *Dans la préface signée à* La résistance culturelle: fondements, applications et implications du management interculturel - *publiée en 2002 par Pierre Dupriez et Solange Simons.*

[85] Conformément à Lakehal « la firme multinationale ne se définit ni par la nationalité (multiple) de ses propriétaires ou salariés, ni par le nombre très élevé d'implantations, ni par la taille gigantesque de ses installations, ni par la part substantielle des profits réalisés à l'étranger. C'est une société de dimension internationale par sa stratégie et ses capacités financières face aux marché mondiaux, disposant d'un siège installé dans le pays d'origine (société-mère) et d'un ensemble d'établissements appelés filiales-atelier ou unités de production et unités-relais, dans plusieurs pays ». Lakehal voit une relation de synonymie entre « firme transnationale » ou « firme multinationale ». (Lakehal: 325).

parfois primaires, moins professionnels car moins précis, plus lents...Le choix de la langue ou des langues dans une multinationale ou le changement de langue officielle est donc une décision majeure ». (Brilman: 359)

La langue a aussi une valeur instrumentale et d'activation. Partisan d'une approche de l'entreprise par la communication - qu'il caractérise comme *constante et mouvante*, Claude Duterme constate l'implication de tous les membres de l'organisation - dirigeants, personnels, actionnaires, syndicats - dans un procès communicatif vu comme « jeu d'interactions qui mobilisent et stabilisent le système ». La **communication** se trouve au croisement de plusieurs facteurs: contenus, opérations de transmission, flux informationnels, structure hiérarchique, nature du support (oral, écrit, média, etc.), dans le cadre d'une distinction classique entre la *communication formelle* (visant l'ensemble des informations transmises à l'intérieur de l'entreprise) et la *communication informelle* (constituée par les relations d'échanges linguistiques non-professionnelles). (Duterme: 11-27)

Vu la situation encore fragile du système financier, les difficultés à emprunter, à dépenser et à investir pour les entreprises et les ménages, l'état des finances publiques durement touchées, les déficits budgétaires et les niveaux de dette dépassant 80 % du PIB, le potentiel de croissance divisé par deux, le manque de financement et l'incertitude (COM(2010) 2020: 6), le choix de l'allocation des ressources à l'une ou l'autre des composante de la roue stratégique (Figure 1) s'avère problématique. Tous les facteurs économiques sont importants, mais plus que toute autre composante, la communication se glisse dans chaque secteur de la vie de l'entreprise et dans tout contexte hors travail. Elle est organiquement imbriquée dans chaque articulation et dans chaque séquence, ce qui exige le besoin de ressources humaines dotées, en autres, de compétences linguistiques.

Finances et contrôle de gestion, produits, marché cibles, ventes, distribution, fabrication, ressources humaines, approvisionnement, recherche et développement, objectifs et stratégie, relations entre facteurs internes et externes à l'entreprise... rien ne fonctionne sans communication. La roue est entretenue par une communication efficiente favorisée par des employés compétents linguistiquement. Surtout dans les organisations connectées à l'international, la préoccupation pour l'amélioration du potentiel linguistique, devrait devenir prioritaire. On remarque aussi qu' « il est difficile d'imaginer un changement de structure qui ne s'accompagne pas d'une adaptation subséquente de la politique de gestion des ressources humaine (Pichault : 10).

Formations linguistiques
Mais l'investissement dans la formation langagière des employés (dirigeants, cadres, fonctionnaires, etc.) est coûteux, si l'on estime les conclusions d'une étude sur les dimensions de l'industrie de formation langagière dans l'UE. La recherche commandée par la Commission européenne - « Study on the size of the language industry in the EU", *European Commission, 2009* – relève pour l'industrie langagière un chiffre d'affaires de 8,4 milliards d'euros en 2008 et prévoit d'ici 2015 un CA entre 16,5 et 20 milliards d'euros. Les observations de Karl-Johan Lönnroth, directeur général de la DG Traduction de la Commission, reprises par le site www.euractiv.com[86],viennent à l'appui de la thèse que nous avons soutenue plus haut: les langues sont considérées comme un élément qui dynamise la croissance économique, plutôt qu'un coût supplémentaire, tant que l'on ne peut pas vendre son produit sans parler la langue du marché en question. L'étude montre d'ailleurs que beaucoup d'entreprises étrangères ne présentent pas leurs produits dans la langue des pays auxquels ils s'adressent, à cause du financements limités.

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[86] http://www.euractiv.com/fr/culture/industrie-linguistique-europenne-reprsente-84-milliards-euros/article-187821 vérifié le 3 mai 2010; pour consulter l'étude, disponible seulement en anglais, voir http://ec.europa.eu/dgs/translation/publications/studies/size_of_language_industry_en.pdf, vérifié le 3 mai 2010.

Ce qui est pourtant profit pour les entreprises de profil représente un coût pour les entreprises bénéficiaires. L'apparition de plusieurs offres d'apprentissage dans le domaine des langues étrangères prouve que sur ce marché il y a des concurrents qui créent des produits substitutifs des méthodes traditionnelles, grâce à leur habileté de venir à l'accueil des besoins des clients pour les produits différenciés. Si dans l'économie on peut parler de la fidélité pour une marque, dans l'enseignement des langues l'addiction à une méthode langagière a un autre statut: on pourrait parler plutôt d'un attachement à une méthode d'enseignement de la part du formateur moins disposé au changement, et non pas de la part de l'apprenant, plus ouvert aux opportunités d'amélioration des performances. Une simple recherche sur internet génère des millions d'entrées et permettent le choix de cursus adaptés au profil de l'organisation et des employés.

Les coûts seraient sérieusement limités si les responsables de l'entreprise prenaient le temps de se documenter et d'identifier les **programmes de formation appropriée**. Le point de départ serait l'identification correcte des besoins des employés en termes de compétences. Le plus grand nombre de situations ne supposent pas l'atteinte des performances au niveau des quatre compétences: les compétences de compréhension orale, d'expression orale, de compréhension écrite et d'expression écrite ne sont pas nécessaires en égale mesure à tous. La nature du travail et la perspective de travail de l'employé privilégient le plus souvent **les compétences partielles.**

Le programme ICE (Intercompréhension Européenne) démarré en 2001 à l'Université de Reims, Champagne Ardenne, a dévoilé au fur et à mesure sa capacité de répondre aux besoins des entreprises. L'intercompréhension est un concept complexe qui s'est enrichi ce dernier temps de plusieurs valences: méthode d'enseignement de langue, produit, phénomène, finalité ou démarche stratégique dans le cadre d'un management compétitif. En tant que méthode d'apprentissage de langues étrangères, l'intercompréhension offre aux apprenants l'accès à la compréhension des textes écrits dans une ou plusieurs langues non-étudiées antérieurement (l'appartenance à la famille linguistique de la langue maternelle en constitue un avantage), par un entraînement spécifique, déroulé pendant une période très courte. Sans détailler ici la méthode, nous nous limitons à donner quelques exemples des résultats possibles de l'intercompréhension, dans le contexte de l'entraînement des professionnel de l'entreprise au travail avec des langues étrangères non étudiées auparavant: la secrétaire qui est capable de lire un document palpable ou virtuel, écrit en 1, 2 ou 3 langues étrangères, le documentaliste qui trie et ressemble les documents, les chercheurs qui qui ont accès à des ressources publiées en langue étrangères non-étudiées par eux auparavant, les touristes qui lisent les brochures et les descriptifs, les ouvriers qui lisent des notices et des prospectus, les réunions à l'international où chacun parle sa langue étant compris par les autres, etc.

Eric Castagne qui, à côté de Jean-Emmanuel Tyvaert est le fondateur du programme ICE, avance d'ailleurs l'intention de démarrer «un projet global de formation de cadres d'entreprises internationales ». (Castagne, 2007)

Conclusion

Malgré l'incapacité de maîtrise complète d'une langue, «les compétences linguistiques sont indispensables pour établir des contacts et communiquer ». (Schneider, Susan C., Barsoux: 196)
Nous recommanderions une attention agrandie à cette composante prioritaire du management stratégique, liée aux compétences langagières des employés dans l'entreprise. Les firmes qui ne se sont pas préoccupées de l'état des compétences linguistiques de leurs employés - en conformité avec les besoins et les perspectives de développement de l'entreprise - devraient s'intéresser à la formation linguistique. Cela faciliterait « *l'acquisition et la maîtrise des ressources et compétences permettant à la firme de se différencier de ses concurrents, de déployer ses activités, d'innover ou de disposer d'une flexibilité suffisante pour s'adapter aux évolutions de l'environnement ou aux stratégies des concurrents* ». (Tarondeau: 17). Le choix d'une formation axée sur l'intercompréhension est une solution équilibrée et économique, agréable et stimulatrice pour le monde de l'entreprise.

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THE IMPACT OF LANGUAGES ON THE ONLINE BUSINESS ENVIRONMENT

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This paper deals with an analysis of the English language, as lingua franca of the Internet, mainly online business environment. If a business has already developed a Web site, it is important to translate the site into the target language of a particular foreign market. It sounds easy, but is a literal translation all that's required for a different culture? We shall see in the next parts of this paper. Indeed, nowadays, the whole humanity has at its disposal an exceptional, very powerful medium. The new communications technology is causing a revolution in many aspects of our lives, and its future effects are still unforeseeable English is an integral part of business communication, job opportunities and globalization. Cultural translation goes beyond mere linguistic translation, since it involves designing a Web site that is sensitive to the cultural differences, between the originated country and the target country. If you ask any search marketer what the main issue is when trying to optimize website(s) for Europe he will tell you: language.

1. English- lingua franca of the Internet

Firstly, English is an effective method to communicate business transactions for a successful career. There are various ways of communication such as verbal and written form. Verbal communication conducted through phone can be used for telemarketing. For example, Ford Motor Company, American Express. Call centres in banks also use written form of communication. For example, the ABN AMRO bank, in spite of being a Dutch bank it has established itself in more than 53 countries and it is conducting business transactions in English.

English is the most commonly used language of international commerce, politics, science, diplomacy, and the most commonly used language on the Internet. It is a "lingua franca", or vehicular language, i.e. a language spoken and utilized outside of the country or countries of its origin, as opposed to a vernacular language, i.e. a language spoken within and amongst native speakers in the country of origin. English, like other lingua franca of the past, is often used as a second language to effect common communication for a specific purpose (such as diplomacy) between people for whom the lingua franca is not their first language.

English is one of the most widely used languages in today's world and has a great impact on a successful career and also online transactions(marketers, on the one hand, and consumers, on the other hand). Due to rapid modernization and westernisation, the popularity of the English language has increased. It is internationally used and globally accepted. "English is being recreated every minute of every day, in billions of conversations in every country on earth; in countless books, films, television and radio programs, on the internet—recreated organically: that is, in ways that grow out of its extraordinarily, perhaps incomparably, rich history and flexibility."(*Robert Dessaix, 21/01/2006*) English is an integral part of business communication, job opportunities and globalization. Although some say that English is not a commonly used language, statistics prove that increase in business transactions, job opportunities and advancement in globalization are due to the wide influence of the most commonly spoken

language, English. These two phenomena - the advanced computer technology and English with its status as a world language - are brought together in one whole and form something that is really exceptional and unique, something that is multinational and the most global thing ever in the whole of human history: they form the Network-of-networks, the Internet, and English as its lingua franca appears to be the network's inseparable part.

2. Importance of Going Global

With the ability of the Web to instantaneously reach a global audience, many e-commerce and e-business companies have attempted, or are attempting, to expand their markets beyond their home countries. As the number of Internet users grows at an exponential rate around the globe, there are great opportunities for companies to grab a share of the global market through the Web. Currently about 49% of the Internet population is estimated to be non-English speakers.

Expanding business through the Web may not require physically setting up offices physically in different regions or countries. If a business has already developed a Web site, it is important to translate the site into the target language of a particular foreign market. It sounds easy, but is a literal translation all that's required for a different culture?

According to Adam Jones, director of customer programs at SimulTrans, a translation company based in Silicon Valley, there are five basic localization strategies:

1. Use only U.S. English;
2. Translate portions of a given Web site into a target language;
3. Translate the entire Web site into a target language;
4. Culturally localize the site for a target audience; and,
5. Develop content in a target country, independent of the U.S. site.

The first three strategies involve linguistic translation of Web sites whereas the last two strategies involve cultural translation. Cultural translation goes beyond mere linguistic translation since it involves designing a Web site that is sensitive to the cultural differences between the originated country and the target country.

Localization of an e-commerce site also goes beyond the localization of a mere Web site. It involves more than just files residing on a server; it involves the entire infrastructure necessary for transaction, distribution, and customer services, which is often unique to a specific country and tied to a specific culture. Each country in the world has a distinct social system and culture. Nothing cannot be generalized in discussing specific localization strategies for a particular country.

3. Is English still present in international electronic commerce, is it still relevant to other cultures?!

It is important for all businesses to establish trusting relationships with their consumers. Companies
with established reputations in the physical world often create trust, by ensuring that consumers know who they are. These businesses can rely on their established brand names, to create trust on the web.

New companies that want to establish online businesses face a more difficult challenge, because a kind of anonymity exists for companies trying to establish a web presence.

Most companies now realize that the only way to do business effectively in other cultures is to adapt to those cultures. The phrase "think globally, act locally" is often used to describe this approach. The first step that a web business usually takes to reach potential consumers in other countries, and thus in other cultures, is to provide local language versions of its website. This may mean translating the website into another language or regional dialect. Researchers have

found that consumers are far more likely to buy products and services from websites in their own language, even if they can read English well.

Only 370 million of the world's 6 billion people learned English as their native language.

An important element of business trust is anticipating how the other party to a transaction will act in

specific circumstances. That is one reason why companies with established brands can build online

businesses more quickly and easily than a new company, without a reputation. The brand conveys some expectations about how the company will behave. For example, a potential buyer might like to know how the seller would react to a claim by the buyer that the seller misrepresented the quality of the goods sold. Part of this knowledge derives from the buyer and seller sharing a common language and common customs. Business partners ideally have a common legal structure for resolving disputes. The combination of language and customs is often called culture. Most researchers agree that culture varies across national boundaries and, in many cases, varies across regions within nations. All companies must be aware of the differences in language and customs that make up the culture of any region in which they intend to do business. Businesses that successfully meet the challenges posed by trust, language, and culture issues still face the challenges posed by variations and inadequacies in the infrastructure that supports the internet throughout the world. Internet infrastructure includes the computers and software connected to the internet and the communications networks over which the message packets travel. In many countries other than the United States, the telecommunications industry is either government owned or heavily regulated by the government. In many cases, regulations in these countries have inhibited the development of the telecommunications infrastructure or limited the expansion of that infrastructure to a size that cannot reliably support internet data packet traffic. English has always been the dominant language of the Web and electronic commerce, with an estimated 63.5% share of the world's online population. But a significant number of internet users either do not speak English or prefer to use their native language for Web transactions. According to Euro-Marketing Associates(EMA), a consulting firm specializing in multilingual marketing, non-English speakers also represent" the fastest-growing group of people online today." EMA estimates that 55.7 million people are part of the non-English segment, including millions of U.S. and Canadian residents who switch to Spanish, French, or some other languages at home.

One of the surprises in the Euro-Marketing statistics is that just two languages- Spanish and Japanese make up almost half of the non-English Web marketplace, a ratio that differs significantly from the actual number of native speakers for these languages.

4. The European online business environment is more than just using different languages

If you ask any search marketer what the main issue is when trying to optimize website(s) for Europe he will tell you: **language**. Europe consists of fifty countries. The European countries which are part of the European Union together already have 23 official languages.

Europe has many countries and many languages. Some say there are over 200 official languages to take in account. Others also look at the dialects and then count over a 1000. So language really is a big issue when optimizing sites for Europeans. The Europeans have different lifestyles, which means they also have different online behavior. One thing you have to keep in mind is that every country in Europe has its own culture. And though they might speak the same language, they feel they are completely different. Let's combine the two issues discussed above: language and culture.

There are more countries in Europe with that issue: in both Germany and Austria for example they speak German. But the language barrier is bigger than just the differences within the language. For example, when targeting Austria, which is located just below Germany, it's tempting to set up a German site and use it to target the Austrians also. After all, the language is

quite similar. However, chances are you will not get much traffic from Austrians. Why? Simply because the Austrians do not trust the German websites. If they see the shop is on a German .de domain they will be more reluctant to buy a product than when it's on an Austrian domain. Just because they have a different culture. The same might go for trying to sell products to a Dutchman and targeting him with a Belgian site.

In some countries there are even differences within the country. Take for example Spain, where Basques and Catalan really are living their own lives and where most feel not connected, even hostile in some cases, towards the country itself. A quick example to show how much: last year the Spanish national soccer team won the European Championships. Where in Madrid people were celebrating on the streets, in Barcelona it was relatively quiet. It was after all the Spanish team which had won, not the Catalan team.

The "problem" of focusing exclusively on languages in Europe is that its not one country, one language. It's one country, many languages. Take the Netherlands for example. With only 17 million people living on a little piece of ground which the official language is Dutch, but Frisian is also accepted as a official language. Next to that there are about 8 or 9 dialects, but when optimizing for websites you don't have to take those in account.

How to handle all of these language and cultural differences when optimizing for Europe? According to Bas van den Beld, a well-known web strategist, each search marketer should research the differences in languages, by knowing the history of the areas one is targeting and getting domains and writing sites for every specific country. We would like to add that in our opinion language is the most important asset of a website, if it is not understood by the online consumers, eventually the market share could sometimes fall dramatically.

5. The European Commission's policy regarding the role of languages in Europe's business environment

The Commission defines language as an integral part of a person's identity and culture. It argues that learning foreign languages also necessitates understanding other people and their way of thinking to oppose intolerance, xenophobia and racism.

Progress towards the "**mother tongue plus two foreign languages'"**goal is slow. Half of the EU citizens polled in a recent Euro barometer survey say they can hold a conversation in at least one language other than their mother tongue. At the top of the class come the Luxembourgers (99%), Latvians and Maltese (93%) and Lithuanians (90%), while Hungarians (71%), citizens in the UK (70%), Spain, Italy and Portugal (64% each) tend to master only their mother tongue.The Commission also suggests that higher education institutions play a more active role in promoting multilingualism among students and staff as well as the wider local community. It warns that the trend in non-English-speaking countries towards teaching through the medium of English instead of through the national or regional language may have "unforeseen consequences" for the vitality of those languages.

The role of intercultural communication skills in global marketing and sales strategies is growing. Reacting to evidence that European companies are losing business because they cannot speak their customers' languages, the Commission published a study on the impact of the shortage of language skills on the EU economy in December 2006.

The study clearly revealed the link between languages and export sales, indicating that a language strategy is a significant element of the overall success of every European business. The Commission is well aware of the importance of effective language policies in supporting business development, and calls for language certification to be standardised throughout the EU.

More recently, a report presented by European business leaders in July 2008, entitled 'Languages mean business: companies work better with languages', found that EU businesses risk losing competitiveness as other countries start outperforming them in language skills.

The report, presented by the Business Forum for Multilingualism, chaired by former EU Commissioner Viscount Etienne Davignon of Suez-Tractabel, found that emerging economies,

primarily in Asia and Latin America, are quickly acquiring the solid language skills necessary to compete successfully.

Europe will thus have to promote formal and informal language learning more effectively to keep up, it says, estimating that as much as 11% of European SMEs lose business every year as a direct result of linguistic and intercultural weaknesses.

On a more positive note, the EU's language industry is worth €8.4bn and is set to grow by 10% annually over the next few years after having recorded one of the highest growth rates of any industrial sector despite the economic crisis, according to a European Commission-backed study published in November 2009 (EuRActiv 30.11.2009).

6. Conclusions

If the earliest days of the Websites, at the onset of the 1990s, were dominated by English-language content as well as users, this situation is rapidly changing. In the mercurial world of the Web, where sites appear and disappear overnight and where not even the major web portals individually or collectively can provide access to all the available pages, it is impossible to be precise as to how many individual languages are represented currently on the Web. The New Babel: Language Barriers on the World Wide Web and the Babel Team results revealed a dominant position for English; nevertheless, close to two home pages out of ten were in some other language. When the enormous number of pages available on the Web is taken into account, another figure about which no precise estimate can be offered, but certainly well in excess of one billion (for a discussion of the problems of estimating the Web's size (Dahn 2000) this nevertheless represents a vast amount of information unavailable in English. German, Japanese, French, and Spanish all accounted for more than one percent.

A later analysis was conducted by FUNREDES: the Networks and Development Foundation. It estimated that English accounted for around 60 percent of web pages, a considerable decline from the earlier Babel study. On this basis, it then estimates the percentages for six other European languages. In all cases, their presence on the Web is proportionately higher than in the Babel study. All but one account for more than two percent of web pages. Furthermore, more than 19 percent of web pages are in languages other than these top seven:

Position Language %
    1. English 60
    2. German 6.3
    3. Spanish 4.85
    4. French 4.39
    5. Italian 2.77
    6. Portuguese 2.14
    7. Romanian 0.19
    Other 19.36

The EU's new multilingualism strategy, published on 18 September 2008 and entitled 'Multilingualism: an asset for Europe and a shared commitment', emphasised the importance of language skills in addressing challenges as diverse as globalisation and increased mobility and immigration. It sought to mainstream EU language policy across a number of existing policy areas, including the education, media, research, social inclusion and competitiveness fields.

The strategy highlighted the importance of language skills in improving the EU's social cohesion and prosperity in the context of the Lisbon Strategy for Growth and Jobs.

Recognising the growing importance of emerging markets for EU companies, the communication stressed the need for workforces to possess knowledge of the language of the regions in which they operate. It also highlighted the role of language skills in improving the employability of Europeans.

Moreover, given that 2008 was designated European Year of Intercultural Dialogue, the strategy emphasised the role of languages in removing barriers to interaction between cultures.We have

already mentioned that cultural translation goes beyond mere linguistic translation, since it involves designing a Web site that is sensitive to the cultural differences, between the originated country and the target country. All the companies must be aware of the differences in language and customs that make up the culture of any region in which they intend to do business.

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DOUBLESPEAK AND EUPHEMISMS IN BUSINESS ENGLISH

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Modern English speech, while not always, is supposed to be uncommonly frank. Doublespeak and euphemisms are cultural phenomena as well as linguistic concepts. Both are deeply rooted in social life and have a great influence on social communications. Doublespeak has become part of the general language, shaping the context in which it is used. As a linguistic concept, euphemism has fast wow close relationships with the western culture, and it reflects the life and values of English people and their history.
Keywords: communication, business, doublespeak, euphemisms

1. Introduction

Human beings rely on symbols to construct their individual perceptions of the exterior world. Language itself results as the individuals need to communicate with their group their realities within the confines of a set code understood by each member of the group. When conducting the social communications, according to then polite principle, people always some implicit and elegant expressions to replace those that are violent and vulgar. In a knowledge-driven economy, like that of the 21st century, artifacts of written and spoken communication (i.e., texts, in a general sense) have acquired importance as a form of capital. Organizations are also in the business of producing and brokering information. They use texts to interact with clients, with government institutions, and with other organizations. Often, these texts act as rhetorical proxies for individuals, organizations, or other constituencies who may be physically absent. Yet, unlike people, texts are resistant to change and the damage that they may cause to business relationships can be difficult to undo.

American linguist William Lutz, co-author of the SEC's *Plain English Handbook*, author of *Doublespeak* and 16 other books on writing in clear language and professor emeritus at Rutgers University, in his "Life under the Chief Doublespeak Officer", said, "If there's one product American business can produce in large amounts, it's doublespeak."[87] Euphemism is a sociolinguistic phenomenon with a wide application in English language. According to Lilia Borlongan-Alvarez, in an article entitled "The trouble with business gobbledygook" for the *Philippine Daily Inquirer* (20 March 2010) "[T]he current global financial crisis which has led to the mass firing of employees has spawned popular euphemisms which both government and private organizations find convenient to use to protect the latter from embarrassment or legal action."[88]

2. Definition and Usage of the Terms

2.1.Doublespeak

Doublespeak (sometimes called **doubletalk**) is any language that deliberately disguises, distorts, or reverses the meaning of words, resulting in a communication bypass. [89] Such language is associated with **governmental**, **military**, and **corporate** institutions. Doublespeak may be in the form of bald **euphemisms** ("downsizing" for "firing of many employees") or deliberately ambiguous phrases ("**wet work**" for "**assassination**"). What distinguishes **doublespeak** from other euphemisms is its deliberate usage by governmental, military, or corporate institutions or in

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[87] http://www.freerepublic.com/focus/news/812924/posts, Last visited: 13 February 2010.
[88] http://services.inquirer.net/print/print.php?article_id=20100320-259870, Last visited: 30 March 2010.
[89] http://en.wikipedia.org/wiki/Doublespeak, Last visited: 2 April 2010.

other words **doublespeak** implies an intent to mislead or deceive while **euphemism** implies and attempt to soften something harsh. The term *doublespeak* was coined in the early 1950s. It is often incorrectly attributed to George Orwell and his 1949 dystopian novel *Nineteen Eighty-Four*. The term does not appear in that novel, although Orwell did coin *newspeak*, *oldspeak*, and *doublethink*, and his novel made fashionable composite nouns with *speak* as the second element, which were previously unknown in English. Doublespeak may be considered, in Orwell's lexicography, as the vocabulary of Newspeak, words "deliberately constructed for political purposes: words, that is to say, which not only had in every case a political implication, but were intended to impose a desirable mental attitude upon the person using them."[90] Successfully introduced **doublespeak**, over time, becomes part of the general language, shaping the context in which it is used. Lutz explains why doublespeak is counterproductive to democracy, why people need to stop being passive consumers of deceptive language and what they can do to fight back. "Clear language is essential so that both parties understand what they are agreeing to. In any contract that you enter into, you have to understand what your obligations and rights are under the terms of that contract," says Mr. Lutz. "If a company writes a contract in such a way that consumers think they understand what their obligations are, but in reality don't, they may agree to something they don't understand, and ultimately cannot fulfil. When companies use anything other than straight-forward clear language to describe the terms of an offer, they're not dealing honestly in the marketplace, in they are setting up consumers to fail."[91]

The following list contains some examples of doublespeak in current business English usage, with etymologies and examples of clearer, simpler words which are being avoided. Yet, this list can never be more than illustrative, and there is an ongoing debate whether all of the examples below are doublespeak.

-**layoff, downsize, RIF (reduction in force)**: mass dismissal of employees, usually due to business restructuring or economic conditions. e.g. U.S. Bechtel, the company building Romania's Transylvania Highway, has decided to put off plans for massive *layoffs* until after April 15 when it is expected to also decide on the number of employees to be sacked.[92]

-**headcount adjustment** e.g. Nokia Siemens Networks has completed the preliminary planning process to identify the proposed remaining headcount reductions necessary to reach its previously announced synergy-related *headcount adjustment* goal.[93]

-**realignment** e.g. Two Procter execs promoted, one to retire, in *realignment...* [94]

-**rightsize** e.g. Lansing can't resolve its long-term budget crisis without *right-sizing* the Department of Corrections. [95]

-also **counselled out, made redundant, let go, dismissed, terminated, services are no longer required**, for firing in general. e.g. If, at any time in your career at Touche, the partners ever seriously questioned the possibility of your eventually joining their ranks, you would be "*counselled out,*" or laid off. Consultants might be "*counselled out*" at any time of the year, but during the annual period in which promotions, raises and bonuses were determined, there was always a flurry of such dismissals.[96]

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[90] George Orwell, *1984*, London: Penguin Books, 2004, p.377.
[91] http://www.ontherecordpodcast.com/pr/otro/doublespeak-william-lutz.aspx, Last visited: 4 April 2010.
[92] http://www.mediafax.ro/english/u-s-constructor-bechtel-puts-off-massive-layoff-plans-until-after-april-15-5823781, Last visited: 9 April 2010.
[93] http://www.theregister.co.uk/2008/11/12/nokia_siemens_synergy/, Last visited: 9 April 2010.
[94] http://www.bizjournals.com/cincinnati/stories/2007/05/14/daily3.html, Last visited: 9 April 2010.
[95] http://www.freep.com/article/20100308/OPINION01/3080321/Business-joins-fight-to-right-size-prisons, Last visited: 9 April 2010.
[96] http://financecareers.about.com/od/changingjobs/a/layoffadvantage.htm, Last visited: 10 April 2010.

-job flexibility: lack of job security (where job security means an actual or implied promise of continued employment). e.g. *Job flexibility* has helped Britain weather the recession... [97]

-outsource: dismissing in-house employees to hire cheaper labour provided by another organization. e.g. A report by Pierre Audoin Consultants (PAC) says that Romania and other Eastern European countries are virtually ignored by U.K. companies but are predominantly the first *outsourcing* choice for the rest of Western Europe.[98]

-replacement workers: scabs or strikebreakers in labour disputes. e.g. *Replacement workers* are poison to organized labour. In effect, they sabotage a union member's right to strike, at least insofar as that right was understood and expressed in the comments of Justice Brandeis.[99]

2.2. Euphemisms

Neil Postman in his book, *Crazy Talk Stupid Talk*, suggests that a **euphemism** is an exalted term used in place of a down-to-earth term, or "an attempt to give prettier term to an uglier reality."[100] A **euphemism** is a substitution of an agreeable or less offensive expression in place of one that may offend or suggest something unpleasant to the receiver, or to make it less troublesome for the speaker, as in the case of doublespeak. According to Postman, "euphemisms are a means through which a culture may alter its imagery and by so doing subtly change its style, its priorities, and its values." Lexicographer Bergen Evans of Northwestern University, believes that euphemisms persist because "lying is an indispensable part of making life tolerable."[101] The English word **euphemism** is found for the first time in a book written in 1656 by Thomas Blount, *Glossographia*.[102] It comes from Greek *euphèmismos*, which is itself derived from the adjective *euphèmos*, "of good omen" (from *eu*, 'good', and *phèmi*, 'I say'). Etymologically speaking, a **euphemism** is linked to taboos, and traditionally consists in replacing the original signifier, perceived as being offensive or unpleasant, by another one; it is often referred to as a "veil" or a "shroud" thrown over the signified, as if to conceal it.

2.2.1. Types and Formation of Euphemisms

With the development of language, euphemism is evolving day by day, new expressions being formed. Euphemisms may be formed in a number of ways. The formation of euphemism, on a certain degree, follows some principles, although some language phenomena are not reasonable but come into use frequently. Many euphemisms are figurative, many having been or are being the cause of semantic change. Some show remarkable inventiveness of either figure or form and some are indubitably playful. Euphemism can be achieved through antithetical means, e.g. by circumlocution and abbreviation, acronym or even complete omission and also by one- for-one substitution; by general-for-specific and part-for-whole substitution; by hyperbole and understatement; by the use of learned terms or technical jargon instead of common terms, and by the use of colloquial instead of formal terms. Many learned terms and some technical jargon is either borrowed from another language or constructed from one: for English, they are mostly derived from Latin or Ancient Greek.

2.2.1.1. Lexical device - Due to different types of morphemes and word formation, lexical device can be applied to the formation of English euphemism.

1. Acronym- Acronym is made up of the first letters of an expression. In the formation of

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[97] http://www.telegraph.co.uk/finance/comment/tracycorrigan/7462265/Job-flexibility-has-helped-Britain-weather-the-recession.html, Last visited: 10 April 2010.

[98] http://news.cnet.com/2100-1011_3-5074725.html, Last visited: 14 April 2010.

[99] http://www.counterpunch.org/macaray04162008.html, Last visited: 14 April 2010.

[100] Neil Postman, *Crazy Talk Stupid Talk*, New York, Delacorte Press, 1976, p.74.

[101] http://www.blogher.com/least-used-expression-business-politics-and-media-youre-lying, Last visited: 19 April 2010.

[102] Cf. Burchfield, R., *An outline history of euphemism in English,* in D.J. Enright (ed.), *Fair of Speech: The Use of Euphemisms*, London, Oxford University Press, 1985, p.13.

euphemism the first letters of taboo words or unpleasant words are taken out and then put together to get rid of rudeness. **CLM** – Career Limiting Move; **COB** - Close of business; **RFP** – Request for proposal; **EOD** – End of the day.

2. Analogy - Analogy creation can account for similar forms in the conjugation of words. Basing on certain words, the new expressions are coined with similarity in meaning. This means is mainly used to form euphemisms in the field of professions. Take the word **engineer** for example, **engineer** originally refers to "skilled person who control an engine or engines, esp. on a ship or air-craft." Later it is extended to "person who designs, builds or maintains engines, machines, bridges, railways, mines, etc. In euphemism, "engineer" is greatly adopted, such as *telephone engineer* (telephone repairer), *automobile engineer* (mechanic), and *custodian engineer* (trash cleaner). By the device of analogy, it beautifies the title of some indecent professions and shows respect to them.

3. Borrowing - English language in its development has managed to enrich its vocabulary by borrowing words from other language. **Uber** – Very. As in, I'm *uber* excited about this merger.

4. Negation - Negation in euphemism formation mainly adds prefix to show the opposite meaning. **Outsourcing** – Sending work outside your office. Often means sending work to be done abroad. **Disconnect** – Lack of understanding on an issue between two people. On the one hand it prevents hurting the listener; on the other hand it achieves the speaker's intention as well as drives a better communication.

5. Substitution - Substitution is to take something similar to replace the real situation. **On board** - Agree with something. Or commit to be a part of something. **Magic bullet** – The perfect solution to a problem. **Interface** – Let's meet. Let's talk. **Heavy lifting** – Doing the hard work.**Hot button** – An important issue. **B School** - It's "Business School".

2.2.1.2. Syntax Device - Syntax refers to the study of the rules governing the way words are combined to form sentences in a language, or simply, the study of the formation of a sentence.

1. Metaphor
By application of metaphor, a rhetoric device, many expressions are described vividly. For example, "taxes" have become nowadays such an unpleasant civic duty that people use different euphemistic terms for this word. Therefore, it is not surprising that there is an amusing range of terms for **taxation**: "access fees/charges", "carbon footprint contributions", "civic assessment fees", "direct universal service support", "economic incentives", "economic stimulus packages", "environmental externality factors", "impact fees", "income shifting options", "innovative sources of financing", "late fees", "redistribution of wealth alternatives", "redeployment of revenue", "restructuring of budgets", "revenue enhancements", "service charges", "socially-responsible public investments", "social support subsidies", "transfer payments", "universal service charges", and "value-added revenue opportunities".[103]

2.2.2. Business Euphemisms
Euphemistic language pervades the workplace and almost all business dealings: **involuntary separation**, **letting go**, **downsizing**, **re-engineering**, **restructuring**, and **streamlining** are preferred to "layoffs." The word **challenge** is used to actually refer to "a problem." "Recession" is used to mean a "depression." When one is given the **pink slip**, he or she is "fired!" And a company **disinvests** when it fact it "closes a retail outlet in a community."It is quite acceptable in some situations if euphemisms in business are used to identify a chain of command such as in the use of **chief executive officer** instead of "boss."

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[103]http://www.squidoo.com/entertaining_euphemisms#module10221385 , Last visited: 24 March 2010.

Air Cover - When a senior manager agrees to take the flak for an unpopular decision, while someone lower in the chain of command does the dirty work. e.g. "As an executive development expert, I've facilitated dozens of 360 degree leadership assessments, team development, and new leader assimilation processes. Along the way, I have learned that leaders get dinged if they don't provide *air cover* to their direct reports."[104]

Alpha Pup - A market research term referring to the "coolest kid in the neighbourhood." e.g. "If the *alpha pups* go for it, we'll sell millions of them."[105]

Business Ecosystems - When companies in the same markets work cooperatively and competitively to introduce innovations, support new products and serve customers. e.g. "… I described how the Australian lending industry was a great example of friction-loaded *business ecosystem* and how LIXI standards are aimed at reducing some of that friction."[106]

Cookie Jar Accounting - An accounting practice where a company uses reserves from good years against losses that might be incurred in bad years. e.g. "Microsoft has an interesting, if dubious, *cookie jar accounting* scheme where profits from successful quarters aren't reported so that less successful quarters can be padded."[107]

800-Pound Gorilla - A company that dominates an industry short of having a complete monopoly. e.g. "BlackRock Is Now the *800-Pound Gorilla*"[108]

Ideation- Brainstorm session. e.g. "When setting up *ideation* sessions, we encourage invitations to other divisions. These newcomers will analogize a lot, relating what they hear to their own experiences."[109]

Market Cannibalization - When a company's new product negatively affects sales of its existing, related products, i.e., it eats its own market. e.g. "When Bayer made a debut of its 'maximum strength' aspirin, the new product ate into sales of classic old standby Bayer Aspirin. Bayer officials said *market cannibalization* was the only way to retain and build market share against new Extra-Strength Tylenol."[110]

Pain Points - A favourite of consultants used to describe places where an organization is hurting due to poor operating structure, technology or inefficiencies. e.g. "If you ask reflective questions instead of questions that can be answered with yes or no, prospects usually share more information with you. This increases your chances of uncovering *pain points* that can eventually lead to sales."[111]

Pockets of Resistance - Another borrowed military term that describes a person or group that attempts to stall, block or kill a project. e.g. "Our process includes: ... [A]chieving assimilation: coaching, problem solving, and addressing persistent *pockets of resistance*."[112]

Reverbiagize - To reword a proposal with the hope of getting it accepted by people who did not like it the first time around. e.g. "Don't worry about coming up with a new idea, we'll just *reverbiagize* the old one."[113]

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[104]http://www.leadershiptangles.com/2010/01/why-exceptional-leaders-provide-air-cover-and-prevent-tangles/, Last visited: 14 April 2010.

[105]Ron Sturgeon, Gahan Wilson, *Green Weenies and Due Diligence, Inside Business Jargon – Raw, Serious and Sometimes Funny*, Lynden: Mike French Publishing, 2005, p.94.

[106] http://frictionlessbusinessecosystems.com/, Last visited 3 April 2010.

[107] http://www.windowsitpro.com/article/news2/sec-investigating-microsoft-for-cookie-jar-accounting.aspx, Last visited: 10 April 2010

[108] http://finance.yahoo.com/news/BlackRock-Is-Now-the-800Pound-ms-2019019003.html?x=0&.v=1, Last visited: 17.04.2010.

[109]http://www.allbusiness.com/sales/customer-service-product-knowledge/515566-1.html, Last visited: 17.04.2010.

[110] Ron Sturgeon, Gahan Wilson, *op.cit*., p.99,

[111] http://marketing.about.com/od/salestraining/a/salesperform.htm, Last visited: 17.04.2010.

[112]http://www.tcs.com/offerings/consulting/business_consulting/Pages/default.aspx, Last visited: 16.04.2010.

[113] D.W. Martin, *Officespeak: The Win-Win Guide to Touching Base, Getting the Ball Rolling, and Thinking Inside the Box*, New York: Simon&Schuster, 2005, p.79.

Tszuj (Pronounced "zhoozh") - To tweak, finesse or improve. It is an expression made popular by TV stylist Carson Kressley, meaning to add a special flare to an outfit or hairstyle. e.g. "*Tszujing* the cost-benefit tables can get you in a lot of hot water if you're not a math whiz who loves to tweak via trial and error."[114]

3. Conclusion

Throughout time, language has progressively evolved and also the language and methods used by individuals who have the power to manipulate the views of the people and sway thought and behaviour. Doublespeak represents a very real danger to society that already holds influences over people's actions and thoughts because it distorts reality by creating false communication based on contradictions, misleading words, phrases and unnecessary complexities. On the other hand, it is considered that euphemism enriches the English language, and is one of the agents of the change and development of the language as well.

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[114]Ron Sturgeon, Gahan Wilson, *op.cit*., p.62.

14. http://www.leadershiptangles.com/2010/01/why-exceptional-leaders-provide-air-cover-and-prevent-tangles/, Last visited: 14 April 2010.
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SOME THOUGHTS ON WRITING SKILLS

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Writing is one of the central pillars of language learning and should be of major interest and concern to teachers, students and researchers. This paper is intended to be a plea for writing and explores issues regarding instruction and evaluation of writing skills of nonnative speaker students. It examines expectations of nonnative speakers writing quality and performance on writing proficiency exams, as well. Finally, it is trying to ring a bell about this skill that has been neglected in spite of its importance when it comes to foreign language acquisition.

General background. Of all the language skills, writing is the most difficult challenge for language teachers because students have less experience with written expression. Stimulated by audio-visual materials throughout their lives, students are novices in the discipline of writing. Making writing an ongoing part of foreign language acquisition from the first day in class will help ensure student success.

The purpose of learning a language is to improve the learner's four skills of listening, speaking, reading and writing, to achieve the ultimate goal of mastering the language. Every time skills are mentioned, they are ordered according to the moment they occur in the teaching-learning process. Writing is the skill that has to be well approached only after the other previous three have already been employed. Nevertheless, it seems that because it is the last one in the series, most of the times it remains neglected.

Why are writing skills important?

First of all, writing skills help the learner to become independent, comprehensible, fluent and creative in writing, important abilities which help learners put their thoughts in a meaningful form and to mentally tackle the message in a proper manner.

When it comes to writing in a foreign language, it is even more challenging. Writing English clearly is an important goal for all English learners. It is not only because writing well- be it your own language, or a foreign one - clarifies your mind and orders your thoughts, but also because the ability to represent yourself well on paper will help you secure a job in the future.[115] Most multinational firms use English to communicate with clients. Professional staff regularly have to write documents in English, although they are not native speakers. Despite having a good level of spoken English, many of them have not considered the elements of good writing. Therefore, most of them tend to write as they speak, or to translate from their first language. The outcome is documents which are unclear to the reader or use an inappropriate style. There are also often grammatical mistakes caused by first language interference.

Moreover, how you write, the style, cohesion, tone, attitude say a lot about you as a person, and headhunters, employers know this. It is not just what is on the paper that distinguishes one resume from another in a competitive job market. Presentation, clarity, and professionalism in a foreign language can help distinguish you from the rest. Thus, good English writing can open doors in almost any field you might choose in the future (as not so many people can write it well). A survey conducted among 64 American companies revealed that half of them pay

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[115] Paige Johnson Tan, *The Importance of Writing Well: A Justification and How-to Guide*, http://people.uncw.edu/tanp/writingwell.html

attention to writing when considering a person for employment or promotion.[116] That is why, nowadays, the growing trend worldwide is oriented toward establishing stricter standards of writing proficiency, an issue that directly affects students who are nonnative speakers of English. Whether you are a teacher of English, a student or a businessperson, (academic) writing skills are necessary in today's world. All kind of papers, like essays, reports, presentations, research papers, to pick up just some examples of documents, need to be written in the correct style, so to say the academic style, which would be the final target. When used appropriately, the academic style presents a polished and professional image.[117]

Traditionally, institutions have attempted to address nonnative speakers writing needs differently, and where it may once have been possible for nonnative students to graduate without being expected to write as well as students who are native English speakers today's trend mandate (theoretically, at least) that they be held to the same standards of writing proficiency as native speakers.

"While trying to improve math, science, and technology in our schools, we've neglected writing," said Commission member Gaston Caperton, president of the College Board, which founded the Commission on writing in America[118]. "Writing is a fundamental professional skill. Most of the new jobs in the years ahead will emphasize writing. If students want professional work in service firms, in banking, finance, insurance, and real estate, they must know how to communicate on paper clearly and concisely." [119] And this is said by Americans about English, their native language. Writing in a foreign language poses a lot more other problems, as speakers of different languages have different writing challenges that come form their own native language. Writing well in English can make the difference when finding a job. Speaking of jobs, nowadays applicants are asked for proofs, real document to support their declared knowledge of English. So learners have to sit for all kind of tests that assess their ability to use English, writing skills included.

How to improve writing skills? They are not just a set of basic skills people are taught at school. Writing and reading, listening and speaking are an integral part of each educated individual's life since they all mean communication. Written communication, in its turn, is another tool for people to express their ideas, and learn about those of others. Writing well is sure to earn respect.

Like all learning problems, difficulties in writing in a foreign language can be devastating to a student's education and self-esteem. If a learner fails to develop certain basic skills, he will be unable to write with the speed and fluency required to excel as these demands increase. Usually the normal steps in the progress of the learning process are tests and all sort of exams that are to prove their level of English. Writing is part of these tests. Paradoxically, this skill is not so much taught, rehearsed, improved even if everybody seems aware of the importance of writing, as shown above. Tests and language exams reveal this flaw of the instruction process. When preparing for them, students find themselves unequipped with the necessary knowledge to pass these exams. Not to mention what happens after graduation, when they actually need to get employed, so it is no longer about sitting for an optional exam like PET, CAE, BEC, TOEFL etc.

Finding out the reasons for which learners consider writing a more difficult skill to approach and teachers, equally as a more challenging task to teach can be of a great help to overcome these shortcomings of the instruction process.

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[116] Alla Kondrat, *Importance of Good Writing*, 21 March 2009 http://www.suite101.com/reference/good_writing
[117] Business Writing Seminars, www.linguarama.com/brochure/pdfbrochures
[118] The National Commission on Writing for America's Families, Schools, and Colleges is a blue-ribbon group of leaders from public schools, higher education, and the business and writing communities.
[119] Writing Skills Necessary for Employment, Says Big Business, http://www.writingcommission.org/pr/writing_for_employ.html

Naturally, for many English students learning to write fluently in English is much more challenging than learning to speak fluently. Even for advanced level learners, written communications can come much more slowly in English than spoken communications. The reasons for this are as follows: written communication is more formal, spoken communication allows for more 'mistakes', expectations are much higher for formal written English. Another reason for which some individuals might find it difficult or impossible to write, is that written language takes on many different *registers* depending on the function of the written word. Often, these functions are totally foreign to spoken language and can thus be considered 'artificial' to the speaker. These functions are often only used in written speech and are therefore even more abstract to some individuals than the already difficult transcription of simple spoken language into an alphabet.

Learning some basic tips of effective writing can help the learners. Effective writing:

-is focused on the topic and does not contain unnecessary or loosely related information;

-has an organizational pattern that enables the reader to follow the flow of ideas because it contains a beginning, middle, and end and uses transitional devices;

-contains supporting ideas that are developed through the use of details, examples, vivid language, and mature word choice;

-follows the conventions of standard written English (i.e., punctuation, capitalization, and spelling) and has variation in sentence structure.

Consequently, the whole writing activity should be reconsidered and structured in ways that help students learn to produce cohesive and coherent discourse on their way to become self-sponsors of their own writings. Writing tasks should not remain mere 'compulsory' tasks that just have to be done by both students and teachers as well; writing activities can turn into challenging, interesting, creative moments of the teaching-learning process.

Of course, there are differences between a research paper, a memo, and an answer on an essay exam; students may like some of these activities and reject others. However, they all share certain common features: they go somewhere; they argue something; they have a direction and it is only the teacher's task to draw the student's attention and to raise the student's interest towards writing.

Students need to be able to write all type of tasks; they have to be aware of the limits between formal and informal style, they have to develop the ability to recognize the audience expectations and requirements. In order to achieve all these, there are issues to be approached, and clarified and here is the moment and the time of the teacher. The learner has to be conducted so as to raise his awareness on the audience, to develop his/her academic writing skills (outlining, summarising, reporting and arguing, paraphrasing and synthesizing), he needs to be given some theoretical knowledge about writing from which he will later on benefit, he has to become aware of the issues such as the differences between written and spoken language, coherence, etc. Unfortunately, at almost all levels of the educational process, our system lacks all the above mentioned aspects. There is a kind of inexplicable reluctance and sometimes even fear of approaching writing. And it is maybe just because teachers themselves did not go through such kind of a training themselves. Academic writing is the ultimate goal and challenge of both teachers and learners.

Academic writing is formal writing. Most of the written pieces students are asked to produce refer to this particular style of expression. Many novice writers find it difficult to distinguish informal writing from formal writing. Informal writing is just at hand because it is more familiar. Informal writing is fine for diaries, blogs, personal letters or emails to friends. However, students working on papers for school, exams, scientific papers, presentations, business writing generally are required a more formal style.

Academic writing skills, can, anyway, be learnt, improved if students focus on several key areas; it differs from writing in high school.

1. Essay writing. It is interesting to notice that in most of the cases when teachers actually teach writing, we have to deal with the so-called 'five-paragraph theme" which is really a good thing. Students know that such a writing assignment begins with something general, narrows down in the middle to discuss specifics, and then branches out to more general comments at the end. In the classic five-paragraph theme, the first paragraph starts with a general statement and ends with a thesis statement containing three issues; each body paragraph discusses one of the issues in turn, whereas the final paragraph sums up what the student has written. It is a great way of learning how to write an academic essay; it is the easier or simpler version of the academic writing that requires stating an idea and supporting and arguing it with evidence. "Writing five-paragraph theme is like riding a bicycle with training wheels"[120] and the difference between high school writing and further academic writing probably relies on that in high school the stress is on the who, what, when, where, whereas further academic writing asks the student to think the how and why.

Students have to know certain technical aspects of writing an essay, for example. They need a little bit of theory as input, somehow like a prefabricated recipe that they can adapt, improve, and feel free to employ whenever they are asked to write.

The title of the paper should suggest not just the topic of the paper but also the thrust of the argument, if possible. An essay of longer than three pages should probably have a title, or covering, page. This should include, at a minimum, the title of the paper, student's name, the course name and number, teacher's name and date of submission.

The Opening A good paper should have an opening that is interesting to the reader. It has to be something intriguing that you can grab the reader's attention.

The Main Statement of the Essay A thesis statement should also be included in the opening as well; it briefly presents the main argument of the essay (this may be a how or why answer, a policy recommendation, or an opinion). Importantly, after the thesis statement, the paper should then tell the reader how the writer intends to demonstrate his argument or justify the opinion or recommendation asserted (an important aspect that many authors forget).

The Body In the body of the paper, the student should support his thesis. It is important after each point to link back to the thesis and refresh the reader with what you have told him so far. *The Conclusion* should not bring any new information. Rather, the conclusion should re-state the main thesis and show the reader how it has been demonstrated.

There are some common problems students should be let known of. For instance, writing a *paragraph* is not a natural skill, but a learned skill. Students should simply follow a structure: paragraph usually containing a general idea in one sentence, and 4 - 5 supporting sentences which expand this idea by giving explanation, details, and examples to support the main idea. Paragraphs are used to separate main ideas. A new paragraph signals to the reader that a new idea is about to be discussed.

Spelling becomes a widely spread reason why people dislike writing. However, it does not mean that we take it for granted and do nothing with language learners to improve the situation. Spelling, as any other language skill has to be given our thorough attention. Some people are naturally good spellers. Others worry about spelling but they have to realize that correct spelling is really only vital when we are writing final copies of assignments or other documents. The most important thing to remember about spelling is that it's a skill you learn by writing and seeing the words on the page. Proofreading is the key to a correct spelling.

Summarising and *paraphrasing* are difficult skills to acquire for our students at the beginning of the writing activity, since our education does not emphasise them properly.

On the other hand, the after-writing steps are also extremely important for; consequently, students should be introduced to *strategies* such as revision, peer feedback, critical evaluation

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[120] *College Writing,* http://www.unc.edu/dept, last visited 10 April 2010

and group work gradually and the teachers should show the students the beneficial sides of these procedures, since our students seem neither familiar, nor inclined towards group work and critical evaluation.

2. Formal letters. A totally different story is that of writing technical, formal documents, like letters, memos, reports, that students tend to consider as easier assignments. Nevertheless, students seem to come to such conclusions only after having been presented a basic, simple, and clear summary of writing rules. In English there are a number of conventions that should be used when writing a formal letter, starting with its layout, the right place and content of the address, date, references. Furthermore, the letter should be as simple and as clear as possible; its length should be correct, not longer than necessary, whereas contractions proper to informal writing should be avoided.

The first paragraph should be short and state the purpose of the letter (be it an enquiry, request, memo or complaint etc).

The body of the letter should contain the relevant information that initiated the writing of the letter. Most of letters in English are not very long, so retain only the essential information; ideas should occur logically, clearly and cohesively.

The Last paragraph of the formal letter should state what action you expect the recipient to take.

In addition, students have to be aware of the difference between formal and informal styles of writing. Even within academic writing, there are different levels. Good writers think about their purpose in writing and their readers when deciding how formal their text should be. It might help students a lot to imagine a sliding scale which measures the level of formality.

Extremely informal ------------------------**Extemely formal**

Eg. diary, reminder   Eg. legal document

The facts tackled above represent only a very concise way of presenting a formal letter; this, together with samples and then the actual work on the composition are the stages towards exquisite pieces of writing. They are necessary; otherwise, set in front of a task (like the one below[121]) learners find it almost impossible to achieve it at the required level. The task does not seem extremely complicated. Still, taking a look at the right column we can see what is being actually assessed. If students are not familiar with this type of approach, they can easily fail. Sometimes the trouble is that teachers themselves are not prepared enough to train students, to support them and finally to assess their work.

| **Question**

A restaurant in your region is to open shortly and the owner has placed the following advertisement in your local newspaper:

RESTAURANT STAFF NEEDED...
...For a busy restaurant located in the main tourist area
number of vacancies available, including:
Junior Chef
Waiter/Waitress | **Content**

Should mention the post applied for, relevant skills and previous exp and personal qualities. Could also mention when available to attend interview.

Range

Language suited to a letter of application, e.g. correct use of present past simple tenses for describing past experience(s). Standard expres as 'I am writing with reference to....'; 'I look forward to hearing from 'Should you need further information....' |

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[121] The complete text of the assignment is taken as proof from <u>Certificate in Advanced English Paper 2 *Writing*</u>, <u>www.flo-joe.co.uk/**cae**/students/**writing**</u>, last visited 12 April 2010.

Restaurant Manager Hours of work: 6 - 12pm, Mondays to Saturdays. Please send us a letter explaining which post you are interes... should consider you for the job. Interviews will be held a w... date. Write the **letter of application**. (Around 220-260 words).	**Organisation** Should have the layout of a formal letter, with appropriate b... ending (e.g. 'Dear Sir or Madam', 'Yours faithfully'). Should... writing in the first paragraph. (e.g. 'I am writing to apply for... restaurant manager, which was advertised in The Daily Gaze... second, third (and possibly fourth) paragraphs should descri... experience and personal qualities as well as your general sui... **N.B.** In the exam there is no need to write addresses. **Register** Fairly formal. Should be consistently polite throughout. **Target reader** The reader would be persuaded that the applicant had the rig... experience, and would consider inviting the applicant for an... **Language accuracy** Should not contain major errors that lead to misunderstandin... the reader.

The teacher's attitude toward correction, the way in which he offers it to students, and students' own feelings about the teacher in general are significant factors in the effectiveness of the writing process. Teachers should focus more on process and give multi-draft assignments; they should teach students how to use feedback to improve their writing skills. Moreover, teachers should provide feedback that addresses the specific needs and expectations of students. Some students need feedback on the content, style, and rhetoric; others may use corrective feedback of their lexical and grammatical expression.

Conclusion The paper has stated some thoughts about the teaching of writing in the nowadays context oriented toward establishing stricter standards of writing proficiency; it suggested some ways for teachers to help students become better in their writing, be creative and competent. It is a necessity for writing activities to be structured in ways that help students learn to produce cohesive and coherent discourse on their way to become better writers and critics of their own writings. Finally, the primary focus of writing practice should not be only on the correct word or phrase, but on the whole communication process that help improve the quality and image of the student himself.

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URBAN DEVELOPMENT & CREATIVE COMMUNITIES AS A PREREQUISITE FOR TOLERANCE AND INTERCULTUTAL DIALOGUE

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It is obviously that all over the world, mostly after 2000, a new approach for urban development and for regional development emerges. We choose Romania taking into account also the idea that it has old tradition in cooperation mostly within the areas near the borders where diversity and multicultural environment can allow more space for diversity management and for tolerance. One of the main challenges for the creative communities and for the creative industry sector and for those who engage within is how to encourage longer-term growth of these small lifestyle businesses. It seems that there is quite difficult to identifying creative workers due to their diversity (understood in a complex sense, in terms of cultural diversity that is more relevant for creative communities than ethnic, religion or other way to look traditionally for diversity).

Key words: urban development, regional economics, creative cities, creative communities, creative economy

The article's JEL code: R11, R58, R59.

1. Introduction – the necessity to promote, implement and develop the creative economy during crisis time

The global crisis that has made its presence felt since 2008, has already affected to a large extent all sectors of activity, regardless of country, region or continent. It has not avoided the creative sector or creative domains. Despite the potential of the creative economy to generate wealth and create jobs and growth, the creative economies must face the same threats that all economies face. The question is to what extent it affected the creative sector and what are its prospects for development in today's context.

As the global crisis affected without exception all areas and industries of the economy, the creative economy could had not avoid this major global change. The current social and economic landscape could be described broadly by the disappearance of a large number of jobs and the remaining being at risk, businesses which go bankrupt, owners that move etc. All these phenomena occur simultaneously worldwide in all industries.

Moody's (Economy.com) published a report on the recent economic activity in the United States of America. The report investigated 381 metropolitan regions, out of which 302 were already in strong recession and 64 were at risk of recession. When the research was conducted, only 15 of those 381 regions were still experiencing economic growth. The regions which were the least affected, according to the survey, were those regions rich in oil and other natural resources (e.g. Texas and Oklahoma), who were *saved* by declining energy prices. As well, the Washington DC

region still provides and creates new jobs in law and administration, due to nationalization of financial companies and fiscal expansion (Florida, 2009). At the opposite pole are the regions less associated with massive funding, which are most affected by the crisis.

In this context, sooner or later, all world regions will be affected by the recession, to some extent and for a certain period. As the crisis deepens, some regions will be more affected than others. Moreover, it is likely that certain regions or cities will have fully recover, reaching back their past performance, and others not to come back ever again. One thing is certain, however, that the world economy is deteriorating, and the response of different regions to these new conditions is various.

Similarly, *The Big Economic Crisis* or the *Great Depression* of 1929 began as a banking crisis caused by insolvent mortgages and complex financial instruments. Soon, however, the effects of this crisis widened and affected even the real economy, giving rise to a very high rate of unemployment (e.g. unemployment rate in New York was 25% and in some countries exceeded 30%). At that time, the oil industry, building railways and the steel industry were well developed. This is the context in which appeared *the dawn* of a new period of innovation and industrial growth. A similar opportunity may be identified today for the creative economy, since it can play a key role in the current crisis, its ability to revitalize, which was already proven during the periods of growth and expansion.

One of the root causes of the crisis is the increasing difficulty of the West to offset internal exhaust by attracting resources from other parties. Exhausted, the West founded the globalization of markets (especially financial markets) to attract resources from elsewhere, enabling it to maintain the same standard of living, but created a financial bubble at world scale. Everybody was interested in the fictitious and uncontrolled growth that was going: on the one hand, Western economies could maintain their growth, governments assured full employment today with the money of the tomorrow taxpayers, companies provided the required products without increasing the wages, employees were finding jobs, shareholders were getting significant value gains, the poorest had access to housing, banks gained enormous profits, United States effortlessly maintained their supremacy, the southern countries were involved in the growth with the help of U.S. imports and the world financial system stored much of the world added value.

The creative economy combines creativity with the commercial sense and research. The development of creative businesses is directly linked to the dynamics of the *new economy*, which becomes informational, global or networked. The new economy is based on knowledge – intellectual property – and contributes to the welfare of a nation. If the cultural industries were not substantial sources of revenues and economic growth before, during the past few decades they led to the revival of many European regions where the traditional industries had disappeared and left behind a desert landscape and a decaying society. It is the case of *Newcastle-Gateshead* urban conglomerate in Great Britain, former mining region; at present, this region is flourishing due to the development of the creative industries, and examples can be offered from many other geographic regions in this respect. It was thus proved that the creative economy has a major role in any society through social inclusion, urban regeneration and personal motivation they generate. Hundreds of years before art and culture did not represent productive activities, even though they used to have intrinsic value. Gateshead and Glasgow placed the creative industries and the cultural activities at the centre of their development strategies.

2. Creative cities, creative communities and creative regions – people and places that fire the engine of the entire economy – revitalization power

While the concept 'creative' is ubiquitous in everyday life, the concept of a creative city reflects a variety of examples with special applications of creativity to urban economic progress. For purposes of this writing, the creative city will be viewed as engine for creative regions and as a general movement that uses the application of this concept primarily in the revitalization of cities

and whole regions in terms of strengthening the competitiveness of cities that are based on creative community potentials.

The city in the 21st century takes precedence in terms of the number of residents who live in it. Certain sociologists who deal with the phenomenon of the city go so far as to claim that the global society in the 21st century is going through great paradigmatic change, because it is making a transition from a society of the national state to a society of the city.

Cities have always been and still are the focus of modern society and they are socially, culturally and economically dynamic entities and they are the engines of regions where they are placed.

One of the ideological mantras of globalization is that it does not matter where you are. The technology is "*aligning"* the playground-market and the world has become flat global village. Some authors as Pine and Gilmore (1999) argue that increasing competition in the market means that 'goods and services are no longer enough' and that producers must differentiate their products by transforming them into 'experiences' which engage the consumer. Today's global economy has its "*peaks"* of experience. Moreover, the highest "*peaks"* of experiences are cities and regions that are drivers of world economy, those that attract talented, educated people from all over the world, generate knowledge and largely contribute to global innovation, and each are very closely related activities of a group of people by Richard Florida, urban theorist, called "*creative class."* The main sources of the creative potentials in cities and regions are their people. What makes the creative city? It is people - people interacting with people (Hawkins, 2002).

'Today, we need creativity to be able to connect, collect and measure the impact of different spheres of life for a holistic understanding of the city i.e. how it materially affects our perceptions, in order to grasp the delicate ecological system of our lives and make it sustainable. We need, in other words, the skills of a broker, a person who thinks through several disciplines, which is in a network and connects - we need '*softer' skills'* (Landry, Bianchini, 1995).

Contemporary cities see their development through different models: intercultural city, environmental city, green city, slow city, cool city, etc. All these models are linked to changes with the economic and social aspects of the city starts from creative individuals and independent organizations to different administrative and policy systems.

Creativity is available to each city through their creative individuals and if the city promotes creativity and enables those individuals to show in public their creativity the city space would be enriched and more creative. Creativity is not a concept that can easily be caught. According to this in some cities and countries that are still going through transition and that are struggling with basic problems as it is lack of infrastructure and lack of sources for serious social problems, creativity is hardly acceptable. Although creative solutions usually cost very little they have big effect that shows example from the world such as Montpellier (Landry, 2000)

3. The stakes of the creative economy in the emerging countries of Southern and Eastern Europe. The case of Romania

In Romania, the concept of creative economy, as well as the one of creative industries and cities, is still at the beginning of its research; there are no broad researches or specifically focused works on this topic, as it is the case in those countries that initiated and promoted this concept.

The existing statistics at national level in Romania do not allow a fine and precise classification that outlines the creative industries exclusively as it is the case in Great Britain and Australia. Rather, activities in Romania are divided according to a broader classification.

Thus, several blooming creative activities in Romania cannot be separately interpreted due to the classification procedure and statistical reporting. The general conclusion regarding the creative economy and industries in Romania is that the structure of classification of the economic activities in Romania does not particularly focus on them.

Actions aimed at developing Romanian creative economy and creative cities must take place in a wider context, an *international* one, in the South-eastern Europe space or even in the European Union. Nordic countries are the most eloquent example of such cooperation among nations, which can only lead to the development of the creative economy and cities.

One Romanian town – *Iasi* – was *elected the creative town in Romania*. This project was part of a larger *Central and Eastern European programme*, conducted by *the British Council*. The purpose was actually to map the creative industries in this creative town in order to create awareness about these companies and bind them all in a network. We hope soon other cities will be considered as creative cities and creative communities. Why not Oradea that is also an multicultural community where we can apply intercultural sensitivity tolerance and intercultural dialogue principles.

The measures taken in Romania in support of the creative industries are not part of a national strategy or policy. However, there have been several incentives for the software industry for some years whereby the profit was not taxed on such activities. Moreover, the crafts are supported by a national programme whereby craftsmen can benefit by financing provided the activity remains basically and mostly manual and it preserves the traditions.

In Romania the concepts of the creative economy and creative cities are still at early stage even though there is a time of discussing the creative economy on a highest level in the country.
Exploitation of knowledge and creative skills is one of the most lucrative industries in the world; the only problem is that in Romania it is not easily converted into capital. Lack of awareness of the importance of creativity in companies on the one hand, and outdated education system that does not encourage the development of creativity, on the other hand, are the main problems of the creative industries in these countries, participants emphasized the forums.

Conclusions and recommendations
In the content of the new urban development perspective creative cities, creative communities and creative regions are place where we can hope to find a reliable and sustainable source for long-run sustainable competitive development even during crisis time. Like Phoenix bird recovering from its ashes, creative communities have a real potential in order to identity the real source for regional sustainable development among the creative corridors and creative cities. According to the sustainability of interventions and involvement of the population, creative cities can act properly like fire engines for the long-run sustainable development of the whole region to which they belong.
In Romania, the concepts of creative economy and cities are still in early developing stage and they are still based on enthusiasm of creative organization and individuals.
The awareness of companies and individuals in majority is not high enough and creativity is seen as waste of money and time.
Authors are optimistic and hope for the best perspective for their country, Romania.
That is why as researchers we had done our best to promote this new approach within our country and we are very happy that we obtain on competition bases some research founds for a national research project (IDEI 1224) specially dedicated to the topic of "*The creative economy & knowledge-based society. Challenges & opportunities for Romania*". This project started in 2007 and is running also in 2010.
As teachers we also promote this topic among our students on all the Bologna Process levels (undergraduates, Master and PhD Programmes). One of the authors is a PhD candidate who had chosen to the research project topic for the PhD dissertation paper.
We are convinced that by promoting creative economy new approaches among students when these students will graduate they will do their best in order to promote this approach in Romania. Or at least they will not block other's people initiatives that will support creative economy promotion both at the national and regional level.

The regional and territory dimensions have a special meaning for the cotemporary development. And the creative & innovative communities can make the difference also for Romanian regions on their way towards a creative & innovative economy.

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LE DEVENIR DE L'INFORMATIONNEL ET DES PROJETS DANS L'ENSEIGNEMENT DU LANGAGE ECONOMIQUE

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Informatics, especially the Internet represents a new approach for the teacher interested in new methods of teaching foreign languages. More and more attracted to the Internet, the students will combine what is necessary with what is pleasant in learning rapidly a language for special purposes. In this paper I have presented the objectives of teaching French language for the Economics starting from an authentic material on the Internet: Lafarge Group which is a multinational enterprise and a world leader in building materials, with a branch in Romania, Constanta County, Medgidia town.

L'information est un enjeu incontournable du maintien et du développement de la domination des acteurs du secteur économique. Sans elle, la gestion et le renouvellement des produits et des marchés, l'organisation de leur diffusion et de leur consommation à l'échelle de la planète ne seraient pas possibles. L'information étendue et profonde est si bien captée par le secteur économique, que c'est à lui principalement que revient le mérite des réussites incontestables qui n'existeraient pas sans elle. L'économie est dopée à l'information sous presque toutes ses formes: technoscientifique, géographique, médiatique. Toutefois, cette domination de l'information a réussi à créer des domaines spécialisés du point de vue du langage nécessaire à appréhender les problèmes fondamentaux et globaux. Morin note que: «sous la pression de l'économie, le tissu complexe de la société a été taillardé en petits morceaux; difficile de reconstituer l'ensemble. Aux économistes, l'économie, aux démographes, la démographie»[122]

Selon les exigences de la société contemporaine, on doit souhaiter l'ouverture du lexique économique et son intégration dans une communauté plus ample, celle de l'université mais également dans le milieu des affaires. De la sorte, l'économie et son langage au service de l'être humain devraient nous conduire à civiliser la terre en une société moderne qui favorise la compréhension du langage spécialisé économique mais aussi des mécanismes qui y agissent.

L'informationnel dans l'économie est une conquête de complexité sociale. Elle institue à la fois des règles pour les individus, des impôts qui assurent le contrôle des entreprise, des régulations qui empêchent l'évasion fiscale.

Or, les nouveaux enjeux d'une économie informationnelle mondialisée doivent transmettre aux étudiants en sciences économiques tous ces termes spécifiques des mécanismes en fonction.

Dans la *perspective actionnelle,* les étudiants en sciences économiques sont à envisager non seulement en leur qualités d'individus mais, à la fois, dans le rôle d'acteurs sociaux ayant à traiter une multitude de situations communicatives auxquelles ils se confrontent à l'avenir dans une entreprise, et qui exigent l'accomplissement d'un certain nombre de tâches. Pour les mener à bien, ils mobilisent une série de compétences dont ils disposent déjà et, en parallèle, en acquièrent d'autres.

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[122] Morin Edgar, Naïr Sami, *Politique de civilisation,* Ed. Arléa, Paris, 1997, p. 288.

La définition d'objectifs communicatifs impose comme nous l'avons vu, la prise en compte des besoins du public visé. Sophie Moirand[123] conçoit un schéma fonctionnel menant à la formulation des objectifs en faisant distinction entre objectifs situationnels et objectifs communicatifs – la traduction des objectifs situationnels en objectifs communicatifs se réalisera à coup d'indentification des divers paramètres, par leur mise en relation à des éléments verbaux et non verbaux de la communication et par analyse des éléments verbaux (ou de discours) produits en pareilles circonstances.

Entre les objectifs généraux le professeur visera les suivants:

1. initier au fonctionnement des rapports sociaux de travail dans une entreprise.

2. entraîner à la compréhension des documents écrits/oraux statuant les rapports du travail.

3. former à la rédaction de documents dans l'expérimentation FOS par l'Internet doit se mettre d'accord avec ses étudiants pour répondre le mieux à la question: qu'est-ce que les apprenants doivent connaître, savoir et surtout savoir faire pour mener à bien les activités de communication découvertes sur un site. Donc, ils devront être familiarisés en avance avec les différents volets parmi lesquels:

a) connaître les rapports dans le travail et la communication interne de l'entreprise.

b) maîtriser le discours c'est-à-dire savoir comment se débrouiller dans telle ou telle situation de communication: vocabulaire, constructions syntaxiques, aspects stratégiques, conventions de rigueur etc.

c) savoir comment fonctionne un certain type de négociation, comment se déroule un rendez-vous d'affaires

4. connaître le contenu des affaires de l'entreprise envisagée

5. comment se fera l'évaluation de ces activités de communication selon quels critères?

Le principal *objectif thématique* sera dicté aux étudiants et il constituera le cadre dans lequel le professeur inséra les autres objectifs et les actes de parole. Dans notre cas l'objectif thématique sera: prendre connaissance des divers moyens de communication orale et écrite employés par une entreprise multinationale qui a son propre site et qui veut faire une promotion correcte en vue de son bon fonctionnement.

Quant aux *objectifs discursifs* [124] le professeur identifie les définitions et explique les différences entre les moyens écrits et oraux (il va annoncer les étudiants du film promotionnel qu'ils doivent écouter plusieurs fois).

Puisqu'on est mis dans une situation dans laquelle l'Internet devient un partenaire pour l'étudiant, les objectifs linguistiques seront identifiés ensemble avec les actes de parole. Donc, dans l'évaluation ou l'autoévaluation les étudiants seront invités d'identifier les types de phrase dans la communication dans l'entreprise (affirmative, interrogative, passive, impersonnelle).[125]

L'explication du professeur est nécessaire pour ces tâches: Quand et dans quel contexte on a exprimé l'obligation (l'interdiction, la permission etc.)?

D'habitude, nos étudiants sont de *Niveau B1+* qui correspond à un degré élevé du Niveau seuil, ils réussissent à comprendre et utiliser un nombre de descripteurs relatifs à la quantité d'information échangée. Ils sont capables de prendre des messages sur des demandes de renseignements ou expliquer une difficulté, apporter l'information concrète exigée dans un entretien, mais avec une précision limitée; donner son opinion sur un article, un exposé, une discussion etc. et répondre à des questions de détail complémentaires, ou les résume ; mener à bien un entretien préparé en vérifiant et confirmant l'information, même s'il faut parfois faire répéter l'interlocuteur lorsque sa réponse est longue ou rapidement énoncée; décrire comment

[123] Sophie Moirand, *Approche globale des textes écrits* en *Etudes de Linguistique Appliquée,* n. 23, 1976, p. 90.

[124] Carmen-Ştefania Stoean *Classe d'expérimentation en pédagogie du projet,* în *Dialogos – Sciences du langage et didactique des langues,* nr. 18/2008, Editura ASE Bucureşti.

[125] D. Bailly, *Pour une application de la linguistique théorique à l'enseignement des langues,* en *Langage,* 39, 1975, p. 81-105.

faire quelque chose et donner les instructions détaillées; échanger avec une certaine assurance une grande quantité d'informations factuelles sur des questions de son domaine. Donc, on peut entrer ensemble sur l'Internet à l'adresse http://www.france-entreprise.fr/ où nous allons découvrir *l'annuaire des entreprises françaises sur l'Internet.*

Là-bas on a le choix entre *Alimentation et boissons, Antiquités* ou bien *Économie* (Affaires de commerce extérieur, Consulting, Courrier d'affaires, Emploi et ressources humaines, Renseignements économiques et enquêtes, Services, Services financiers…)

L'annuaire développe aux étudiants la compétence interculturelle et offre une vue d'ensemble sur les critères en fonction desquels les entreprises peuvent être classées. Grace à ce site on peut voir la liste des plus grandes entreprises françaises, cotées en bourse et qui font parties de l'indice Stoxx50.

Le professeur présente l'histoire de l'entreprise *Lafarge* qui est présente aussi en Roumanie à Medgidia, département de Constanta. *Lafarge* est un groupe français de matériaux de construction, leader mondial dans son secteur, suivi par Holcim. Il est présent dans trois activités principales : béton et granulats, ciment, plâtre, et dans 79 pays. Son chiffre d'affaires, en 2008, s'est élevé à 19,033 milliards d'euros, dont 57 % dans le ciment, 35 % dans le béton et les granulats et 8 % dans le plâtre. Le groupe emploie environ 84 000 personnes dans le monde sur 2 187 sites de production. La compagnie des Ciments Lafarge a développé des ciments spéciaux de renommée internationale. Lafarge est leader mondial des matériaux de construction.

C'est en Ardèche, en 1833, que nait l'activité du cimentier Lafarge après la reprise, par son fondateur Léon Pavin de Lafarge, d'une activité familiale lancée en 1749 dont l'usine exploite une carrière de pierre à chaux dans la montagne Saint-Victor dominant le Rhône entre Le Teil et Viviers. Dès 1864, le site livre 11 000 tonnes de chaux pour le Canal de Suez, c'est le premier chantier d'envergure internationale pour l'entreprise. En 1919, l'activité est transformée en société anonyme sous le nom de *Société anonyme des chaux et ciments de Lafarge et du Teil* et dès 1939, Lafarge devient le premier cimentier français et progressivement l'un des leaders mondiaux. En 1980, la fusion avec l'entreprise belge Coppée donne naissance au Groupe Lafarge Coppée et en 1997, elle acquiert le britannique Redland ce qui permet à Lafarge d'entrer dans le marché des tuiles. Le 12 juillet 2001, l'acquisition du groupe britannique Blue Circle Industries Plc (BCI) permet à Lafarge de devenir le premier producteur mondial de ciment devant le Suisse Holcim. Pour financer cet achat, Lafarge revend sous forme de LBO l'essentiel de sa branche de matériaux de spécialités, rebaptisée Materis. Le 29 juin 2004, Lafarge décide de doubler la capacité de sa cimenterie de Dujiangyan, en Chine, pour la porter à 2,4 millions de tonnes, et signe un accord de partenariat avec Shui On Construction Materials Limited (SOCAM), cimentier chinois coté à Hong-Kong. En 2007, Lafarge SA annonce le rachat de la division ciment du groupe égyptien Orascom, Orascom Cement pour 8,8 milliards d'euros mais est condamné, la même année, avec la société Vicat pour entente illégale[6] et abus de position dominante collective sur le marché de gros de l'approvisionnement de la Corse en ciment.

Le 2 juillet 2008: *Lafarge Couverture* devient Monier après la cession de l'activité Toiture à PAI partners et le 19 aout 2008, dans le cadre du plan de nationalisation de l'industrie du ciment, du président vénézuélien, Hugo Chavez, Lafarge conclut un accord de cession de ses filiales vénézuéliennes.

Le 28 juillet 2009, dans le cadre du plan global de désinvestissements du Groupe, Lafarge annonce la cession de ses actifs Ciment et Granulats & Béton au Chili (Lafarge Chile SA et Immobiliaria San Patricio ainsi que la cimenterie de La Calera) au groupe péruvien Brescia, pour une valeur de 555 millions de dollars US.

Le groupe, qui comprend plus de 1 240 sociétés détenues majoritairement et environ 230 sociétés détenues sous forme de participations, est très décentralisé. Il est organisé en trois branches:
- ciments, la direction générale se trouve à Saint-Cloud ainsi que les services techniques France alors que les services techniques à l'international se trouvent à L'Isle-d'Abeau.
- granulats et bétons,

- plâtres.

Chaque branche regroupe l'ensemble des unités de son domaine d'activité sur le plan mondial.

Les unités ont une compétence limitée à une zone géographique, généralement un pays, pour une activité donnée.Le siège du groupe, situé à Paris, comprend la direction générale, le comité exécutif et l'ensemble des directions fonctionnelles.[126]

Si nous allons cliquer sur l'Entreprise Lafarge on peut découvrir tout le lexique nécessaire pour la présentation et la promotion d'une société: agenda, Cours de bourse, Groupe, Développement durable, Recherche et Innovation, Clients et Activités, Actionnaires et Investisseurs, Journalistes, Candidats etc.

Par exemple, dans les communiqués de l'année 2010 nous apprenons que *Lafarge* (leader mondial des matériaux de construction, qui occupe une position de premier plan dans chacune de ses activités: ciment, granulats & Béton et Plâtre), dépasse son objectif de réduction de ses émissions de CO_2 dans le monde. Pour tenir ses engagements, Lafarge investit des montants importants dans la durée: plus de 800 M€ auront été investis ces cinq dernières années dans la réduction de l'empreinte environnementale industrielle des cimenteries du Groupe.

Ethique et gouvernance offre aux étudiants la possibilité d'écouter les modes de gouvernance qui font partie intégrante des critères de développement durable. Chez Lafarge, la gouvernance est réglée par des principes éthiques forts.

Trois axes se dégagent:

- la réussite des collaborateurs: l'objectif de Lafarge est d'aider chacun à réussir.

- l'amélioration permanente de la performance: Lafarge veille à optimiser continuellement ses produits et services.

- une organisation «multilocale»: les activités de Lafarge sont locales, mais s'inscrivent dans une logique globale.

Ecouter cette présentation constitue un volet de compréhension orale très important dans la communication professionnelle, et peut être exploité comme un matériel complémentaire. Du point de vue économique, il faut insister après l'écoute du discours sur le terme *gouvernance* que les étudiants peuvent noter. *La gouvernance* d'entreprise est constituée de l'ensemble des mécanismes d'orientation, de contrôle et d'évaluation qu'elle met en place. De façon plus précise, ce terme peut également désigner des règles de fonctionnement du conseil de la surveillance.

On peut indiquer aussi *le glossaire* du site http://www.lafarge.fr/wps/portal/2_6Glossaire, où ils trouveront le lexique concernant les termes spécifiques à l'activité de l'entreprise (ajout cimentaire, bauxite, cellule photovoltaïque, cendres volantes, co-incinération) mais aussi des termes économiques pour le groupe multinational (Organisation Internationale de Travail (OIT), Programme des Nations Unies pour l'environnement PNUE).

Il serait néanmoins utile que l'exploitation de ce site avec le Groupe Lafarge soit complété par des exercices d'exploitation, de consolidation et d'évaluation regroupés dans une banque (base) de données électronique). Lorsqu'on procède à l'évaluation, en fait, nous mettons l'accent sur le processus qui se construit en spirale ouverte sous les yeux des étudiants et leur professeur, toujours actif et disponible pour ajuster, réajuster et reformuler les activités proposées.

L'apprenant est donc bien le point de départ que ce soir vers l'enseignant ou vers un autre apprenant: ainsi, il peut apprendre à communiquer avec le groupe en présentant pour le début le profil de Lafarge, ensuite sa stratégie et l'équipe dirigeante.

Le professeur, à son tour, peut intervenir avec des questions ouvertes, sur l'avenir de son correspondant: Est-ce que tu aimerais travailler dans une multinationale de type Lafarge? Pourquoi?

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[126] http://fr.wikipedia.org/wiki/Lafarge_SA.

Apprendre aux étudiants à utiliser le site Internet de manière efficace autant en classe que dans leur travail individuel c'est faire le premier pas vers leur autonomie. D'ailleurs, les Projets «Langues Vivantes» du Conseil de l'Europe ont inclus dans leurs orientations fondamentales l'exploration et l'exploitation du concept d'autonomie et les stratégies pédagogiques susceptibles de contribuer à son application dans les systèmes d'enseignement/apprentissage des langues européennes.

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SECTION: ECONOMICS AND BUSINESS ADMINISTRATION

SUB-SECTION: ECONOMICS

INTERNATIONAL SPECIALIZATION AND VERTICAL DIFFERENTIATION

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During the last decades, market segmentation and intra-industry trade have become increasingly relevant. The underlying hypothesis of our work is that distinct articles have heterogeneous potential for vertical differentiation, implying that different patterns of international specialization should be identifiable. We carry out an analysis on revealed comparative advantage (through the Lafay Index) in specific sectors of interest. Then we highlight the emergence of diverse degrees of product quality differentiation among sectors (through the Relative Quality Index). Results confirm our hypothesis. Indeed it appears that only certain goods, for which the pace of either creative or technological innovation (or both) is particularly fast, present a high degree of vertical differentiation and market segmentation. This allows countries to specialize in a particular product variety and gain market power position for that variety. These findings should be taken in due consideration when designing trade policies.

Keywords: international specialization, Lafay Index, Relative Quality Index, creative sectors

JEL code: F1, F59, D4, Z1

Introduction

European countries are facing increased economic competition, resulting both from the overall globalization dynamics and from the European integration process. These phenomena are often considered as threats. However, a better understanding of international trade patterns and specialization trajectories could contribute to properly assessing these dynamics, so that to prevent us from drawing hurried conclusions about the presumed competitive pressures that high income countries face from emerging economies.

The analysis of international specialization patterns is essential in order to examine the revealed comparative advantages of countries and, therefore, their competitive potential in particular markets. However, given the increasing importance of differences in products' quality as a driver of countries' success in the global market (Bernard and Jensen, 2001; Bernard et al., 2003), it could be ambiguous to only take into account measures of international specialization based on export and import values (Baldwin and Harrigan, 2007), without considering the qualitative characteristics of traded goods.

For "quality", we intend not only the physical features of the product (such as materials or technology embedded), but all features, tangible and intangible, influencing consumers' economic valuation (Aiginger, 2001; Borin and Lamieri, 2008). For this reason, it is possible to measure perceived quality through the price that the consumer is willing to pay (Stiglitz, 1987). The most frequently adopted proxy of price in international trade studies is the Unit Value (UV)

of trade flows, defined as the ratio between the value and the quantity of imports/exports of a given product (or group of products).

The UV is often used as a quality indicator, though this approach has some limits (Mannarino et al., 2008). Firstly, products with the same price but different physical weight might show different UV independently from their relative qualities; despite that, it is often possible to find product-specific correlations between weight and quality. Secondly, a higher UV may also depend on a lower productivity level of a country; however this can only be true in the short run, while it is reasonable to think that in the long period countries may continue to be internationally competitive with a high UV only if it is justified by higher quality characteristics. Lastly, a country gaining a market power position in a specific product could increase its UV even without improving the product quality.

In our analytical framework, we consider vertically differentiated products and consumers preferring higher quality varieties. These hypotheses allow for: a) market segmentation and intra-industry trade; b) advantages in terms of productivity, resulting in exports which have higher unit values (Baldwin and Harrigan, 2007).

Accordingly, we carry out our analysis first by examining which countries are internationally specialized in particular products of interest and then by investigating the revealed quality characteristics of the various products for different specialized countries.

International Specialization and Relative Quality Measures

We are interested in finding out which countries are specialized in given products. These have been selected with the aim of representing different macro-typologies of products, in order to be able to assess if a correlation exists between the possibility for a given product to be vertically differentiated (hence allowing for market segmentation and intra-industry trade) and significant difference in quality levels.

We carry out this analysis, adopting the Lafay Index (Lafay, 1992) as an index of international specialization and a Relative Quality Index as a measure of differences in quality levels.

We choose to adopt the Lafay Index, rather than other indices as popular as this one (such as Balassa, 1965), since an appropriate investigation on international specialization patterns has to take into account both exports and imports, if we consider the increasing weight of intra-industry trade and "international fragmentation of production"[127] in the global context.

For a given country i and for any given product j, the Lafay Index takes the following form:

$$LFI_j^i = \left(\frac{x_j^i - m_j^i}{x_j^i + m_j^i} - \frac{\sum_{j=1}^{N}(x_j^i - m_j^i)}{\sum_{j=1}^{N}(x_j^i + m_j^i)} \right) \frac{x_j^i + m_j^i}{\sum_{j=1}^{N}(x_j^i + m_j^i)}$$

where x_j^i and m_j^i are respectively exports and imports of product j for country i towards and from the rest of the world, and where N is the number of products.

The Lafay Index considers the deviation of product j normalized trade balance from the overall normalized trade balance, weighted by the share of trade (imports plus exports) of product j on trade balance. Given this definition, the sum of Lafay Indices for all sectors of a given country must be zero.

The existence of a comparative advantage is revealed if the index assumes positive values, whereas negative values show de-specialization. The greater the absolute values, the higher the degree of specialization/de-specialization.

Different countries having the same Lafay Index for a given product could nevertheless be specialized in different varieties, that is in vertically differentiated typologies of that product.

In order to add this information to our analysis, we introduce the Relative Quality Index, measured as:

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[127] The mechanism by which firms delocalise part of their production to foreign countries, thus generating trade flows of intermediate goods.

$$RQ_j^i = \frac{UV_j^i - UV_j^W}{UV_j^W}$$

where UV_j^i is the unit value of product j exports for country i and UV_j^W is the average unit value of product j exports for the world. RQ_j^i takes positive values if the UV of the exported goods from country i to the world market is higher than that of the world.

Methodology and data

The underlying hypothesis of our work is that distinct items show heterogeneous potential for vertical differentiation, which permits producers to carry out strategies of price discrimination and market segmentation and hence, at an international level, allows countries to specialize in producing and trading qualitatively differentiated varieties of the same product.

This hypothesis implies that different patterns of international specialization should be identifiable. Some sectors should be coherent with the traditional international trade theories, which predict that specialized countries, enjoying higher productivity level, will trade low-price products. Other sectors should conflict with this conclusion, since, when a specific market is vertically differentiated, some specialized countries may have a comparative advantage in producing and trading low-quality and low-price varieties, while other countries may specialize in high-quality varieties. And that results in exports that have higher, not lower prices (Baldwin and Harrigan, 2007).

For that reason we use a thumb rule (qualitative, descriptive criteria) to select various articles (corresponding to the HS four-digit level codes[128]) which in our opinion correspond to products representative of sectors with diverse vertical differentiation potential.

We analyze data through the indices introduced in the preceding paragraph. For each chosen item (HS four-digit code), we identify international specialized countries, through the Lafay Index[129]. For these countries, we highlight the quality characteristics of their traded goods, by calculating the relative quality index[130]. Then we draw some conclusions about our hypothesis that particular sectors have a great vertical differentiation potential and we try to make some considerations about the possibility to define common characteristics of these sectors.

Since this paper represents just the first step of a more comprehensive work, we carry out the measurements only on a few items, taken as examples within their respective categories of products. We intend to further develop this analysis, in a more systematic and detailed way, in order to find more robust empirical results for our future work on this topic.

We then present graphics which show how, for various items, we find different forms of correlation between the Lafay Index and the Relative Quality Index.

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[128] As our source of data, we use the International Trade Statistics of the International Trade Center (UNCTAD/WTO), which classifies goods through the Harmonized Commodity Description and Coding System (2002), a six-digit code system, comprising approximately 5,300 article/product descriptions, arranged in 99 chapters, grouped in 21 sections.
[129] In order to single out only countries that have an higher degree of specialization, we set a threshold for the Lafay Index equal to the average value of the LFI for each item.
[130] Even though we have conducted a full analysis on all of the countries for both LFI and RQ, we use the resulting data only for countries which result specialized in each sector (countries above the LFI threshold).
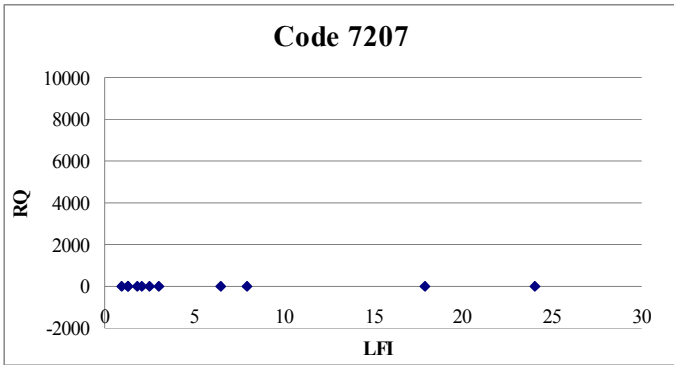
Fig. 1: Code 7207 - Semi- finished products of iron or non-alloy steel
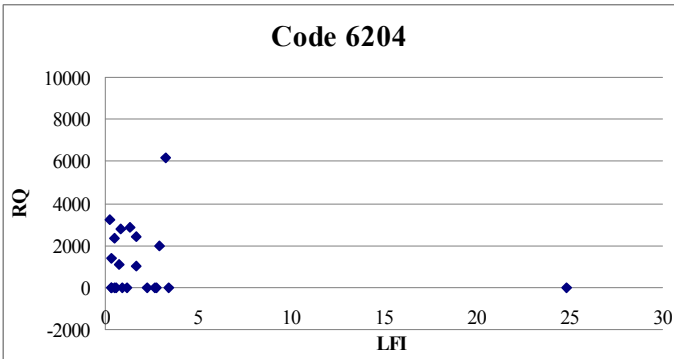
Fig. 2: Code 6204 - Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts
Note: Viet Nam, Bangladesh, Cambodia, Thailand and the former Yugoslav Republic of Macedonia are among the specialized countries. However we are not able to calculate the RQ because the data of their exports in quantities are not available
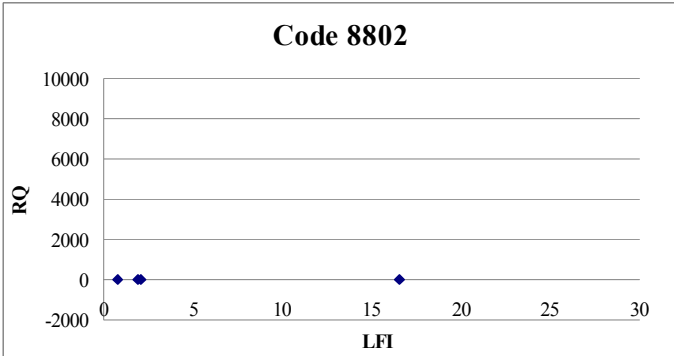
Fig. 3: Code 8802 - Aircraft and spacecraft
Note: USA, Canada and Saudi Arabia are among the specialized countries. However we are not able to calculate the RQ because the data of their exports in quantities are not available.
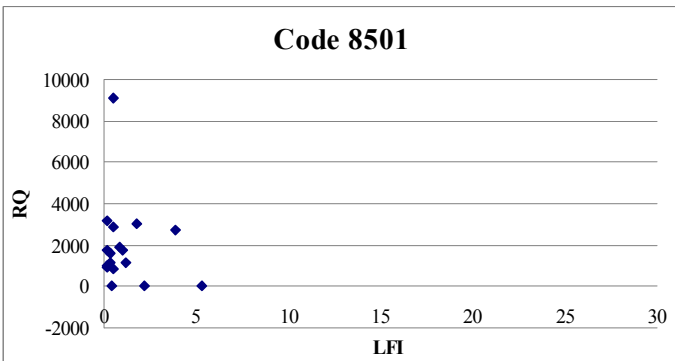
Fig. 4: Code 8501 - Electric motors and generators

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Data analysis

Even though the analysis is conducted on a few items, we think that some interesting considerations could nevertheless be made about how different patterns of international specialization emerge from the analyzed sectors.

Figure 1 reveals the specialization pattern for item "Semi- finished products of iron or non-alloy steel", which is representative of groups of products which are characterized by neither a high level of technological or scientific content nor by creativity and innovation skills of human capital. This item shows that all specialized countries, independently from the value of the LFI, have an homogeneous degree of quality. No country carries out a strategy based on quality differentiation and non-price competitiveness.

Figure 2 shows the specialization pattern for item consisting in women's clothing, which is a typical "creative" sector[131]. This group of products exhibits a huge degree of heterogeneity with regard to the RQ, even for similar LFI. There are two particularly interesting cases: the outliers in the graphic are China, which has an extremely high level of LFI (24,83) but a negative RQ value (-0,59), and Italy, which (similarly to others specialized countries) presents a significantly lower LFI (3,23) but the highest level of RQ (6154,87). These evidences permit to infer that the specific characteristics of "creative goods" make them suitable for a high degree of market segmentation, which allows countries to specialize in particular product varieties. For that reason, countries which follow such a different specialization pattern may not be considered in direct competition.

Figure 3 highlights the specialization model of "Aircraft and spacecraft". This kind of articles represents products for which scientific knowledge and technological skills, as well as a high availability of financial capital, are fundamental. This implies that, first of all, only seven countries result to be specialized (a LFI above the average value) and, secondly, the intrinsic tangible and intangible characteristics of the goods do not allow for qualitative heterogeneity.

Figure 4 points out that item "Electric motors and generators" does not show a marked degree of specialization, but presents a relevant level of RQ heterogeneity. This case represents those sectors in which different paces of technological progress and the possibility for some countries to produce with low factor costs lead to vertical differentiation. The role of a fast-paced technological innovation in international competitiveness is thoroughly analyzed for the Italian case by Furia (2008), who, accordingly to our findings, identifies a high correlation between export performance and the level of investments in R&D and in highly skilled human capital.

Conclusive remarks

The traditional international trade theory predicted that countries revealing a competitive advantage in a given sector should ship those goods at a competitive price. However data often contradict with this assertion. In fact, during the last decades, vertical differentiation, market segmentation and intra-industry trade have become increasingly relevant. In this respect, not only scientific and technological progress, but also creative innovation reveals its importance.

We have found that data are coherent with our hypothesis that intrinsic tangible and intangible characteristics of specific goods (for which creative or technological innovation permits vertical differentiation) make them suitable for a high degree of market segmentation, which allows countries to specialize in a particular product variety and gain market power position for that variety. For this reason, countries which follow such a different specialization pattern may not be considered in direct competition.

Such a shift in our understanding of international specialization should design trade policies, in a way to prevent us from drawing simplistic conclusions about the presumed competitive pressures that high income countries face from emerging economies, even in the European integration context.

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[131] For the definition of "creative sector" we make reference to European Commission, 2006.

Since this paper represents the first step of a more comprehensive and ambitious work, our purpose is that of widening this framework, conducting the analysis in a more systematic and detailed way and developing specific analytical tools for a focus on "creative sectors", in order to assess their potential for vertical differentiation and for guaranteeing a market power position.

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LABOUR MARKET FLEXIBILITY IN TERMS OF INTERNAL MIGRATION

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Modern economies have a high dynamics because of the rapid fluctuations of macroeconomic variables and parameters. Moreover, globalization emphasises the interdependencies among national economies, increasing their production capacities but, at the same time, making them more vulnerable to external perturbations. Shocks resulting from this turmoil can be absorbed depending on the degree of macromarket flexibility: goods market, labour market and money market. This flexibility becomes even more important for the member states of some optimal currency areas (OCA) because it considers both the mobility of production factors and the symmetry of business cycle transmission; i.e. the correlation of macroeconomic policies. The authors of this paper intend to analyse the situation of the internal mobility of workers as a basis for labour market flexibility.

1. Theoretical Framework

Flexibility can be defined as the speed with which the labour market responds to any shock that the economy could face at any moment (Logos, 1994; Pissarides, 1997; Forstater, 2000). This implies a triple approach: **wage flexibility**, **worktime flexibility** and **worker mobility**. The scholarly literature (Scheremet, 2000; Laffargue, 2000; Hughes Hallett & Viegi, 2000; Dellas & Tavlas, 2002) has analyzed how flexibility differences on the labour market among regions and countries influence the shock absorption. A shock which initially has a symmetric effect in the whole European and Monetary Union (E.M.U.) will evolve in an asymmetric shock if a region adjusts faster than other.

In *the employer's perspective* the need for flexibility is perceived as *to ensure an adequate flow of personnel*, correlated with the technological process carried on, in terms of innovation as a main source of competitiveness. The *need for flexibility of the employee* is an expression of *his/her labour mobility on the labour market* in order to be able to fully assert his/her abilities, to optimize his/her choices between leisure and worktime, with the ultimate goal of maximizing his/her welfare.

Worker mobility represents an important issue to ensure the labour market flexibility and it is understood both as a shift of workers from one activity/profession to another, and as a spatial mobility. Both approaches of worker mobility are directly connected with the migration phenomenon since the motivation of job search represents the main source of human migration.

If we take into account the place of origin/destination, the delimitation between internal migration and external migration has interesting nuances in terms of international integration structures. Therefore, for the developed part of the European Union (particularly the Eurozone) the interstate migration plays the same role as the internal migration: streamlines the labour force flows, compensates deficits with surpluses for professions, specialisations and locations of labour demand and supply and, implicitly, influences the economic and social homogeneity of E.M.U.

Instead for the new member states, especially for Romania and Bulgaria, the difference between internal migration flows and external ones is very important in terms of economic consequences. Internal migration affects the increase in mobility and, therefore, the labour force flexibility, whereas external migration causes loss of labour force and human capital to home countries (Ailenei, Cristescu, 2010). As a member state of the E.U., Romania committed to join the Economic and Monetary Union in the medium term, which requires structural adjustments, apart from the fulfilment of nominal convergence conditions. These adjustments should allow the flexibility and functional efficiency of macromarkets.

2. Theories of Migration

The complexity and diversity of contemporary migration requires different theoretical approaches, seemingly heterogeneous to form a unitary particular theory.

Thus, *the neoclassical theory* explains migration flows through the differences between the poor and the rich areas of a country or, of the world. Migration flows become the equilibrium mechanism of deficits and surpluses on the labour market. This implies a microeconomic approach of migration which emphasises the decision-making process by which the rational individual assesses the possible monetary gains, mediated by the probability of finding a job at the place of destination, compared with gains in the place of origin. But the individual also takes into account the relocation costs. Also, potential migrant estimates the benefits of movement towards different locations for a limited time.

The *new theory of migration* is related to the research made by Oded Stark and it brings two major changes to the previous theory: it pulls out the individual from its relative isolation and the wage difference stops playing the key role. The new view states that the migration decision belongs to the family and it is subordinated to the minimizing risk strategy thanks to the diversification of income sources. The solution takes account of the imperfect functioning of the institutions and minimizes risks to household income.

The *dual labour market* argues that international migration is the effect of labour demand unavoidably related to characteristics of developed economies. It assumes the existence of a dual labour market that includes a *primary sector* with stable jobs, good working conditions, generous benefits and the possibility of upward mobility and, a *secondary sector* with unqualified jobs, hard or dangerous working conditions and weak possibilities of increasing mobility. In this sense, immigrants become the labour force who can successfully fill shortages of workers in the secondary sector, without causing negative consequences of structural migration.

The *approach in terms of social capital* considers an old theme (that of networks) in a new perspective, its potential benefits being more a future burden. "Each act of migration alters the social context in which are taken future decisions in a typical way that makes additional relocations more probable" (Massey and others, 1993). If a net migration rate is also a net gain in human capital stock then the impact on economic growth will be positive (Friedberg & Hunt, 1995; Shioji, 2000).

3. The Determinants of Migration[132]

According to Van der Gaag & Wissen (2003), the different factors that determine the migration flow can be classified in four main categories: *gravity variables, economic variables, labour market variables and environmental variables*.

Gravity variables

The approach is specific to the gravity models of the spatial and regional economics (Reily, 1931; Fujita & Thisse, 2003) and uses as variables the population size and distance. Empirical evidence of the positive effect of population size on internal migration is relevant and consistent with the

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[132] Ivan Etzo [2008] – *Internal Migration: a Review of the Literature - ideas.repec.org.*

gravity model (Adrienko & Guriev, 2004; Hanson & Spilimbergo, 1996; Larson & Mundlack, 1995). Population density may provide an alternative specification (Van der Gaag & Wissen, 2003); however, this measure turns often to be a push factor than an attractive determinant (Anjomani, 2002; Shen, 1999). Distance is considered a fundamental explanatory variable which proxies the migration costs (Greenwood, 1985, 1997; Greenwood and Hunt, 2003).

Economic variables

A high economic prosperity means also more activities, services and opportunities for people living in a certain area. Moreover, dynamic centres attract mostly young people, who are widely recognized to be highly mobile. The most representative (and common) economic variable is the *per capita gross domestic product* (GDP). Empirical literature provides strong and robust evidence of the impact of per capita income on internal migration (Greenwood, 1997). Other variables are used to measure the impact of the cost of living on internal migration. Basile and Causi (2005) include *the index price*, but its impact turns to be statistically not significant.

Labour market variables

Another variable that is often included as explanatory variable in migration analysis is *the unemployment rate*. In fact, contrary to the per capita income, the empirical literature suggests that the impact of unemployment on internal migration is not clear. Pissarides and Wadsworth (1987) find that in UK "at higher overall unemployment rates, migration propensities are reduced". Juarez (2000) finds similar result for Spain and identifies a threshold level above which the push effect of unemployment is reduced. Hatton and Tani (2005) find that unemployment rate differentials did not affect the net interregional migration in the UK during the period 1982-2000. Finally, a meta-analysis of migration studies regarding the European countries conducted by Ederveen & Bardsley (2003) shows a weak reaction of net migration rates to differential in unemployment rates.

Environmental variables

The reason why people decide to move from one region to another one may be related not only to economic factors. The last group of variables that can affect internal migration flows is quite broad and is related with the quality of life. In this sense, these kinds of variables reflect all those factors that can affect the quality of life. All these factors concern *the public safety, social services, environmental quality, political and many other aspects*. Porel (1982) studied the relative importance of these factors versus the economic variables, finding empirical support both for the former and the latter.

4. Models of Internal Migration

Related to the theoretical support and selection process of the determinants there are so many models that analyze the migration flows.

Thus, *Sjaastad (1962)* developed a micro model where migration decision is modelled as an investment in human capital, heterogeneity among individuals being also emphasized. The migration decision in the interregional migration context is represented by the following expression:

$$NPVM_{i,\,j,0} = \sum_{t=1}^{T} \frac{B_j - B_i}{(1+r)^t} - \sum_{t=1}^{T} \frac{C_j - C_i}{(1+r)^t} \tag{1}$$

Where:

i denote the region of origin and *j* the destination region, *B* denotes the total benefits, *C* the total cost related to the respective region, *r* is the discount rate and *T* is the lifetime period. In this framework, each individual (person or family) decides to move to region *j* if the present value of the total benefits to move is higher than the present value of the cost of moving.

The benefits are represented by the income earned by the migrant in the two alternative places, which in turns is a function of the personal skill level.

Harris and Todaro (1970) introduce imperfections on the labour market in the context of internal migration from rural to urban areas. Unemployment rate and wage differentials between the rural and the urban sectors are the key elements of migration. The employment rate in the urban sector represents the probability to find a job and individuals maximise the expected utility function. Thus the individual, that is assumed to be risk neutral, decides to migrate from the rural to the urban sector if and only if:

$$\sum_{t=1}^{T} p_u(t) * \frac{w_u}{(1+r)^t} - c > \sum_{t=1}^{T} \frac{w_r}{(1+r)^t} \tag{2}$$

Where:

pu is the employment rate in the urban sector, namely, the probability to earn the wage *wu*, the term *c* denotes the migration costs and *wr* is the wage in the rural sector.

Another way to evaluate internal migration flows includes some aggregate variables such as *population, GDP, unemployment rate* etc. The main reason is that, contrary to micro data, macro aggregate data are more accessible and often (especially for developing countries) the only data source available (Cushing and Poot, 2004). Indeed, the gravity model (Lowry, 1966; Lee, 1966), which is one of the first formal model of migration, remains the most common theoretical framework in empirical migration analysis (Greenwood & Hunt, 2003). The **modified gravity model** widely used in the empirical investigations on migration determinants takes the following form:

$$M_{ij} = \beta_0 + \beta_1 * D_{ij} + \beta_2 * P_i + \beta_3 * P_j + \beta_4 * Y_i + \beta_5 * P_j + \beta_6 * U_i + \beta_7 * U_j + \varepsilon_{ij} \tag{3}$$

Where:

Mij indicates the migration flows from place *i* to place *j*, *D* refer to distance, *P* is the population size, *Y* is the income and *U* is the unemployment rate.

A further development in macro migration modelling is represented by **the systemic approach** (Alonso, 1978). In contrast with gravity models, systemic models take into account the overall geographical system and not only the characteristics of the origin and destination places. The systemic model presented by Alonso in the "Theory of Movement" (1978, 1986) is a generalization of the modified gravity model in (3). The Alonso's model takes the following form:

$$M_{ij} = v_i * D_i^{\alpha_i - 1} * w_j * C_j^{\beta_i - 1} * t_{ij} \tag{4}$$

Where:

Mij is migration from origin *i* to destination *j*, *D* represents the opportunities of *i* and *C* represents the competition in *j*, a high degree of competition makes the destination *j* more attractive for all the system; α and β are the elasticity of response to *D* and *C*, respectively; *vi* and *wi* refers to population size of the origin and destination place, respectively; *t* measures the ease of movement between *i* and *j*.

5. Database and Methodology

The authors have proposed to analyze the territorial mobility of workers in Romania using as proxy variable the internal migration. Thus, we have correlated **net migration balance** with some economic variables frequently used in literature: **the unemployment rate, average gross nominal monthly earnings and nominal GDP** (at NUTS 3 level). In order to accurately capture the correlation between the migration balance and the indicators mentioned above, we have used absolute deviations from the average for the explanatory variables:

$$Dif(x_i) = \frac{x_i - \overline{x}}{\overline{x}},$$

Where:
Dif(x_i) – differential of x
x_i – value of x variable for each NUTS 3 level
$\bar{x}$ – average level of x

In these circumstances we used an equation of regression of the following form:
$$BM_i = a*DUR_i + b*DW_i + c*DGDP_i + \varepsilon_i \qquad (5)$$
$i = 1, 2, ..., 42$ NUTS 3
Where:
BM_i – the migration balance
DUR_i – unemployment rate differential
DW_i – wage differential
DGDP – GDP differential
ε_i – estimation error

The authors have considered that the most important factors in migration decision should be: *wage differential and unemployment rate differential*, but they have also tested all combinations of the three regression factors mentioned above. Tests were conducted on a panel regression model that includes data at NUTS 3 level during 2004-2008 for the correlation between the migration balance, the unemployment rate and wages, and during 2004-2007 for the correlation including GDP. The results of our econometric tests are illustrated in table 1.

Table 1- Results of econometric tests for some regression models of migration flows

Variable	Model 1	Model 2	Model 3	Model 4
Unemployment rate differential	-0.153693	-0.192725	-0.187557	-
[t-stat]	-0.842040	-0.782695	-0.744431	
Wage differential	3.016787	3.012692	-	2.999817
[t-stat]	3.535704	2.672443		-0.175902
GDP differential	-	-0.045545	0.165773	-0.025464
[t-stat]		-0.314743	1.285522	2.640522
C	-0.012454	-0.014993	-0.014903	-0.015058
[t-stat]	-0.083054	-0.103476	-0.094200	-0.101674
R squared	0.224976	0.216874	0.092095	0.196475

As you can see the best results are achieved by model 1. Yet, even in this situation the strength of the correlation is small (R^2=0.225), which indicates **high spatial rigidity of the labour force in Romania**. As for the other models the correlation level is even smaller (with negligible values in the 3rd model), but with the Durbin-Watson test indicating error autocorrelation.

6. Conclusions
Internal migration of workers represents a very important phenomenon to ensure the labour market flexibility. There are a lot of factors that influence migration, as there are also some obstacles. Testing some of the economic factors for Romania has revealed a strong rigidity of the labour market, even though wage differentials seem to motivate workers to change address. Barriers related to real estate market, family ties and social environment prevail regarding the mobility of workers in Romania. This means that *our labour market is still quite far from the functional model of the developed E.U.*

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ON RISKY BEHAVIOR IN BIMATRIX GAMES

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The experiment engaging 50 participants was performed to model and identify the determinants of the players' risky behavior. Here, a questionnaire and a bimatrix game containing the negative/zero payoffs were used to identify the players' motives to play risky strategies. Besides the concrete form of the payoffs, the individual risk attitudes were also proved to be statistically significant for risky behavior of the players.

1. Introduction [133]

An increasing amount of attention has been drawn in recent years to the rapidly growing branch of economics science named Game Theory and Experimental Economics. It is partly because of the fact, that they incorporate concepts such as irrationality and uncertainty, dismissed or marginalized by the classical economics. It also offers explanations to various "real life" economic situations. To do so, it often uses a powerful tool – matrix games. Games, simplified human interactions and situations, expressed in this form allow for conduction of clear, simple but still valid experiments. Players are asked to choose from the set of strategies. We may study their choices in order to better understand the dynamics of decision-making. Decisions over strategies often converge to equilibrium, such as the one described by John Nash, where mutually best response strategies intersect (Nash, 1951). To determine other potential sets of strategies to which the players may converge in the game, we may use techniques offered by the decision theory (see Hansen (2005) for an overview) such as maximin (Pruzhansky, 2003), which alongside with the Nash equilibrium, we use extensively in this paper. Other very interesting approach in the field of decision under uncertainty is a Laplace insufficient reason criterion. The Laplace`s argument makes use of Jacob Bernoulli´s Principle of insufficient reason. The principle is that if no information is available about the probabilities of the various outcomes, it is reasonable to assume that they are equally likely (Pažek, 2008).

2. Model

Let $Q = \{1, 2\}$ be a set of players and sets $I = \{1, 2, \ldots, m\}$ and $J = \{1, 2, \ldots, n\}$ be their strategy space. The payoffs of player 1 and player 2 are defined by the matrices $\mathbf{A} = [a_{i,j}]_{i \in I; j \in J}$ and $\mathbf{B} = [b_{i,j}]_{i \in I; j \in J}$ respectively. Then, a two player game in normal form is defined as

$$\{Q = \{1, 2\}; I = \{1, 2, \ldots, m\}, J = \{1, 2, \ldots, n\}; \mathbf{A}, \mathbf{B}\}.$$

The strategies $i^* \in I$, $j^* \in J$ are the equilibrium strategies if for $\forall i \in I$ and $\forall j \in J$ the following holds: $a_{i,j^*} \leq a_{i^*,j^*}$; $b_{i^*,j} \leq b_{i^*,j^*}$. If the game has two or more equilibria denoted (i',j'), and (i^*,j^*) is the equilibrium strategies pair for which $a_{i^*,j^*} \geq a_{i',j'}$; $b_{i^*,j^*} \geq b_{i',j'}$ is satisfied, then (i^*,j^*) are called the dominant equilibrium strategies.

Alternatively, players can choose not to play the dominant equilibrium strategies, but rather to maximize the minimum guaranteed payoff, using the maximin criterion. In this case, player 1 (row matrix player) will select the strategy

$$i^0 \in I; \max_{i \in I} \min_{j \in J}(a_{i,j})$$

and player 2 (column matrix player) will respectively select the strategy

$$j^0 \in J; \max_{j \in J} \min_{i \in I}(b_{i,j})$$

The third option for both players is to play according to the Laplace insufficient reason criterion, where both players calculate their expected payoff of their strategy taking into account the equal likelihood of each outcome within the chosen strategy. According to this criterion, player 1 will select the strategy

$$i^L \in I; \max_{i \in I} \left(\frac{1}{n} \sum_{j=1}^{n} a_{i,j} \right)$$

and player 2 will respectively select the strategy

$$j^L \in J; \max_{j \in J} \left(\frac{1}{m} \sum_{i=1}^{m} b_{i,j} \right)$$

Our experiment featured a two player game with the following payoff matrices for treatment HIGH RISK:

$$\mathbf{A} = \begin{bmatrix} 5 & -8 \\ 3 & 5 \end{bmatrix} \qquad \mathbf{B} = \begin{bmatrix} 6 & -9 \\ 4 & 5 \end{bmatrix}$$

For this pair of matrices according to our previous definitions the dominant Nash equilibrium strategies are $(i^*, j^*) = (1; 1)$. If players choose to maximize their guaranteed payoff, then they will select the strategies $(i^0, j^0) = (2; 1)$, and if they choose to play according to the Laplace insufficient reason criterion, then they will also select the strategies $(i^L, j^L) = (2; 1)$.

Treatment LOW RISK featured the following pair of matrices:

$$\mathbf{A} = \begin{bmatrix} 5 & 0 \\ 3 & 5 \end{bmatrix} \qquad \mathbf{B} = \begin{bmatrix} 6 & 0 \\ 4 & 5 \end{bmatrix}$$

Just as in treatment HIGH RISK, the dominant Nash equilibrium strategies are $(i^*, j^*) = (1; 1)$, the guaranteed payoff maximizing strategies are $(i^0, j^0) = (2; 1)$ and the Laplace insufficient reason criterion strategies are $(i^L, j^L) = (2; 1)$. Since guaranteed payoff maximizing and Laplace criterions lead to the same results, we will not distinguish them further on.

Note that in both pairs of matrices the combination of strategies $i = 1$ and $j = 2$ results in a loss compared to any other combination of strategies. Therefore we will call these strategies risky and the opposite strategies $i = 2$ and $j = 1$ safe strategies in both treatments.

3. Experimental setup
Experiment was conducted as a classroom experiment at the Faculty of Economics of Technical University of Košice in the fall semester 2010. The experiment was run using ComLabGames software, which is designed to conduct experiments with players over the Internet. Every session lasted approximately 90 minutes and was conducted during the seminar of the optional subject Game Theory. A total of 50 undergraduate students

participated on the experiment, of which 22 individuals participated on the treatment HIGH RISK and 28 individuals participated on the treatment LOW RISK. Among all players, 24 players were female and 26 players were male. Each treatment consisted of ten rounds. At the beginning of each session, supervisors invested 3 € into jackpot. Afterwards, each student was asked whether he wanted or not to participate on the jackpot. Supervisors then collected contributions of all the players that wanted to participate on the jackpot. The more someone invested into the jackpot, the bigger his claim on the final jackpot which included the 3 € invested by supervisors. The final payoff of each player was calculated by the supervisors according to his contribution on the jackpot and on his total score. Then, the players were asked to answer a short questionnaire, which was focused on the player's attitudes toward risk.

After, the experiment commenced. The software randomly and anonymously matched players into couples and then they started playing the matrix games. The payoff given by the matrices represented a score for the given round. After completing 10 rounds, the students were paid their final payoffs taking into account the total score they accumulated during the experiment.

3.1 Treatment HIGH RISK

In treatment HIGH RISK the risk cell (the combination of risky strategies) contains negative payoff points (-8,-9) for both players. The hypothesis is: the presence of the risk cell containing negative points reduces the frequency of risky strategies of players in spite of abandoning the dominant equilibrium and lowering the total possible score of both players.

In treatment HIGH RISK, 14 females and 8 males participated. Results of treatment HIGH RISK are visualized in Table 1. Results show, that in the majority of cases (48,18 %) the combination of safe strategies was selected, meaning that players rather avoid the possibility of losses by reducing their gains and playing according to the maximin or the Laplace insufficient reason criterion.

	$j = 1$	$j = 2$
$i = 1$	30,00 %	4,55 %
$i = 2$	48,18 %	17,27 %

Table 1: Results in treatment HIGH RISK

Among row players, the risky strategy occurred more often than among the column players. Figure 1 shows the frequency of the risky strategy among row players and column players.
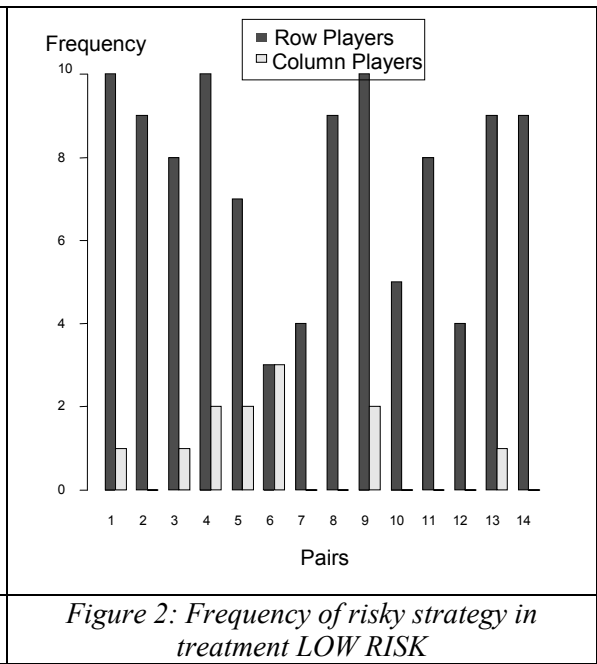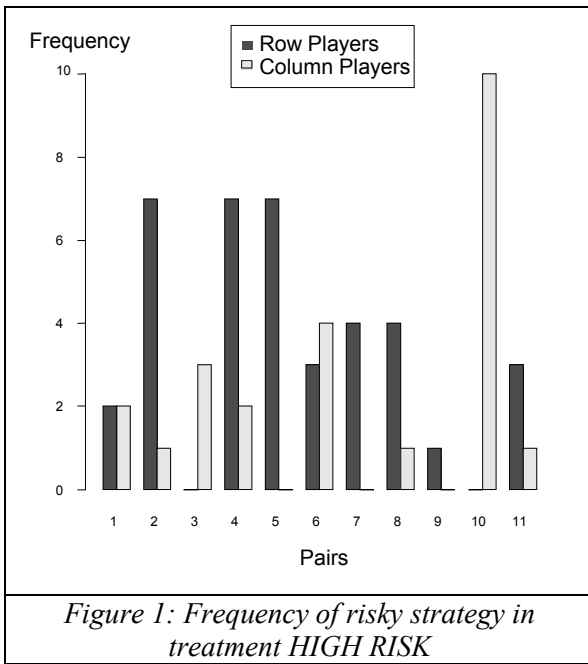
| Figure 1: Frequency of risky strategy in treatment HIGH RISK | Figure 2: Frequency of risky strategy in treatment LOW RISK |

3.2 Treatment LOW RISK

In treatment LOW RISK the risk cell contains (0,0) points for both players. The hypothesis is: since the risk cell contains 0 payoff points and not negative points for the players, it will not reduce the frequency of risky strategies compared to treatment HIGH RISK. Thus, players will be able to reach the dominant equilibrium more often than in treatment HIGH RISK. In treatment LOW RISK, 10 females and 18 males participated. Results of treatment LOW RISK are visualized in Table 2. Results show, that in the majority of cases (67,86 %) the dominant equilibrium was reached. In other words, players played according to the dominant equilibrium criterion.

	$j = 1$	$j = 2$
$i = 1$	67,86 %	7,14 %
$i = 2$	23,57 %	1,43 %

Table 2: Results in treatment LOW RISK

Figure 2 shows how often the risky strategy occurred in the treatment LOW RISK. Compared to Figure 1, row players aren't risk averse any more.

3.3 Questionnaire

The questionnaire was aimed at determinating players' attitudes toward risk. First two questions concerned the sex and the number of siblings of the players. Third question investigated the players' rate of trust toward banks, savings-bank, insurance companies and stock markets. Fourth question asked the players, whether they would buy some good or service from brand they did not know. Fifth question asked the players, whether they would be willing to lend money to a related person without knowing the purpose of the loan. Sixth question inquired whether players had borrowed something in the past and haven't given it back by now. Seventh question asked the players if they have used the services of a betting agency at least once. Eighth question verified whether the players actively participate in charity. Ninth question asked the players whether they would be willing to abandon their financial reward in favor of someone else.

4. Results and Discussion

This study was focused on the investigation of risky investment strategies in the context of the investors' personal characteristics. Here, gender and number of siblings as well as three trust and risk factors were investigated.

Based on the empirical analysis, in case of treatment LOW RISK female players used the risky strategy more frequently than male players (F=1,027, p=0,048). In treatment HIGH RISK this hypothesis proved to be statistically insignificant.

Investigating the influence of the number of siblings on the risky behavior of the players, proved that for the treatment HIGH RISK, selecting of the risky strategy was preferred by players having 1 sibling (F=3,115, p=0,003). In case of LOW RISK treatment, this distinction was not statistically significant.

The link between the preference of the risky strategy choice and the investor trust/risk attitude was also examined. In both treatments, the statistically significant differences in accordance to the mistrust factor "Investment into the unknown trade-mark good" (F=0,876, p=0,045 – HIGH RISK) and (F=3,098, p=0,049 – LOW RISK) were identified. If considering the trust factor „Active charity participation", the risky behavior difference was also statistically significant (F=1,089, p=0,034 – HIGH RISK) and (F=1,112, p=0,001– LOW RISK). Last investment factor „Using the betting agency services" was also proved to be significant in both treatments (F=0,845, p=0,009 – HIGH RISK) and (F=0,817, p=0,04 – LOW RISK).

5. Conclusion

Based on the above presented research results, we can conclude that individuals expressing their positive risky attitudes in real situations, preferred risky strategies more frequently even in the experiment in both treatments.

Up to now we were only considering part of the social background and personal characteristics of players. However, we also proved that player preferences considering the risky strategy differed based on the treatment (z= 3,53, p =0,002). This means that players do not play by the same criterion in both treatments, but rather change the criterion they play by depending on the treatment they are faced with. In treatment HIGH RISK they played according to the maximin or the Laplace insufficient reason criterion and in treatment LOW RISK according to the dominant equilibrium criterion.

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EUROPEAN LABOUR PRODUCTIVITY AND CORPORATE E-LEARNING ACTIVITIES: AN EMPIRICAL ANALYSIS

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Abstract
The purpose of this analysis is to test the hypothesis which growth in workers' competency level is affected by educational, training and workplace features. We focused above all on the corporate e-learning activities and labour productivity, in order to identify differences between European countries. Our findings showed some statistical significances related to six variables concerning a macro view of knowledge and innovation in the workplace, whereby we highlighted the comparison of mutual positions of European countries on the basis of a potential component of investments in human capital which is e-learning. According to statistical significativity we specifically noted that most Northern European countries have a comparative advantage in terms of labour productivity and direct investments than those in the south.

Keywords: corporate e-learning, European labour productivity, principal component analysis.
JEL code: J24.

1. Introduction

It is well-known that the composition of the EU and that of the euro area have changed tremendously over the recent years, with the relative proportion of larger countries shrinking. Among the 15 countries the euro area comprised in 2008, three of them were large countries (Germany, France and Italy), one of middle size (Spain) and the remaining 11 were of small or very small dimension and this remains true whether size is considered in demographic or in economic term (Laurent and Le Cacheux, 2006). It is also common knowledge since Olson's (1965) seminal work that, when collective action is needed in whole group's interest, the decision making process becomes all the more arduous as the group is bigger and more heterogeneous, especially sidewise. The smaller countries will usually tend to make advantage of their small size sometimes also in adopting opportunistic and free rider strategies. Those trends are getting even stronger within the current EU and euro area's institutional framework, because of such decision-making process rules as unanimity and the thresholds adopted for qualified majority voting, or the "open method of coordination" whose different variants - more especially those on employment policy, social protection and even more importantly, those on the implementation of the reformed "Lisbon Strategy" - encourage competition between member states and tend to make collective decision-making difficult, if not impossible, also in the field of labour politics and investments in human capital resources such as education & training activities (Welsh E., *et al.*, 2003; Black S. and Lynch L., 2004; Daelen M., *et al.*, 2005).

2. Methodology and analysis

We performed a quantitative analysis reckoning with several variables related to 2008 for EU member countries and their aggregates. The variables considered are: GDP *per capita* in PPS, corporate e-learning applications for training and education of employees, labour productivity per person employed, total investments as percentage of GDP, business investments as percentage of

GDP, direct investments flows as percentage of GDP. The first is a descriptive analysis and in table 1 we reported the results of this preliminary stage:

Variables	Minimum	Maximum	Mean	Variance	Skewness	Kurtosis
GDP	41,30	276,40	102,8029	1939,428	1,940	6,558
Corporate e-learning	13,00	54,00	28,7576	109,002	0,639	-0,263
Labour productivity	37,20	175,80	95,0886	869,469	0,430	0,707
Total investments	16,30	33,40	22,9371	16,613	0,966	0,418
Direct investments	-48,50	261,20	9,9647	2074,273	5,333	30,467
Business investments	13,80	27,70	19,6125	11,599	0,726	0,022

Table 1: descriptives statistics (source: our elaboration on Eurostat data, 2010).

Considering the year 2008, the first variable investigated is the GDP *per capita* in PPS[134]. This variable was analyzed for European countries and for its qualified aggregate EU-27, EU-25, EU-15, Euro Area and other countries. The GDP has a minimum value of 41.30 while the maximum level is 276.40. This shows a high variability between countries, which is confirmed by the index variance of GDP. In this case, 41.30 is referred to the value of GDP in Bulgaria together with the Czech Republic, Estonia, Greece, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Slovenia, Romania, Slovakia, Turkey and Croatia. Turkey has a GDP not compliant with the European Union average. Moreover, the value of kurtosis gives an idea about its very high amount and therefore with a greater distribution of countries on tail areas of normal distribution which is confirmed by the index of symmetry which restrains an asymmetric outcome compared to normality. These conclusions can be deduced similarly respect to the variable of direct investments as a percentage of GDP since its minimum value is negative at -48.50 reached by Iceland and its maximum level is reported by Luxembourg at 261.20. This dispersion of the data shows a high variability with asymmetry and kurtosis somewhat distorted compared to normal distributions. Instead, variables such as corporate e-learning applications, labour productivity, total investments and business investments provide values quite normal with a range of potentially more manageable. Before addressing a regression analysis on the phenomenon under observation, we calculated a matrix correlation (table 2) to emphasize the major variable correlations between variables:

Variables	GDP	Corporate e-learning	Labour productivity	Total investments	Direct investments	Business investments
GDP	1,000	-0,201	0,909*	-0,440	0,776	-0,435
Corporate e-learning	-0,201	1,000	-0,182	0,253	-0,090	0,239
Labour productivity	0,909	-0,182	1,000	-0,575	0,565	-0,525
Total investments	-0,440	0,253	-0,575	1,000	-0,182	0,954*
Direct investments	0,776	-0,090	0,565	-0,182	1,000	-0,207

[134] This indicator has been rescaled, i.e. data are expressed in relation to EU-27 = 100. The volume index of GDP *per capita* in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa.

Variables	GDP	Corporate e-learning	Labour productivity	Total investments	Direct investments	Business investments
GDP	1,000	-0,201	0,909*	-0,440	0,776	-0,435
Corporate e-learning	-0,201	1,000	-0,182	0,253	-0,090	0,239
Labour productivity	0,909	-0,182	1,000	-0,575	0,565	-0,525
Total investments	-0,440	0,253	-0,575	1,000	-0,182	0,954*
Direct investments	0,776	-0,090	0,565	-0,182	1,000	-0,207
Business investments	-0,435	0,239	-0,525	0,954	-0,207	1,000

Table 2: correlation matrix (source: our elaboration on Eurostat data, 2010).

In table 2 we pointed out with an asterisk the two most significant correlations which are represented by the following: the GDP compared to labour productivity and total investments compared to business investments. In fact, these latter variables demonstrate an almost perfect correlation between them, showing an excellent direct relationship. A less significant correlation, but still positive, is also between GDP and direct investments. The other variables have converged to correlations rather insignificant and even some kind of relations are negative. We noted that labour productivity is negatively related to total investments, business investments and corporate e-learning activities: this indicates a discrepancy between the variables under study[135] bringing back a reverse relation because when a variable growths, the other reacts in the opposite way. Once the correlation analysis, we moved to that of regression[136]. The following table reports the regressions analyzed and their results:

Variables: dependent – independent	r	R square	Coefficient β	T
Corporate e-learning – GDP	0,102	0,01	-0,024	-0,564
Labour productivity – GDP	0,924	0,853	0,605	13,641
Business investments – Total investments	0,96	0,922	0,79	18,817
Corporate e-learning – Business investments	0,582	0,338	1,099	4,107
Corporate e-learning – Labour productivity	0,074	0,005	-0,031	-0,426

Table 3: model summary (source: our elaboration on Eurostat data, 2010).

This inspection confirms the previous investigation conducted with the correlation. In fact, for some variables we have an excellent goodness of fit of theoretical data to those observed, for other variables it occurs to a lesser extent. The following highlights the regressions individually identified from best fit, indicating the dependent variable at first and then the independent one:
1) Labour productivity – GDP: in this regression analysis, the results show a strong direct relationship between the two variables. This indicates that when GDP rises, the labour productivity increases; so those countries with a higher GDP have even an increased general economic activity. The results confirm an excellent response to the goodness of fit and

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[135] Labour productivity with total investments, labour productivity with business investments and labour productivity with corporate e-learning activities.
[136] Note that the regression coefficient values and the correlation coefficient values overlap, as the constant $y=bx$ has been omitted from the model.

significativity of regression coefficient, as the test on the hypotheses[137] stands on a large enough value being equal to 13.641.

2) Business investments – Total investments: this analysis also confirms a good direct relationship between the two variables and whereas total investment increases, there is a proportional raise in business investment. Even in this case, countries with greater investments mainly gear the same on business investments[138]. The results of test of the regression coefficient confirm the significance of analysis reaching a value exceeding 18.

3) Corporate e-learning activities – GDP: we obtained a relationship quite zero which would indicate a relative neutrality of the variable GDP compared to the one referring the activities in corporate e-learning. In fact, the increase of GDP in European countries do not get more investment in corporate e-learning. It would seem that the use of e-learning systems in education & training firms activities is mainly influenced by other socio-economic and cultural features; verifications of the analysis also confirmed the meaningless of the parameter studied.

4) Corporate e-learning activities – Business investments: this study shows a good direct relationship between the two variables. The results are established at a mean values level and the test of verification of the regression coefficient is significant. It follows that corporate e-learning activities are influenced more by business investments and then countries which largely invest in this regard will also use a part of them in corporate e-learning training systems. So e-learning applications are also affected indirectly by GDP, as the same business investments are greater in those European countries with a higher GDP.

5) Corporate e-learning activities – Labour productivity: this elaboration is inconclusive at the level of statistical tests as increasing in labour productivity, investments in corporate e-learning systems appear inconsistent. Verification of the regression coefficient explains the irrelevance of the analysis reaching a low value close to zero. This result may appear confusing and it will require an our future study.

Once regression analysis is carried out, we moved to principal component analysis. Considering the six variables presented above, we calculated eigenvalues in order to call attention to the variability:

Component	Initial eigenvalues			Extraction sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,343	55,716	55,716	3,343	55,716	55,716
2	1,323	22,057	77,773	1,323	22,057	77,773
3	,891	14,846	92,619	-	-	-
4	,359	5,979	98,598	-	-	-
5	,055	,919	99,517	-	-	-
6	,029	,483	100,000	-	-	-

Table 4: total variance explained (source: our elaboration on Eurostat data, 2010).

The table 4 reveals that the first two eigenvalues explain a percentage of 77.7 about the referring distribution, and considering a third eigenvalue, we reach a percentage of 92.62 about variability

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[137] The test statistics (T-statistics), which represents the model testing hypothesis, is not significant for values ranging from –2 to +2.

[138] The values referred to "total investment" and "business investment" represent percentages of GDP and, hence, are influenced by GDP of each countries.

explained. It can be inferred that the first two eigenvalues are sufficient to expound the variability of our study as the 77.77 per cent of variability described is still a good result analysis. In order to interpret the outcomes obtained from principal components is crucial to dissect the matrix of correlations between the components themselves and the variables which contributed to their setting up. Below are given these correlations:

Variables	Component	
	1	2
GDP	,884	,419
Corporate e-learning	-,335	,293
Labour productivity	,894	,214
Total investments	-,789	,560
Direct investments	,651	,628
Business investments	-,777	,555

Tabel 5: component matrix (source: our elaboration on Eurostat data, 2010).

Table 5 sets a focal point on the importance of variables than the first two principal components. The first principal component shows up a high interest in relation to the variables GDP and labour productivity, which can be explicated as a factor connected to the productivity of the European countries. The second main component has, on the whole, quite low values with more relevance to direct investments as percentage of GDP. We synthesized the first component in "labour productivity" (component 1) and the second one in "direct investments" (component 2). Below is a chart summarizing the analysis with two main components representing the reference coordinates and the position of European countries compared to the two main components. Furthermore, these countries were divided into four clusters calculated by the method of Euclidean distance between countries:
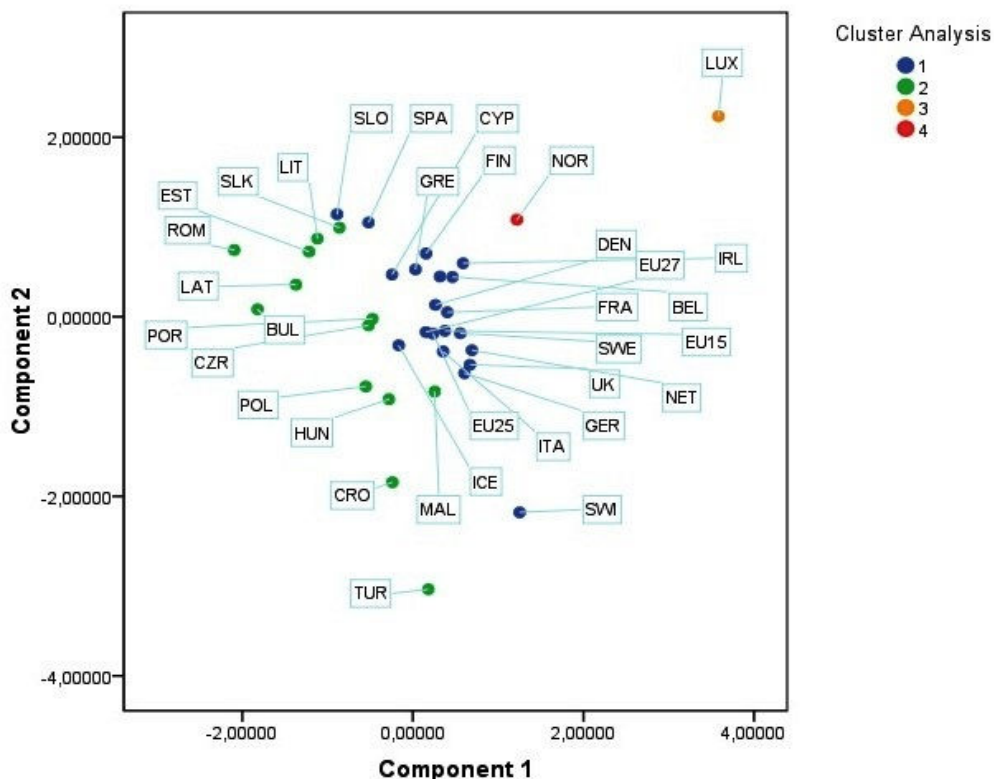
Figure 1: PCA and cluster analysis (source: our elaboration on Eurostat data, 2010).

From figure 1 we gather a number of considerations. The first principal component (labour productivity) shows a range of variation ranging from -2 to +4. While the second principal component (direct investments) has a range of variation ranging from -4 to +2. The first cluster is composed of a single European country that is the case of Luxembourg. This country ranks at the top and right of the figure 1 showing the overall higher rate of labour productivity and investments compared to other European countries. A second cluster is represented by Norway, even though it seems close to the remaining clusters, it still remains at a high level of productivity and investments. The third cluster is represented by most of European countries, which in this case show a positive productivity and investments lower than Norway and Luxembourg. The countries in this cluster are: Slovenia, Spain, Ireland, Italy, France, Finland, Ireland, Belgium, Denmark, Sweden, United Kingdom, the Netherlands, Germany and Switzerland. The latter (Switzerland), although it has a positive labour productivity, holds negative investments. The fourth cluster concerns the European countries which present a negative productivity and investments. The last cluster pertains countries such as: Slovakia, Estonia, Lithuania, Romania, Latvia, Portugal, Austria, Czech Republic, Bulgaria, Poland, Hungary, Malta, Turkey and Croatia. Turkey, in particular, contains the lowest values among European countries with negative investments and output null and void.

3. Concluding remarks
The objective of our study was to analyze the different European countries based on the six variables taken into account. The variable GDP *per capita* in PPS has affected especially the countries distinguishing from each other. For example, Luxembourg has the highest GDP *per capita*, followed by Norway. These two countries appear to have a labour productivity and direct investments higher than others. But fundamentally the most significant cluster is certainly the

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third, namely the one where we find countries such as Italy, France and Germany, which are in a situation similar to the average of the EU in terms of labour productivity and direct investments, but in a possible future scenario will certainly reach higher levels, in spite of the current global crisis. Indeed, considering the wider time span 2003-2007 (Bucciarelli, Giulioni, Muratore, *et al.*, 2008) it is emerged a larger growth of GDP and investments for these three countries. In conclusion, all the European countries go through a phase of stable productivity of the work which needs to be reinforced by processes of research & development and of innovation. It is a sort of best practice the unsatisfactory result found for the variable corporate e-learning, which shows for many EU countries a meagre tendency to new technologies of the latest corporate training. If there were a more implementation of education and training there would be a better development of labour productivity (Becker G. S. and Murphy K. M. 1992; Acemoglu D. and Zilibotti, 2001; Daelen M., *et al.*, 2005).

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TRENDS REGARDING THE DEVELOPMENT OF THE COMMERCIAL ACTIVITY IN ROMANIA

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World economy is experiencing some important transformations, mainly due to the rapid evolution of the informational and communication technologies. In the last years, new technologies flooded the production processes. They have allowed the improvement of the processing and use of the economic information and the general accelaration of the economic flows.

The technical progress interferes with the economic activity through the re-engineering of the production lines, the revolution in the field of building materials and store, shopping center, malls and industrial hall building, the considerably shorter time period these are being built and they become available for the commercial activity, the revolution in the field of supply, merchandise storage and manipulation, the appearance of different types of intelligent machineries and equipment, merchandise storage software improving the way the client is served at the counter. The industrial revolution determines a reorganization of the economic activity, a resetting of the trade economic activity by directing the trader towards the client using new commercial techniques and strategies.

Conceptual aspects regarding trade

The notion of commerce has a complex contain, determining a economic function that consists of buying raw materials or products to sell them in the same physic stadium, but in conditions convenient for the buyers. The same notion, defines the profession of a group of economic agents, who take action on the market determining the trade acts.[139]

Commerce, through its functions and through the nature of the activities developed, represents the main component in the system of the national economy, and represents that economic activity of mediation of the economic goods trade, through commercial specialized enterprises, both inside the borders of a country and in relation to other countries. The economic category of commerce has a very complex contain and plays an important role on both social and economic plan. On social plan it has a strong psychological loading, through promoting commercial ethics, forming the taste and the education of the clients, studying the consumer's behavior in taking buying decision[140].

Also trade represents a point of contact between citizens and the local community, through which pass the most recent information, in terms of life styles, cultural schemes and common activities[141].

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[139] Dumitru Patriche (coord), Ion Stănescu, Mihai Grigorescu, Mihai Felea, **Bazele Comerțului**, Editura Economică,București, 1999.
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Commerce, as a branch of an economy, is assimilated to the goods way, activity that appears between production and consumption, with the mention that the circulation of goods has several productive aspects, as a result of the activities which represent an extend of the production process, such as: manipulation, transport, storing, portioning, stowage, etc., operations that increase the value of goods [142].

Modern contemporaneous economy is characterized through a high rhythm of development, in which commerce is in the center of all economic activities. Development is lengthened to commerce, market relations, thing that led to a globalization of market and to a harmonization of the interests of participants. In a global approach, the economic category of commerce includes interior and exterior trade, with their main components: import, export, re-export and transit activities[143].

The influence of the technology of information and of communication over commercial activity

World economy passes through a period with strong transformations, mainly generated by the fast evolution of informatics technologies and by communications. Electronic commerce becomes fast a spectacular component of globalization; the expansion of electronic transactions could represent an major opportunity for commerce and development[144]. This process can be the source of an important number of success histories through which developing countries and their enterprises can reach new levels of international competitiveness and participate actively at the global informational economy. The international community must support developing countries and their efforts for a better understanding and knowledge of the various aspects of electronic commerce, technical, legislative, social and cultural aspect. The phenomenon electronic commerce prefigures to stay an important field on the international agenda for a long period of time, because of the deep macroeconomic and social implications that begin to be better understood. The nowadays performers of commerce turn their attention to developing the dimensions of electronic commerce[145].

In order to evaluate the potential impact of electronic trade over economic and social development of developing countries will be studied aspects regarding the size, the purpose and the growing speed of the electronic commerce, the tendency of this type of commerce and the way in which this affects the economic activity[146].

The main implications of electronic commerce are[147], the following:

− It allows the increase of connectivity in economy. The possibility to connect to the Internet permits communication and doing transactions from all around the world at any time.

− It allows the opening of the commerce. In the opened electronic commerce as the Internet support which he develops on, consumer is as well involved, he has a new role, being a partner in creating products.

− It changes the relative importance of time through accelerating the production cycles, through offering organizations possibilities to collaborate to product and sell and the consumer to develop its transactions in a short period of time.

− It transforms the market changing the way of business development. This kind of traditional intermediary are replaced, there appear new products, new markets, lengths between business

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[142] Lefter Chirică, *op.cit*, pp.13.

[143] Lefter Chirică, op.cit,pp.18-19.

[144] Ion Gh. Roșca, Cristina Mihaela Bucur, Carmen Timofte Stanciu, Octavian Paiu, Mirela Vișean, Comerțul Electronic, Concepte, Tehnologii și Aplicații, Editura Economică, București, 2004.

[145] Idem ,pp50.

[146] Idem pp.50.

[147] Idem pp.50

partners. The work organization is changed, through the apparition of some new knowledge distribution canals, interactivity between people is opened at their workplace, it appears the need of more flexibility and adaptability.

Even though at present electronic commerce continues to face with the limits of implementation methodologies in the economies of some countries, its role and impact over the economic activity stays a major reality[148].

A result of the Internet commerce consists of costs reduction and research, diminishing the distance between seller and buyer, developing individual profiles for buyers. This desiderate will come true in a climate of trust between buyers and sellers that is based on assuring the security of confidential data. Electronic commerce and other communication technologies decrease the importance of time as a factor that determines the structure of the economic and social activity. Time is saved, you can buy more efficient and the buyer does not interrupt his activity at the workplace.

The reason why business-to-business commerce has raised is because of the special impact that it had upon associated costs to the inventory, sales execution, product procurement, distribution costs, and lengths with the banks.

Another source of the efficiency of the electronic commerce is the opportunity for the "limit borders" of new entrances, business models, technology changes, which separate an industry from another[149].

The advantages that come from a business on the internet are: significant decrease of distribution costs and sales administration costs, improvement of the services offered to the clients and the automating of orders and permanent up-dating information about products, eliminating errors, the speed of information. For business people there are a series of opportunities in electronic commerce: they can create their own firms can give information about themselves on the internet page, they can exploit Internet as a different distribution canal, they can build a new business centered only on global network, can establish new business contacts.

The evolution of industrial developed societies is determined by several aspects[150]. An aspect would be the acceleration of the development rate in technological areas who have determined fast changes in products and processes. A second aspect would be the speed of global commerce, thing that gives individual companies a much more flexible market, but also much more unsecure to compete on it. A third aspect is the frequent fluctuation in lifestyles and the consumers preferences owned to the communication means and international travels, etc. Another aspect is represented by the new values, ambitions and attitudes towards work, that come from the desire of employees to participate at solving problems and elaborating organizational decisions.

If we look towards computer development in the last 30-40 years, we can see the accelerate change of the world[151].

From its first operation, in 1920, computer has reached only in 1964 the commercial feasibility and success. In a similar way, the transistor needed decades to be incorporated in commercial products, like audio means, navigation instruments or computers. The silicon microchip integrated circuits have followed the same transformation through a shorter process, from innovation to commercial use. In the last three decades, the changing rates became shorter and faster transformations of technical progress in commercial products[152].

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[148]   Ion Gh. Roşca, Cristina Mihaela Bucur, Carmen Timofte Stanciu, Octavian Paiu, Mirela Vişean, *Comerţul Electronic, Concepte, Tehnologii şi Aplicaţii*, Editura Economică, Bucureşti, 2004.
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[150]   Claudiu Emil Ionescu, GH.Gh.Ionescu, Design şi management, Editura Universitaţii de Vest, Timişoara, 2006.
[151]   Idem, pp.48.
[152]   Idem, pp49.

Progress in organizational culture of the manager. Technological change
Success companies use *integrated design management*, as a mean to assure that all the products, communications and services of the organization use to the business in general[153].
Acceleration rates of changing have asked an organization and improved process to grow the adapting capacity of the companies to the new conditions. In order to accomplish this, there are three business strategies[154]:
The first one refers to the total understanding regarding market development before design development. Another strategy refers to the concentration on commercial transformation and viable of ideas, innovation on commercial success products. Another aspect supposes the design of an organization well integrated to support the development of the product in an environment of changing conditions, with product systems or cascade development form a product to the next one.

The term of design and especially "fabrication design" implies aspects[155] as:
Basic characteristic of the system (lot, flux line, etc.)
Available processes (e.g.: smelting, turning, etc.)
Storage capacity and goods manipulation
The attitudes and qualifications of the workforce
The level of usage of processes and machines
Quality standard and control procedures
Materials used and detail storage
Retail market evolution under the impact of technical progress

Recipes of a store implementation, aspect of technical progress
Technological revolution is surprised in all commerce forms, either en detail or en gross sales.
Technical progress involves in economic activity through introducing new technology in the production lines, revolution in the field of construction materials and stores building, commercial centers, malls and industrial sites, period of time considerable smaller where they built and become more available for the commercial activity , revolution in the field of goods supply, storage and manipulation, the invention of new types of machines and intelligent equipment, inventory software with spectacular effects upon the development speed, reorganizing, reallocation of the economic activity of commerce, methods who shorten the time of implementation of a store.
The passing from traditional commerce to the modern commerce is another effect of technical progress, because of the production at industrial scale, of the possibilities to group thousands of goods assortments on areas of thousands of square meters, sophisticated machines and qualified staff and intense prepared to monitor and assure the good development of the technological flux.
An effect of technical progress is the evolution of retail market, which in Romania has reached to consist of a total number of 1192 stores in 261 towns (at 31 September 2009), towards 582 stores opened in 103 towns, in 15 November 2006. [156]
The tendency on the national retail is of growing, thing revealed by the market quota of 37.50 % that hold the first 25 de retailers in Romania, comparatively to percentages as 90% in Finland, Sweden - 82%, Slovenia - 82%, Ireland - 81%, Estonia - 79%, Austria - 79%, Germany and

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[153] Idem, pp56.
[154] Idem pp.57.
[155] Idem pp172.

France - each 70%[157], market quotas that are hold by the first 5 retailers in the enumerated countries.

The strategies used by the multinational companies from the modern commerce, regarding supplying and selling the goods, goods on the shelf, the way of supplying the shells with goods for an efficient buying, the introduction of computerized equipments and of high technology for manipulating and the transport of the goods inside the stores which replace more and more staff, the high technologies and software used for the goods inventory, to monitor the activity, have contributed to the birth of some types of new stores, standardized, unitary conceived at the level of the entire market area where they develop their activity: hypermarket, supermarket, minimarket.

The high technology introduced into building process, development and innovations from the field of building materials determine the possibility to realize buildings of diverse structures, in very short periods of time.

The same standardized form of organization is met in all the departments of such a selling point, the structure of stores, the organization of the product department, equipment with commercial furniture, equipment used, human resource departments regarding qualified personnel through standardized programs specially conceived for this types of stores, performing logistic systems which corroborated determine the easiness of implementation this stores format: some locations are equipped with electronic labels on the shelf, that assure firstly the competitiveness of the prices and secondly the lack of differences between the price on the shelf and the one that you get when you pay.

Platform for fruits and vegetable [158], is a new modern logistic system.

The implementation of a concept performing through which this type of platform becomes the unique costumer of the supplier, and for the store one of the most important suppliers. The main difference towards the regular system consists of the fact that the demand activity is centralized, receiving and delivery towards the platform (the transfer of ownership and quantitative and qualitative checks are done on the platform).

The main advantages of this type of platform are the following :
− administrative work reduction (shortage of time for orders, operations, checking documents several times);
− improvement of the parameters length to stocks (rotation, stock zero);
− the reduction of losts in shops through improvement the quality of the products received;
− qualitative and quantitative reception at the level of articles is made on the platform;
− reducing the time necessary for reception in stores and increasing the time destinated to selling;
− reducing the minimum quantity ordered by the store.

Through the implementation of this platform are aimed some objectives:
− checking and improvement of the quality and refreshment of the products;
− the homogeneity of the quality and refreshment of the products between stores;
− reducing the stock zero;
− reducing the minimum order;
− obtaining smaller prices for shopping because of buying a big volume and because of the existence of a single point of delivery for the supplier;
− the possibility to make speculative shopping and store them temporary in better temperature conditions;

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[157] „Fabrica de bani" magazine, article" 'Când devenim ostaticii unei pieţe libere?''07.02.2008.
[158] www.metro.ro

- reducing the time necessary to the reception et the stores and the concentration of the staff on selling;
- reducing the number of sales to stores;
- reducing the losses in stores through verifying and improvement the quality of the products;
- reducing the administrative costs.

Conclusions

- business-to-business commerce has raised because of the special impact that it had upon costs associated to inventory, sales execution, products procurement, distribution costs, lengths with banks;
- success companies use the *management of integrated design*, as a way to make sure that all their products, communications and services of the organizations the business generally speaking;
- growing the number of stores as a result of the technical progress, has determined the apparition of some new standardized stores, unitary conceived for all their branches.

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THE AGEING OF THE POPULATION OF ROMANIA IN THE EUROPEAN CONTEXT

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Demographic ageing appeared in the modern society and designates an important increase in the elderly population segment in the total of the senior population and has implications for all sections of the society. The main cause of this phenomenon is transition from the traditional system of population's reproduction, with high birth rates, to modern regime, with both low birth rates and mortality. On long term, these new demographic tendencies will affect both the educational system, in the sense of reducing the number of pupils and students, as well as the expansion of the demand for health services and social protection.

Keywords: ageing population, natality, demographic tendencies, life expectancy.

Jel classification: E24 - Employment; Unemployment; Wages; Intergenerational Income Distribution; Aggregate Human Capital

Demographic ageing appeared in the modern society and designates an important increase in the elderly population segment in the total of the senior population and has implications for all sections of the society. This process emerged in Western Europe in the 19th century in France to be more exact. Gradually, it spread in the majority of the developed countries from an economic and social point of view and continues even today.

The main cause of this phenomenon is the transition from the traditional system of population's reproduction, with high birth rates, to the modern regime, with both low birth rates and mortality. So fertility (the average number of born children per woman during the procreation period) is in a constant decrease, while life expectancy is increasing slowly but continuously. It is obvious the fact that under these circumstances, the main outcome of this development is the increasing weight of the elderly population. If the diminution of the fertility and natality narrows the base of the demographic pyramid, the extension of life expectancy "thickens" the top of the pyramid.[159]

Romania's population is in a constant decline, being affected by the phenomenon of ageing, a phenomenon which occurs in most EU member states. Since 1990 the population segment aged up to 14 years declined simultaneously with the expansion of the segment older than 65 years old. For the first time in the last 40 years, in the year of 2002 - 2003 the percentage of senior people (over 60 years old) reached the same value that was recorded by the 14 years old segment, approximately 18%. The number of births decreases continuously, thing which began to be reflected also in the decline of the population from category between 15 and 19 years old.

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[159] Razvan Dinica, Imbatranirea demografica in Romania contemporana prezent si perspective, Analele universitatii Dunarea de jos. "Demographic ageing in contemporary Romania, present and perspectives".

Table 1. Birth rate in Romania

Development macro regions and counties	Years																		
	Year 1990	Year 1991	Year 1992	Year 1993	Year 1994	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
	UM: Number of persons																		
	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person	Number of person
Total	314746	275275	260393	249994	246736	236640	231348	236891	237297	234600	234521	220368	210529	212459	216261	221020	219483	214728	221900

Source: https: //statistici.insse.ro/shop/

New social and economic realities have contributed to the decrease and then continuation of a low natality level. All civilized countries face an accelerated diminution of the birth rate and fertility, and Romania confronts itself in this area with the same problems as the developed countries from the West and the East.

The downturn of the standard of living, the unemployment, uncertainty and stress are factors specific to the transition period. Also, recent developments of the natality are not foreign from a different perception of the existence which comes to be characterized by individualism and the consumption society, representing at the same time, a component of a broader process of demographic and psycho-social change that is known as "the second demographic transition".[160]

From 2.2 children per woman in 1989, a value slightly higher than the one required for a simple replacement of generations, the total fertility index dropped to just 1.3 children per woman in 1995 and in the following years maintained itself with slight variations at this level. In other words, the fertility pattern of the last 10 years shows a decrease of approximately "one child per woman "in comparison with the last decades of the communist period.[161]

We believe that among the decline agents that influence the downturn of the birth rate are:

- the emergence of modern contraceptive;
- women's emancipation and the increasing of its participation at economic activities outside the household;
- the increase of the duration and of the level of education;
- the weakening of the cultural norms' influence;
- increasing social mobility;
- high cost in raising a child;

Table 2. Mortality rate in Romania

Development macro regions and counties	Years																		
	Year 1990	Year 1991	Year 1992	Year 1993	Year 1994	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
	UM: Born dead per 1000 live born and dead																		
	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead	Born dead per 1000 live born and dead
Total	7	6,9	6,5	6,3	6,5	6,2	6,1	6,2	6,3	6,2	5,9	5,8	6,2	6	6	5,7	5,2	4,7	4,5

Source: https: //statistici.insse.ro/shop/

As can be seen from the above chart, the mortality rate registered during 1990 - 2008 a downward trend. In the developed countries, measuring mortality rate represents an important

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[160] http://www.euractiv.ro/uniunea-europeana/articles|displayArticle/articleID_8263/Incotro.html
[161] http://www.euractiv.ro/uniunea-europeana/articles|displayArticle/articleID_8263/Incotro.html

indicator of the growth and care in hospitals and not only. Florence Nightingale[162] identified for the first time ever in 1860, the importance of measuring mortality rate. These rates are monitored in many clinics and are used especially to improve care services. In this context we can affirm that Romanian hospitals also registered evolutions of this indicator, but not as remarkable as in the developed countries.

Table 3. The natural population increase in Romania

The rate of natural population increase on environments, macro regions, regions of development and counties																			
Develop ment macro regions and counties	Years																		
	Year 1990	Year 1991	Year 1992	Year 1993	Year 1994	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
	UM: Natural increase per 1000 inhabitants																		
	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants	Natural increase per 1000 inhabitants
Total	3	1	-0,2	-0,6	-0,8	-1,6	-2,5	-1,9	-1,5	-1,4	-0,9	-1,8	-2,7	-2,5	-1,9	-1,9	-1,8	-1,7	-1,5

Source: https: //statistici.insse.ro/shop/

After analyzing the natality and mortality rate we can be observed that the natural population increase in Romania starting with 1991 registered negative results and generally keeping a diminution rhythm.

Throughout history, Romania has recorded among the greatest oscillations in respect to the birth rate and mortality. Hereby in 1869 Romania had 8.9 million inhabitants, in 1900 were 11.1 million people, in 1930 were 14.3 million living in Romania and in 1989 23.3 million citizens. In the matter of the birth rate there were 40 persons per a thousand inhabitants in 1920, while mortality registered exorbitant values of 20 per a thousand inhabitants. Children between the ages of 0 and 5 years old represented for quite some time, half from the deceases' total.[163]

Starting with the year of 1990, birth rate in Romania was overran by the mortality rate, the country's population descending the registered maximum of approximately 23,2 millions of persons to less than 21,5 at the end of 2008.

Table 4. The number of immigrants from Romania

Emigrants on gender																			
Gender	Years																		
	Year 1990	Year 1991	Year 1992	Year 1993	Year 1994	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
	UM: Number of persons																		
	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons
Total	96929	44160	31152	18446	17146	25675	21526	19945	17536	12594	14753	9921	8154	10673	13082	10938	14197	8830	8739

Source: https://statistici.insse.ro/shop/

Another worrying aspect regarding labours' emigration from Romania is the departure of people with ages between 18 and 50 years old along with their families and minor children of these ones. The loss of the labour force in this manner doubles, because young resources of our country are used by the foreign countries in which the people emigrate.

If we add up the number of emigrants between the years 1990 – 2008 and relate it to number of the total population from Romania we can observe that over 18 percent of the total population

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[162] http://medicaacademica.com/2010/01
[163] www.countrystudies.us/**romania**/36.html

have emigrated and this on in a proportion of 90% were part of the active persons category from the labour market with ages between 18 and 45 years old.

Tabel 5. The active population in Romania based on age groups and environments

The active population based on age groups and environments													
Age groups	Periods' classification												
	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008	3rd Trim. Year 2009
	UM: Number of persons												
	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons	Number of persons
Total	11421092	11471511	11280944	11279935	11283126	11151080	10079450	9914263	9957144	9851034	10041639	9994268	9944668	10226053
Total 15 – 19 years	550370	502724	458572	419295	405319	376318	343156	275367	322559	261338	251368	215070	190821	223823
Total 20 – 24 years	1200926	1170244	1125458	1100544	1071859	1046620	985029	885936	917573	807404	763494	76318	762588	799675
Total 55 – 99 years	1585116	1581405	1436831	1321375	1288009	1277067	1259954	1290632	1393352	1358700	1366315	1328487	1260086	1232740
Total 30 – 34 years	1086066	1119749	1280573	1464106	1613060	1668900	1687533	1529718	1386854	1371197	1386974	1379700	1408188	1488252
Total 35 – 99 years	1375540	1313653	1201635	1157690	1122997	1030229	1013395	1172631	1347977	1459345	1553847	1602086	1475591	14228885
Total 40 – 44 years	1426297	1446401	1437623	1417847	1355618	1338145	1209377	1148084	1060943	1015102	1020071	996830	1165102	1367240
Total 55 – 49 years	1204974	1260852	1288154	1275230	1283321	1293529	1268204	1249487	1244506	1205408	1213630	1154301	1060428	1015158
Total 50 – 54 years	829599	841703	824697	897265	937745	958535	910206	970405	993219	1017455	1060532	1059270	1072184	1080325
Total 55 – 59 years	733069	708860	667245	628699	589026	568808	471860	487042	514668	586011	655168	682122	738608	778115
Total 60 – 64 years	542699	584076	570390	555839	559843	527501	367299	351493	30676	305532	316152	303558	323770	355979
Total 65 – 69 years	430976	442579	450018	467123	462572	458561	326878	312733	274998	269818	263660	292509	263899	252987
Total 70 – 74 years	282318	309844	324094	330682	332398	331197	236559	240736	194219	193723	190211	219048	223404	208874

Source: \text{https://statistici.insse.ro/shop/}

Romania must face a new challenge that is not going to be easy to manage in the future, a challenge generated by the ageing population. At the moment there are about four people with the age that can give him/her the status of a working person on the labour market for each person over 65 years. Keeping the same growth rhythm of the birth rate and life expectancy, in the year 2060 there is going to be only two working people with active age for each pensioner.

The dependence degree of the elderly population, calculated by relating the age category that exceeds the age of 65 years to the active population, will grow in Romania from 21.3% to 65.3% in 2060.

Table 6. The active population's evolution related to the total population during 2000 – 2008

	Total population (1000)		Active population (1000)		Activity rate (%)	
	2000	2008	2000	2008	2000	2008
EU-27	319.597.60	330.375.20	222.049.10	238.523.20	68.60	70.90
EA-16	207.387.20	215.171.60	141.005.70	156.078.70	67.60	71.50
BE	6.719.20	7.073.30	4.394.70	4.779.10	65.10	67.10
BG	5.491.20	5.169.40	3.355.40	560.40	60.70	67.80
CZ	7.116.10	3.590.80	5.126.10	5.232.50	71.30	69.70
DK	3.532.30	54.066.00	2.835.70	2.951.80	80.00	80.80
DE	55.062.00	907.40	39603.40	42.020.90	71.10	76.50
EE	916.00	3.040.80	656.50	695.00	70.20	74.00
IE	2.546.20	7.231.90	1.768.70	2.235.00	68.20	72.00
EL	7.078.30	31.251.80	4.605.50	4.937.40	63.80	67.10
ES	27.373.30	39.676.80	17.485.70	22.848.40	65.40	72.60
FR	37.430.10	39.181.80	25.716.40	28.234.00	68.70	70.40
IT	38.642.10	523.80	23.464.80	25.606.40	60.10	63.90
HU	6.764.40	6.794.20	4.090.10	4.208.70	60.10	61.50
RO	15.230.80	15.042.30	11.474.10	9.944.60	68.40	62.90

Table 7. The average exit age from the labour market

geo / time	2001	2002	2003	2004	2005	2006	2007	2008
European Union	60.3	60.8	61.4	60.9[e]	60.9[e]	61.0[e]	61.2[e]	61.4[e]
EU (27 countries)	59.9	60.1	61.0	60.5[e]	61.0[e]	61.2[e]	61.2[e]	61.4[e]
EU (25 countries)	59.9	60.4	61.0	60.5[e]	60.9[e]	61.0[e]	61.2[e]	61.3[e]
EU (15 countries)	60.3	60.8	61.4	60.9[e]	61.1[e]	61.3[e]	61.5[e]	61.5[e]
Belgium	56.8	58.5	58.7	59.4	60.6	:	61.6	:
Bulgaria	:	58.7	58.7	60.7	60.2	64.1	:	:
Czech Republic	58.9	60.2	60.1	60.0	60.6	60.4	60.7	60.6
Denmark	61.6	60.9	62.2	62.1	61.0	61.9	60.6	61.3
Germany	60.6	60.7	61.6	61.3	:	61.9	62.0	61.7
Hungary	57.6	59.1	61.6	60.5	59.8	:	:	:
Malta	57.6	58.2	58.8	58.0	58.8	58.5	:	59.8
Netherlands	60.9	62.2	60.5	61.1	61.5	62.1	63.9	63.2
Austria	59.2	59.3	58.8	:	59.9[b]	61.0	60.9	:
Poland	56.6	56.9	57.9	57.7	59.5	:	59.3	:
Portugal	61.9	63.0	62.1	62.2	63.1	:	62.6	:
Romania	59.8	:	62.7	59.5	63.0	64.3	:	:
Slovenia	:	56.6	56.2	:	58.5	59.8	:	:
Sweden	62.1	63.3	63.1	62.8	63.6[i]	63.6	63.9	63.8
United Kingdom	62.0	62.3	63.0	62.1	62.6	63.2	62.6	63.1

:=Not available; e=Estimated value; b=Break in series;

The average exit age from the labour market in Romania, registered a continuous increase reaching from 59, 8 to 64, 3. In this context, Romania recorded the highest values of the average exit age from the labour market, a value of 64, 3 while the medium at European Union level in 2008 was of 61,4. In the current economic crisis and considering the continuous ageing of the population, we believe that in Romania this will go on registering an increase until the age of 65 years old.

Conclusions:
On long term, these new demographic tendencies will affect both the educational system, in the sense of reducing the number of pupils and students, as well as the expansion of the demand for health services and social protection. The ageing process of the population will exert a negative influence on the entire economy, as the number of inactive people would unbalance even further the economic situation, in the way of burdening the social insurances system. The South and the South - West regions confront themselves with an accentuated phenomenon of population's ageing, recording the highest share of people over 65 years, in the total of the population (16.5% and 16.2%), waiting for an amplification of this trend. The highest share of the young population segment is recorded in the North – East Region (18.3% in 2005, slightly declining from the

20.5% percentage in 2002) and the lowest share is in the West Region (14.9% in 2005 versus 17% in 2002) and in the Bucharest – Ilfov Region (11.7%). On July 1, 2005, at a national level there were 94.6 seniors per 100 young people. The South, Southwest, West and Bucharest-Ilfov regions registered a higher rate than the national average one, and in the South and Bucharest-Ilfov, the number of elderly people exceeds the one of the young.[164]

Also, the data presented by the European statistics office indicate an ageing of the population, particularly generated by the reduction of the fertility and the increase of life expectancy. This process will affect all EU states, meaning that the share of the population over 65 years in Romania will increase from 14.9% from the beginning of this year to 35% in 2060.

Throughout the European Union, between the 1st of January 2008 and 2035, the population is expected to grow by 5.1%, from 495 million people to 521 million people, but by 2060 the upward trend will reverse, so the population will decline to 506 million people.

After the year 2015, mortality rate in the European Union's and implicitly in Romania too, will exceed the birth rate, the only factor that will contribute to the increase of the population being migration.

If this downfall rhythm of the natality will maintain itself in the EU, the ageing phenomenon of the population will accentuate. People over 65 years will represent 30% of the total population in 2060 compared to 17.1% today, while the share of population over 80 years old will increase from 4.4% to 12.1% during the same period of time.[165]

The study reached five major conclusions:

1.immigration in order to replace workforce cannot prevent the ageing of the population and its consequences.

2.national policies can slow the fertility decline in favourable circumstances.

3.only one type of political intervention will not necessarily slow down the decline of the fertility.

4.the thing that works in one country might not work in another. The social, economic and political contexts influence the impact of the policies. Therefore, policies are not directed toward it, but that have as a target improvements in broader terms, may have beneficial effects on fertility.

5.policies referring to population have a slower effect and therefore may be less politically attractive[166].

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THE LISBON STRATEGY: AN EMPIRICAL ANALYSIS

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This paper investigates the European economic integration within the frame work of the 2000 Lisbon Council with the aim of studying the dynamics affecting the social and economic life of European Countries. Such a descriptive investigation focuses on certain significant variables of the new theories highlighting the importance of technological innovation and human capital. To this end the multivariate statistic technique of Principal Component Analysis has been applied in order to classify Countries with regard to the investigated phenomenon.

1. Introduction.

Globalization and the challenges of the new knowledge-based economics mark a watershed in the history of the European Union. The subsequent changes affected all sides of common life and have modified European economy, also because of the recent enlargement. Therefore the Union should perceive and efficiently pattern such changes so to promote the best integration of the member States. To this end a shared strategic target and a common program shall necessarily be set among European Countries, allowing the creation of the infrastructures needed for the best knowledge production, spread of innovation and a broader cooperation, so to initiate the due reforms for an integrated social and economic development of all the Countries. By means of the multivariate statistic technique of Principal Component Analysis (PCA), this preparatory analysis describes the current conditions of the production and social structure of the EU-27 Countries further to the 2000 Lisbon Council directives. The key principles of such a strategy have been here retraced also with reference to the literature highlighting the impact of technological and knowledge processes on economic development (par.2). In the second part of this paper the principal components analysis is introduced in order to show the Countries' performances with regard to the reference phenomenon (par.3). Lastly, the main results of the analysis are shortly summarized (par.4).

2. The new challenges of the EU.

The European integration has led - and still leads today - to fundamental changes both in the production structure and in the way of conceiving the production process. This is clearly a direct and inescapable consequence of the development and the rapid spread of globalization and internationalization starting from the late '80s and the early '90s, as never before in human history. Therefore it is important to focus the attention on the processes of space concentration of Research and Development and innovating activities, as well as on the production and spreading of knowledge processes among and inside each Country. This is why there is a broad literature

strongly supporting the idea that the mechanisms for the production and spreading of knowledge play an important role in affecting the economic development[167]. The technological process, strictly connected to knowledge processes, thus becomes a key element in understanding the micro and macro fundamentals of economic growth, of industrial structures development and of the concentration of economic activities in the European Countries. Consequently, knowledge economics aims at studying knowledge as an economic good, applied by virtue of the properties of such an atypical resource which also regulate its production, spread and reproduction. Apart from historic economists such as Smith, Marx and Schumpeter, who in a way have investigated knowledge, there are many significant writers who contributed to the development of knowledge economics, among others (Hayek, 1945; Arrow, 1962; Simon, 1982; Machlup, 1984; Foray, 2000). The idea of knowledge from an economic point of view has been changing year after year; indeed from complementary (exogenous) resource of the economic growth it turned into a basic and endogenous input of the economy itself (Solow, 1956; Romer, 1990). So, a knowledge-based economics can be defined as such only if knowledge itself is produced, distributed and innovated within institutions and social structures. It is necessary to underline that, in order to foster development in a competitive socio-economic environment there shall be adequate institutions supporting the promotion of innovative actions. Furthermore, it is necessary to encourage the training of innovation-oriented professionals with the right mix of basic and advanced skills, supporting lastly the most dynamics and competitive economic parties. The economic reforms agenda set out in the 200 Lisbon strategy is of the utmost importance in this sense. It has been clearly stated the target of making European Union the most competitive and dynamic knowledge economy before 2010, and for the first time knowledge has been detected as a pillar issue, despite the strategy opens onto all fields of the economic policy[168].

3. Dataset and method of analysis.

This paragraph introduces the analysis of the data which, by means of the multivariate statistic technique of Principal Component Analysis, it is possible to lead a preparatory and descriptive investigation of the studied phenomenon[169]. Regarding the reference dataset (dataset World Bank, 2007), the following EU-27 variables have been chosen EU-27: GDP per capita (GDP); Foreign direct investment, net outflows (FDIno); Foreign direct investment, net inflows (FDIni); ICT expenditures (ICTexp); Internet users (Intusers); telecommunication revenues (Telecom); ICT goods (ICT exports – ICT imports); School enrollment tertiary (Education); Patent applications (Patent); Labor force with III education (Adlabor); R&D expenditures (RDexp); Percentage of enterprises using e-learning applications for training and education of employees (elearning)[170]. These variables have been chosen on the basis of the ideas stated and shared by a broad theoretical and empirical literature (Becker, 1964; Krugman, 1991; Kessels, 2001; Mason, 2005; Mattoscio *et* Colantonio, 2006) and according to the issues this paper aims at examining. The results of such an analysis are referred to hereafter (Tab.1). The main contribution of the three first components is thought to be enough to explain 74% of the total information[171].

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167 It is commonly thought that stimulating knowledge processes through technological change and human capital, both factors affecting productivity, generates virtuosities.

168 The strategic targets of the Lisbon Council are listed below: innovation and entrepreneurship; welfare reform and social inclusion; human capital and labor retraining; equality of opportunities for women employment; labor and products market liberalization; sustainable development.

169 For a thorough understanding of such a technique see Vitali (1991) and Fabbris (1997).

170 The source for e-learning applications is Eurostat (2007).

171 This study has been performed using the heuristic criterion of global variance, although the same results have been obtained with the two other criteria (screen plot and Kaiser's decision rule).

Table 6- principal components; 12 components retained

Component	Eigenvalue	Proportion	Cumulative
1	**3.832315**	**31.93596**	**31.93596**
2	**3.247632**	**27.06360**	**58.99956**
3	**1.680528**	**14.00440**	**73.00396**
4	1.148609	9.571742	82.5757
5	0.665355	5.544624	88.12033
6	0.443592	3.696603	91.81693
7	0.350664	2.922202	94.73913
8	0.246862	2.057187	96.79632
9	0.165956	1.382967	98.17928
10	0.147640	1.230330	99.40961
11	0.068685	0.572377	99.98199
12	0.002161	0.018009	100.0000

Source: our elaboration

The next table (Tab.2) highlights the variables with the greatest impact on each principal components. The first one is mainly affected by purely economic variables thus it can be explained in the sense of openness to international market. The second one, on the contrary, can be interpreted as the contribution of technology to economic development. Lastly, the third one could stand for a synthetic index of the level of human capital.

Table 7 - Scoring coefficients

Variables	pc1	pc2	pc3
gdp	0.904	-0.297	0.059
fdino	0.557	-0.780	-0.110
fdini	0.523	-0.805	-0.117
ictexp	0.154	0.521	-0.691
intusers	0.835	0.220	0.168
ictgoods	-0.819	-0.044	-0.187
education	-0.252	-0.312	0.314
telecom	-0.072	0.785	0.234
patent	0.619	0.616	0.038
adlabor	0.329	0.045	0.648
rdexp	0.526	0.689	0.121
elearning	-0.448	-0.095	0.721

Source: our elaboration

In order to achieve a global assessment of the socio-economic development of European Countries, and specifically of the dynamics of technological innovation (consequent to a raise in knowledge processes) and of capital, the classification resulting from the analysis and drawn according to the second and third components are also shown. The scores of the principal components referring to the studied Countries have been marked on a bi-dimensional scatterplot for a greater information visibility and so to point out their distribution with reference to the information given by the two components.

Fig. 2 - twoway scatter for the second and third component
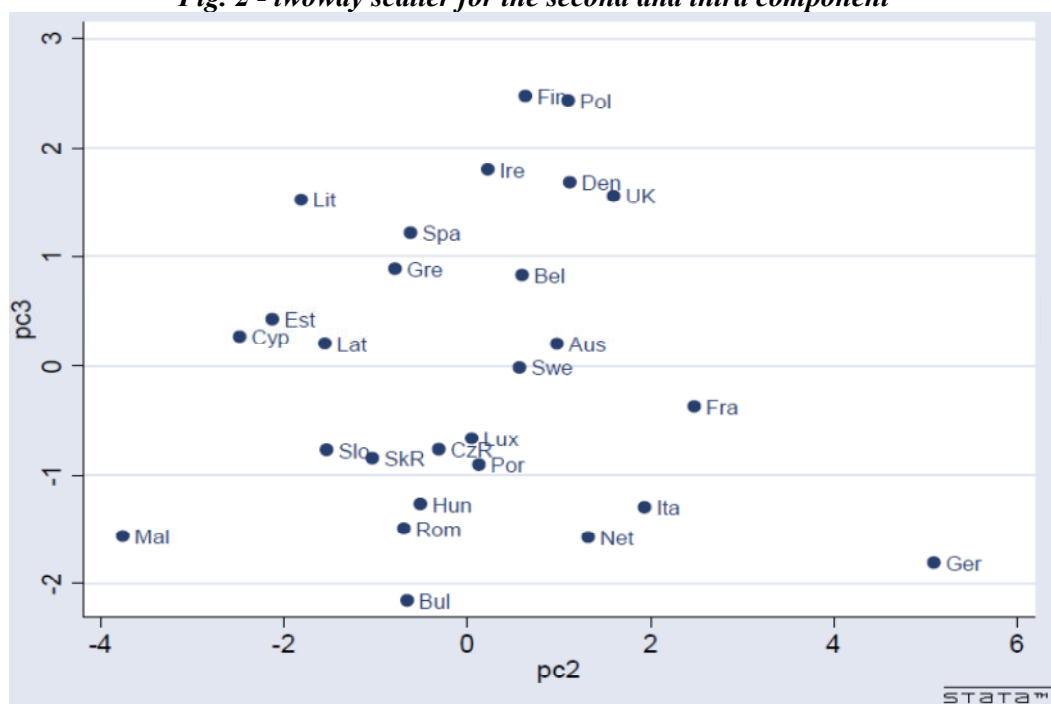
Source: our elaboration

4. Conclusions.

As far as knowledge and human capital investments (and the subsequent development of technological innovation) are concerned, this analysis has given the following results: first, Finland, Poland and Ireland represent a greater investment in human capital. Second, the trend of Deutschland, followed by France, Italy and Holland, due to a better level of technological skills. Third, Denmark and the United Kingdom have the best balance among the components. Lastly, a group of Countries (Greece, Spain, Lithuania, Cyprus, Latvia and Estonia) shows a negative result in terms of technological development. The remaining Countries studied have a negative outcome for both components.

It is worth to underline that this analysis is only a first step in such an investigation and shall not be considered as exhaustive in order to thoroughly understand the reference dynamics, it can simply be useful for further and more detailed investigation.

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DEMO-SOCIAL DETERMINANTS OF EUROPEAN CONSUMER BEHAVIOUR

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The components of demo-social macroeconomic level but especially in the continental context were decisive action on both exponents of the supply and the demand; the businessman need to know features, character and effects of these variables on the functionality they produce while the European market and national.
From the range of the demo-social components, I referred to the social classes, the reference groups, the area of residence, taking into consideration reality that these components carries on business in general, particularly on the consumer, a long-term determination so, their knowledge as fair provides managers can develop policies and strategies consistent with these conditions.

Keywords: demographic-social determinants, social class, reference groups, family, residence environment, inter-variable correlations

JEL codes: D10, D31, J11, R11, R21.

Demo-social variables in the context of the business environment

One of the components business environment, with long-term influence on quality and its dynamics, is the social environment. Although the demo-social environment components have a slower time than other components, the system configuration and the features of the current global economy, changes occurring in European economies, the suite of financial, economic, natural environment crisis, however, and more once again motivates the businesses to take into account trends in the business environment variables.

Beyond the demographic changes recorded in the potential of countries in the world, the geographical distribution of population density, its natural movement, are significant trends in terms of social class, reference groups, family, environment residence option for European countries economy. These variables interfere with objective and subjective motivations outlining the buying and the consumer decision.

Social class, reference groups, family – between theory and reality

In recent view of the sociologists[172], the concept of **social class** highlights:
 - positioned and equipped unequal social classes within the economic system;
 - social class identity strongly marked by class, in terms of time, culture, community.

In general, membership of a particular class is given by individual occupation[173]. A classification of socio-economic groups have highlighted that in group A (3%) place the upper middle class, head of household having a senior managerial, administrative, professional; group B (10%) is reserved for the middle class of family head having intermediate managerial functions, administrative or professional; C1 class (24%) and C2 (30%) are most consistent in terms of number and head of the family occupying positions below supervisory, administrative, professional, skilled labor respectively; working class is in Group D, has 25% of the population, head of the family is included in semi-specialized and non-specialized labor; the lowest level of subsistence is approx. 8% of the population and includes certain categories of pensioners, casual and unskilled labor, etc..

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[172] Chauvel, Louis, Le Retour des classes sociales, Revue de l'OFCE, 2001, vol.79, issue 4, p.315-359.
[173] Blythe, Jim, Consumer Behavior, Uranus Publisher, 1998, p.116-117.

The social class was defined by Max Weber as the group of individuals sharing a specific causal component of their life opportunities; this component is defined by degree of ownership of property and the possibilities for the revenue and operating in the conditions of the commodity markets and labor markets. Already in the 60s the idea of disappearance of social classes, with the arguments:

- in the political – the power distribution across the entire set of population and de-structuring political behavior according to social strata;
- in the economic sphere - the tertiary sector increased the extent of which did not match any class system;
- raising living standards and consumption that leads to the disappearance of identifiable consumer segments.

Those who showed, subsequent, the disappearance of the social classes, they reasoned it this way:
- reduction of the economic and educational inequalities;
- restricting border access to consumer and to the cultural elements with increasing social mobility;
- hierarchical structure of classes in separate groups, identifiable and enforceable against, much less obvious, hence, minimize the conflicts between classes and even states of class consciousness.

The social classes have importance on economic activities, however, increased social mobility and reduced of the wealth concentration dilute the traditional boundaries between classes and reduce the cultural differences between them.

Given the large socio-professional categories - farmers, traders and small businesses, professions, employees and workers in the past 30 years, the composition of the working population analysis shows that middle and upper classes of employees grows and the number of workers decreases - in 2000 were approx. 30% of the population, compared with 40% in 1969. While the tertiary sector rather than being hierarchical, not creates an easily identifiable class system; the analysis of the workers and employees shows that employees are, structurally speaking, workers in services; in general, when considering the number of workers and employees observed that in the past 30 years is relatively stable in the active population.

The social classes create patterns of decision making[174]. The research shows that in rich families is a trend towards the decision making by those men, while in low-income families are matriarchal tendencies manifest, the wife take financial decisions, including those related to purchasing goods and services. Middle class families are showing trends in democratic decision making.

Regarding the changes in wages, they are very important in understanding the evolution of society. After 1970 due to increased income middle class at the continent, it became an important class of economic and social environment.

Across Europe, the income situation in different countries reflect the large differences existing both between rich and poor social strata and between the developed and ex-communist.

Regarding the income distribution inequality, calculated as the ratio between the total income of 20% with highest income and total income of 20% with lowest income, the dynamic profile since 1997, the situation of our continent reflect that[175]:

- In the year 2008, large discrepancies between income in the countries: Latvia (7,3), Romania (7), Bulgaria (6,5), Portugal (6,1), Greece, Spain, Lithuania, United Kingdom (all over 5). Polarization spectrum wealth lies not only on ex-communist countries but also on some developed EU countries.

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[174] Blythe, Jim, Consumer Behavior, Uranus Publisher, 1998, p. 131.
[175] Eurostat, 17.03.2010.

- The same year, the smallest discrepancies between income levels are specific in countries: Czech Republic, Slovakia, Slovenia, Sweden (all with values below 3.5). The situation highlights the respective national economies macroeconomic options, obtaining GDP sectors of national economy, given that countries with strong tertiary sector employs a high proportion of the population in this sector and its higher income compared with countries with rates still high obtaining employment and GDP in agriculture. On these grounds we can add the different national labor productivity and, not least, the development of the country.
- In the period 1997-2008, the development of this situation has been fluctuating in all countries, none having a continuously decreasing or increasing trend over the interval.
- The level of our country is strong polarization of wealth, well above the EU average (5) and, in 2006, has increased.

Reference group is "an individual or group of individuals who significantly affect a person's behavior"[176]. Reference groups develop standards, rules, under which consumers assess their attitudes and behavior. For example, primary groups consisting of people we see most often (family, friends and close colleagues), is usually the mouth-to-mouth communication, triggering and purchase decision of the individual, regardless of nature of demand; groups side (people who meet occasionally and with which we have some common interests) are not noticeably affect the purchasing behavior of individuals but are important for managers in terms of potential workforce, to support the common causes, etc.. Are significant for business are the groups because individual membership wishes to belong, is very powerful in influencing its behavior; in some cases, group membership is the financial aspirations of individual power. By their nature and characteristics the companies looking to set up and possibly retain individual components of the official groups like clubs or associations. The process of market segmentation and target market involves setting the implicitly groups that appeal to individuals who are in implicitly because of age, gender, culture, education, etc. ..

The entrepreneurs have the knowledge typology of the reference groups to a market level and composition of each of them to develop the market strategies and policies compatible their tastes, preferences and requirements.

Family is the most powerful group that influences the consumer decisions. In many European countries, family is defined by parents and their children although, the influences are the grandparents, aunts, uncles, cousins, too. This last option is specified the Latin countries and of Southern Europe than Northern countries where the family is independent[177]. In Europe coexist four different family systems: liberal, authoritarian, egalitarian, nonegalitar, according bounded or not the dominant character of established links and relations values between brothers.

Regarded as the reference group, the family has several features, namely:
 - direct contact between family members;
 - common use;
 - the subordination of individual needs;
 - the purchasing agent - in the person of one family member.

Lately, Western Europe[178] became increasingly apparent increase in single person households; more people marry later and have fewer children and more families decide to not have children; an increased divorce rate and more increase in single parent families (Belgium has the highest divorce rate, Romania - among the lowest).

Another change in family structure that determines the buying decision process and consumption is increasing the number of couples who are not married and unmarried officiating. Such households have accelerated the dynamic. In Sweden, the households consisting of one person

[176] Blythe, Jim, Consumer Behavior, Uranus Publisher, 1998, p.121-124.
[177] Adăscăliţei, Virgil, Euromarketing, Uranus Publisher, Bucureşti, 2004, p.72-73.
[178] Catană, Gh.A., Marketing - market success philosophy, vol.I, Dacia Publisher, 2003, p.255-259.

represented since 1994, 40% of all households. Obviously, such households have special needs (smaller apartments, portions of 1-2 people, cheaper furniture, etc..), observation that no business should escape. In some countries (Netherlands, Great Britain, etc.) were adopted laws allowing marriage between homosexuals.

The involvement of women in economic and social life is a business reality of our continent; has increased the number of active women, strongly influencing family consumption - cooking is increasingly rare, is preferred food ready, increase the demand for microwave ovens and other appliances electrical change traditional roles of husband and wife in the family. Women do not cook, instead of the client are banks, auto repair shops, etc.. while men are more and more chores, go shopping, caring for children, etc..

In this context of changes in family structure, the European family financial resources have increased while time resources have decreased. Thus, the modern formulations and marketing of products aimed at concentrating purchases in a single space and minimize time purchase led to vigorous development of direct marketing.

Family adopt different roles depending on the state of purchase or consumption decision; the importance of the user occurs at the initial stage and the final purchase decision is taken in common. If the family, both parents have jobs, making the decision will probably be common. According to the investigations, families where the male partner is the only employee present trend of male dominance and those where both spouses are employed, decisions are made jointly.

Option to area of residence of people in Europe

Worldwide, the '90s have come large population movements between countries. In Europe, this phenomenon was caused by the collapse of communist countries in central and east. Phenomenon will probably continue, but most countries are more strongly protected in the wave of immigrants.

Also, another distinctive feature from one country to another, with implications for doing business, is to demarcate the urban-rural population segments. On the European continent's urban population, representing a significant market segment, with a specific pattern features buying, consumer lifestyle, etc.. has growth potential. Europe is among the most urbanized continents, having cca.75% of urban population[179]. Over ¼ of the EU is intended to present urban use. But the differences are essential, so if in Iceland, Sweden, Netherlands, Great Britain, Denmark, Belgium, Luxembourg, Malta, the urban population in total population is high, however, in others, such as Greece, Ireland, Slovenia, Poland, Slovakia, Croatia, Romania, Bosnia-Herzegovina, Albania, Moldova, down to 60-50%. It is estimated that by 2020, approx. 80% of Europeans will live in urban areas and in the continent's 45 countries, seven of them in the urbanization ratio will be over 90%. Logical consequence is the need to increase demand for land areas affected housing, commercial premises, etc.. We are witnessing to the phenomenon of urban sprawl in Europe; the phenomenon takes place but different from one country to another, from one region to another; lead to changes of substance in lifestyles and consumption patterns on a continental scale.

Generally occurs when urban sprawl and land use conversion rate for urban population growth rate exceeds a certain area and within a certain time. Recent studies show that the area of European cities over the past decade grew by more than 5% increase, equivalent to three times the area of Luxembourg. The strongest urban expansion was observed in countries or regions with high population density and huge development - Belgium, Netherlands, Germany (south and west), Italy (north), France (Paris) and in countries with rapid economic growth - Ireland, Portugal, Germany (East), Spain (Madrid).

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[179] European Environment Agency, Urban sprawl in Europe, Copenghaga, Report No, 10/2006.

The urban sprawl has been determined, at the level of our continent, to the regional development policies promoted at EU level - have been directed to poor regions of the EU cohesion funds and structural development and modernization of infrastructure; along with numerical growth of urban population the continent's major cities began to develop small towns and surrounding areas or rural areas more developed along the transport corridor and along coastal areas in connection with river valleys. General motivations of the escalation phenomenon among urban sprawl trends are micro and macro socio-economic: increased the quality of transport systems, increasing land prices, higher housing preferences, the demographic trends, national and European traditions, customs and the cultural, attractiveness of the urban areas, and not least, increasing population mobility in the single space. Although urbanization in general, increasing the concentration of population and economic life, accusations is, particularly on environmental quality scale, there are a number of advantages and opportunities that it creates this phenomenon; it was found that land-use and consumption different forms of energy tend to be lower in urban areas than in areas with scattered population; the urban waste management benefits of economies of scale. Most of European cities and utilities have solved problems but the risk of pollution manifested in all forms is increased - air, water, noise and, in some cases, visual pollution, are realities of this.

Another trend is the growth of two times the space for a person, compared with 50 years ago. From the '80, surface built-up areas in many countries in Western and Eastern Europe increased by 20% while population grew only by 6%. One problem that stands out is the mobility and the accessibility, such European policy makers as a key driver of Europe's territorial cohesion. Number of European street transportation miles will increase by 40% between 1995-2030. Monitoring the degree of new entrants into the EU population is not in the other; the degree of congestion of the roads but costs have risen sharply. Development of local infrastructure, national and European will continue be in attention to decision makers in regional development, regarded as the very basic premise of local economic development, regional, union. The vision of urban development that meets environmental and social considerations in territorial planning policies envisaged by obtaining positive effects: policy coherence at all stages of its progress, expanding collaboration among agencies at all levels of responsibility, efficient use of structural funds EU cohesion and related environmental regulations in order to mitigate and limit urban sprawl, minimize mistakes and market failures leading to urban sprawl, in particular, towards land and housing prices soaring, the collection and dissemination of good practice in the development of compact cities, providing green spaces in urban areas, etc..

In Romania, due to the large differences between the socioeconomic life of rural and urban population migration phenomenon continues to town. In cities there is movement toward the upper class residential suburbs, while still congested areas inhabited by popular class.

The urban population enjoys a higher income level than the rural population but the issue of economic and social disparities in the urban environment can not be ignored; however, European countries examined do not face this problem as much with other countries of the world and the analysis reflected the distribution of correlations between income inequality and other socio-economic variables. We conducted this analysis to the 27 EU countries plus Norway and Iceland (Table 1) [180], [181], using statistical correlation coefficient.

Tab.1.Resident population in urban income distribution and inequality in EU countries + Norway and Iceland

Countries	Population resident in environment	Inequality distribution income		Countries	Population resident in environment	Inequality distribution income

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[180] World Urbanisation Prospects – The 2009 Revision, www.esa.un.org.
[181] *ec.europa.eu/eurostat.*

	urban %				urban %	
Austria	66,5	3,7		Lithuania	66,64	5,9
Belgium	97,27	4,1		Luxembourg	83,93	4,1
Bulgaria	70,18	6,5		Malta	93,65	4
Czech Republic	73,52	3,4		Great Britain	79,04	5,6
Cyprus	69,44	4,1		Norway	77,49	3,7
Denmark	85,86	3,6		Netherlands	80,2	4
Estonia	69,4	5		Poland	61,46	5,1
Finland	83,67	3,8		Portugal	57,62	6,1
France	81,56	4,2		Romania	54,63	7
Germany	73,36	4,8		Slovakia	55,6	3,4
Greece	60,36	5,9		Slovenia	50,22	3,4
Ireland	60,48	4,5		Spain	76,72	5,4
Iceland	92,91	3,8		Sweden	84,32	3,5
Italy	67,61	5,1		Hungary	66,28	3,6
Latvia	68	7,3				

Source: www.esa.un.org and *ec.europa.eu/eurostat, 2008 year*

Resulted as follows:
 - between the unequal distribution of income and gross value added produced in the tertiary sector (the most important and dynamic in the continent) the relationship is inverse, low intensity;
 - between the unequal distribution of income and labor productivity the relationship is reversed, low intensity;
 - between the unequal distribution of income and degree of urbanization of countries examined is the reverse link, average intensity (- 0.35).
Finally, those variables affect different and cumulative income inequality in the distribution of our continent; not to be missed determine which exercise the economic development of countries, quality business, quality and operability of the legal and institutional environment, macroeconomic policies of social protection but an accumulation of reasons such as personal, psychological.

Conclusions
Each of the demo-social determinants exposed here, reflects the overriding necessity to be alert to market dynamics and transformations, including duration, with reason, the idea that business should be thinking on long term; the overall market but the segment and types of consumers, must always known, especially with the lack of supervision as it can lead to action by the competition. Or competition in the European business environment is very dynamic, with accents sometimes offensive and aggressive, willing to know the smallest details of individual behavior but also the whole European market and work to attract, convince and possibly retain customer.

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LABOR MARKET INTEGRATION OF HIGHER EDUCATIONECONOMIC GRADUATES

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Transition from school to work is a major research topic in the last. The main reason is related to the fact that after graduating finding a job is difficult and more often the graduates occupy vulnerable positions.
In Romania, one year after graduation, the insertion rate is 60,9% for university graduates and 35% for those with secondary education. This paper examines the process of insertion of higher education graduates in the Romanian labor market, focusing on economic profile graduates and using a national survey conducted on a sample including the 2003, 2005 and 2007182 promotions.

1. Literature review

The process of integrating young people into the labor market it is not smooth, in nowadays being accompanied by a period of turbulence and uncertainty. Young people are a great resource for the development of society, but this potential is not fully exploited because of the labor market inefficiency. According to the report published by the EU (2008), the youth position on the labor market is difficult not only in Romania but across Europe.

Currently, young people aged between 15 and 24 represent 18% of world population (1,2 billion, the United Nations World Report, 2007). Although the overall situation of young people has improved, there is growing concern that many of them cannot prosper. Inability to help young people reach a healthy adulthood may lead to their exclusion and marginalization.

The transition from school to work means the process of insertion/integration of graduates, of young people leaving the education system, on the labor market. Specialists believe that young people transition from school to work has become more protracted and difficult now than it used to be several decades ago (OECD, 1996, 1998). Currently, youth transition to work has become more complex, fragmented, extended, with a highly individualistic accent, depending more on personal skills for negotiating (Cartmel et al., 2002). Accordingly to an OECD (1998) study youth integration is not smooth, being often accompanied by a period of turbulence and uncertainty.

It is widely accepted that labor market integration of young people play a decisive role in

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determining their economic and social welfare and their future development. In this direction, the concept of transition from school to "decent work" was developed (ILO 1999 definition: *productive work in conditions of full equality of liberties, security and dignity, while labor rights are adequately protected and valued, together with the widest coverage of full social security schemes*).

Bucker (2008) considers that uncertainty regarding the evolution of labor productivity is an important factor that slows down the process of integrating young people into the labor market and that is why education plays an important role.

Labor market flexibility plays an important role in the process of absorption of newcomers. This shows its ability to respond to changes occurring in the economic and social environment. Relations between labor market and other markets are made difficult by the labor market rigidity. Labor market flexibility is a necessity arising from new developments in the labor market such as the euro adoption. Several European countries have found a way to reconcile stability, flexibility and security and to create more jobs without sacrificing work quality (Denmark, Finland, and Italy). Countries with high flexibility have higher employment rates especially among the youth and faster conversion rate of temporary employment into permanent employment (in the last three years, approximately 65% of temporary job became permanent in Denmark, and 55% in the Netherlands).

In 2008 EU made an analysis on the young people integration in the labor market and divided the EU countries into four groups according to the youth labor market functioning and their major inconveniences. In this case we had: a) *friendly* labor markets which is characterized by high employment levels among young people (Austria, Denmark, Sweden, Finland, Netherlands, England), b) rigid labor markets (France, Belgium, Germany, Luxembourg and Slovenia), c) split labor markets (Greece, Italy, Portugal, Spain and Poland), d) major dysfunction between the training and the labor market (Czech Republic, Estonia, Hungary, Lithuania, Lithuania, Slovakia, Cyprus, Malta, Romania and Bulgaria).

2. Methodology and database

The data used was obtained as a result of studies conducted under the research contract no.91-020/2007 PN-II *Partnerships in priority areas,* **Determinants of labor market insertion of higher education graduates**, coordinated by the National Scientific Research Institute for Labour and Social Protection (NSRILSP), in which the authors have participated as members of the AES research team (consortium partner). The methodology used for data collection consisted of a survey at the national level in the second half of 2009. 2100 youth who graduated in 2003, 2005 and 2007 were interviewed.

3. General characteristics of *economic education* graduates

Choosing the right major is very important for successful integration in the labor market. According to the 2009 ARACIS (the regulatory authority for higher education in Romania) report, the most important four factors determining the preference for a certain college are: *interest in the field, desire to know, wish to have high income, and wide public prestige that the university enjoys*. In relation to these factors, economic higher education occupies a privileged position, given the fact that during the 2008-2009 (and beyond) academic year most youth opted for economic sciences (32,4%), university-pedagogic sciences (29,3%) and technical sciences (19,7%). Preference for economic education becomes even more obvious when higher education is done in the public sector, where most students are enrolled for economic (44,3%), university education (26,3%) and juridical education (24,6%), according to the National Statistics Institute.

As for the influence of family environment in choosing the career, matching the education level of parents with those of their children provide important clues (according to National Institute of Statistics). Thus, it was observed that 87,4% of young people from families with higher education

background have a similar educational level. Among young people whose parents had an average educational level, 67% also had secondary education and only 21% higher education.

Depending on the graduated profile we can say that: for medicine graduates, the head of the family is, at a 47% rate, a faculty graduate, the same situation is found for the artistic and technical field (23% and 22% respectively). For other profiles, including the economic section (31%), the head of the family is a high school graduate. We can say that education level of parents greatly influence their children education level.

Regarding the respondent gender, it can be seen in the figure below that men specific fields are technical and farming. Economic profile graduates are largely (65%) female (Figure 1).

Figure 1: Respondent gender depending on the graduated profile
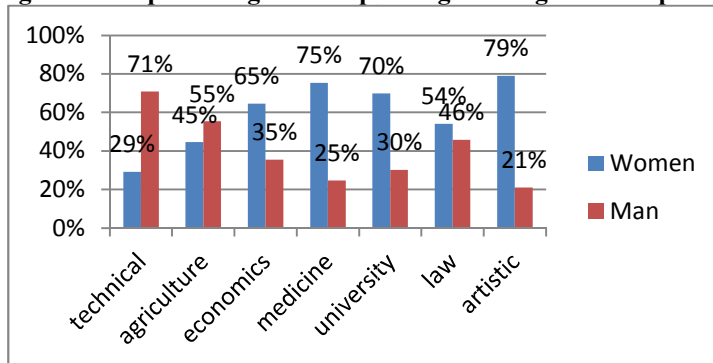
Most respondents live in urban areas (76%), which mean that access to education can be influenced to a large extent by the individual background. For the economic field only 23% came from rural areas (this being one of the lowest percentages in relation to the graduated profile, Figure 2).

Figure 2: Area of residence at birth
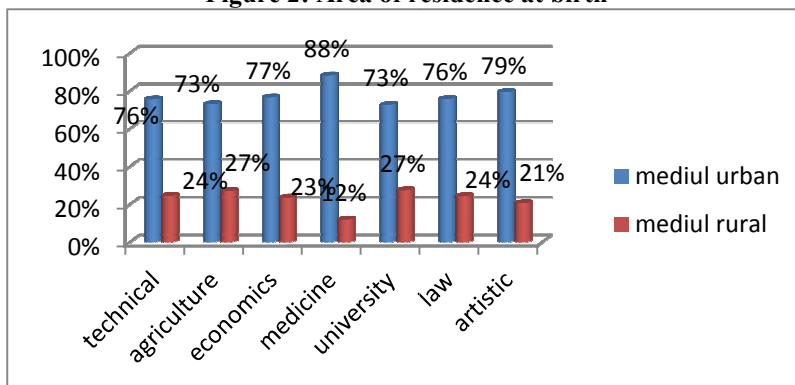
The participation in permanent education programs to complement the knowledge gained is relatively small. Thus about 1/8 of the investigated graduates have attended postgraduate courses (304), of whom the vast majority (86,5%) are master graduates. It is noted the increasing in the number of those attending postgraduate courses as a result of the Bologna process implementation. The post graduate profile may be presented in some defining lines:

- Graduates of university studies (30,7%), economic studies (27,6%), technical studies (17,0%), legal studies (9,5) and medicine studies (8,9);
- Faculty graduate – 92,9%;
- Public education graduate – 77,5%;

- Daily frequency graduate – 82,3%.
- First faculty graduate – 99,2%.

Analyzing respondents' opinion on occupational mobility, territorial and job stability there is a greater tendency to occupational mobility and territorial mobility than on external mobility. Of course, this desire is associated with a higher salary. However, surprisingly, the dominance came from those who prefer the job security and lower pay than an unsafe workplace and a higher salary. The authors interpret this situation by the worsening economic conditions at the time of the survey. Depending on the graduated profile, those with a lower mobility are those who have graduated medicine, due to the fact that they can change their occupation more difficult. The difference between those who want and those who do not want to change their occupation is the smallest for economic graduates (53% against 39%), due to close relationship between various opportunities offered by the labor market and employment benefits.

Figure 3: Structure of graduates who wish to change their occupation for a better job compared to the graduated profile
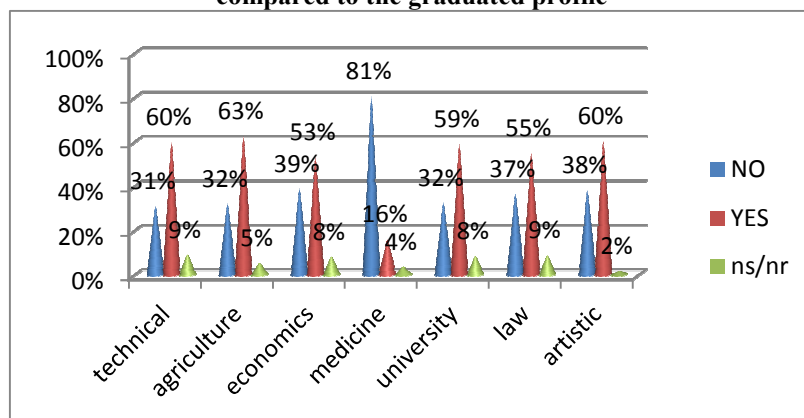
Regarding external mobility, 48% of the respondents would leave the country for a better job, while 46% would not. We believe that the small difference between the two options is given by the inertia of the social and cultural (including language) environment change and the narrow specialization of the Romanian labor market (which would indicate poor market integration in relation to that of the EU).

Analyzing the same problem, but depending on the area completed (Figure 4), it is noted that the vast majority of economics, law and university graduates would not want to go to another country, while other graduates would be willing to leave the country. This situation shows us that the first fields of studies are too much customized to the requirements of the Romanian labor market, while the other fields are more universal, having a bigger opening to the EU labor market (Figure 4).

Figure 4: External Migration depending on the graduated profile
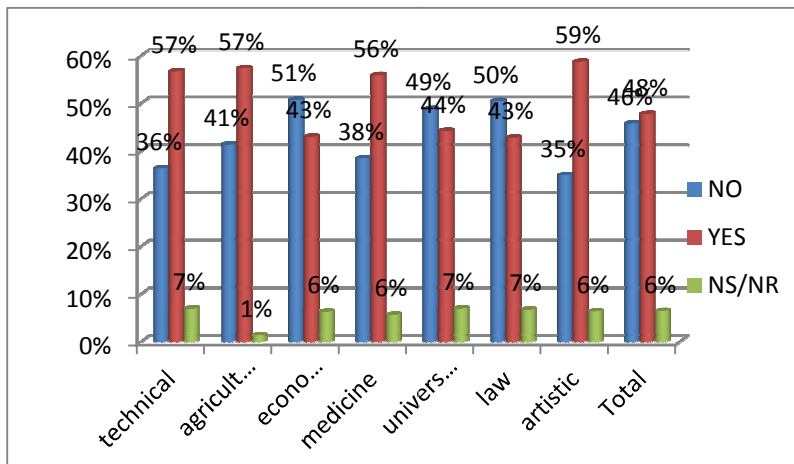
An important factor for the young graduates insertion in the labor market comes from professional experience. From the chart below we see that 52% of the respondents had worked before graduation. Compared with the graduated profile, we find that the medical graduates (77%) and those in the artistic field (60%) did not work while the economic graduates (55%) have worked. Young people want to work mainly because they need money (due to increased economic and social needs), because they wish to impress or show that they can take care of them.

Figure 5: The percentage of those who worked before graduation according to graduated profile
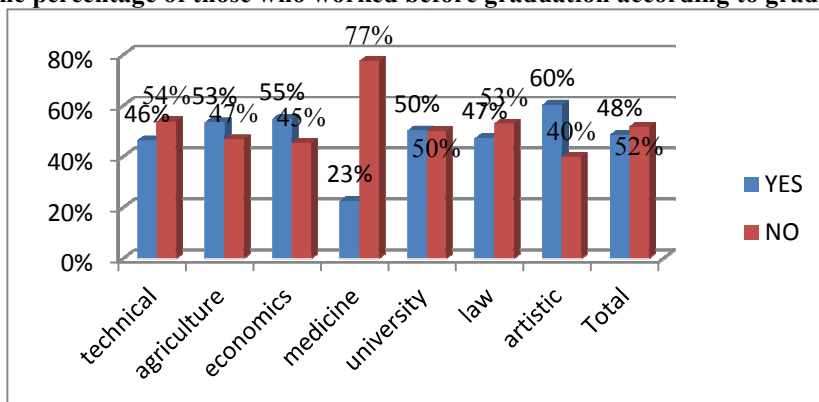
Regarding the way of job searching, most of the respondents used their acquaintances, friends (44%). From the figure below we see that economics graduates have the same trend, the difference being made only by medical graduates who have appealed mainly to a different way than the one listed in our questionnaire. This might suggest the existence of certain functional rigidities on the Romanian labor market. These rigidities are compounded by large disparities between residential environments in relation to the origin of higher education graduates, indicating an underdevelopment of the rural potential.

Figure 6: Searching for a job
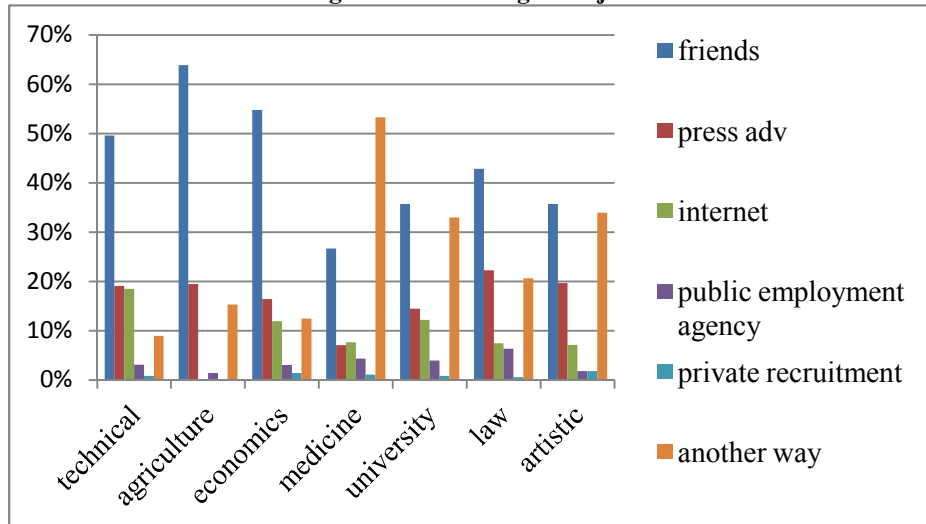
4. Conclusions

Young people insertion in the labor market appears to be more difficult today than in the near past. This causes unemployment and partial unemployment among young people to be a global problem. Young people represent 25% of the global population of working age but totals 43,7% of the total unemployed - almost one out of every two unemployed is aged between 15 and 24 years.

There are many who blame the labor market rigidities for this situation as there are opinions that young people are excessive hedonism victims. Beyond the possible explanations, the phenomenon is quite serious since the youth are the main source of renewal for society and economy, the traditional promoters of progress. If the phenomenon tends to confirm on the medium and long term, than even the development of human society is in danger.

Romania is part of this trend of difficultly integrate the young people into the labor market. However, the success rate of higher education graduates is quite good (60,9%) compared with that of the high school graduates (35%). Choosing the economic profile has become the rule, this being even more evident for public education. This rationale is supported both by the family environment (due to secondary education domination among the graduate's parents) and the multitude of benefits and opportunities offered by this profile. However, the economic profile graduate is less mobile in changing the career and external migration. Mostly women, but moderate compared with the artistic profile, academic and medical graduates, the economic graduate has previous experience in the labor market than average, he comes from urban areas, rely on friends and acquaintances to acquire a job (but not as much as those from agricultural profile) and he is not so decided in changing the job.

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MAJOR MISUNDERSTANDINGS IN ECONOMIC CRISES, IN THE LIGHT OF KNOWLEDGE SOCIETY

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Present study reviews certain main pro-active approaches and connections. Searching for root concepts, a number of current views on causes of today's crisis are selected. They are viewed through the criterion of their effects in practice, in a heterodox approach which is a critique of standard economic routine. Connections are made with the intellectual core of the knowledge society, in the context of the required interdisciplinary character of the scientific act. Requests for the economic analysis result: the economists should judge by a broader horizon. Practical conclusions also ensue, being generally applicable to the crisis management at macroeconomic and microeconomic level.

Keywords: economic crises, growth, intellectual factor, knowledge society

Cod JEL lucrare: E20, O40, Q01

1. Introduction

Two main mistakes (chapters 2 and 3) have to be coped with, as trying to understand present day's crisis and cope with its effects or act towards solutions to crisis generated troubles. We present a selection from the ideas issued in our research on the matter, inside the abstract and the key words, consistent with the requested dimensions of the text, focussing here on few main conclusions.

2. Production and service

Materialist misunderstanding may be called the *classical* one or *Marxist*, because it is materialism-bound. Common sense says that *production-proper* is a strong sure thing, as opposed to *immaterial activities*, which are impalpable and, therefore, considered uncertain. Such approach implies a defining preconceived neat superiority of industry as against the other lucrative sectors (especially services) in terms of productivity expectable increase. But we may not have the preconceived idea that services (like scientific research and education services, for example) would be less *productive* than industry, for the reason that they are the *producers* (generators) of the technical-scientific progress itself and ensure the staff for the accomplishment of the technical-scientific progress. Even if, as a rule, industry endorses the grater part of the profit that technical progress produces, nevertheless, research and education have the main *role*, *sine-qua-non* in generating general progress, despite of their less-than-in-industry income and gain. A big service (done to society or to one singular client) is none the less for being cheaper or pro bono, i.e. without payment *on the market* in the benefit of the person who serves (being so only in the formal "technical" recording). If it is cheap (sold on little money) or pro bono, it "produces" little income or little (or no) profit to the supplier, therefore it is considered (by the business man and by the economists) of little importance; even if it makes a *large* service to the customer! On the contrary, it is all the greater and *humane*[183]. Modern intellect-intensive services bring a specific contribution to development; they allow diminishing compulsions and growth re-launch. Intellectual services should not be perceived only as job creation sectors: they create the

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[183] Al. Jivan, "Services and Servicity", *Services World Forum Bulletin*, no. 3-4 (July-December 1993), 16-24.

main value-added, even if not wholly recorded in the accounts of their performers. Such activities have a fundamental role and essential functions for the whole of the economy: they allow it to get a superior level performance. But services need no more demonstration of utility beyond the *market test*. Moreover, many services are much more useful that certain most material productions, considering and respecting complex analysis and utility assessment criteria and taking into account multiple approaches: such as individualistic, societal, planetary. The relation of the tertiary sector with technical progress, here including the capacity of services to absorb technical progress and to increase productivity is settled for quite a while, most pertinently proven, despite of the preconceived idea of higher productivity of industry vs. services.

The problem is in the lack of qualitative judgements and therefore the profound causality and the "external" effects of economic acts is often ignored. But they are *not the services that generated the nowadays crisis*. The causes of the negative effects of the economic activity over human society in general can belong with industry sector too. A revision and correction of industrialism is necessary and should be *structural* and also in terms of *economic policy*.

3. Supply and Demand

Setting up priorities between demand and supply is *the second* big misunderstanding. This dilemma is the translation, into the field of economic policies, of some different approaches concerning the role of demand and supply in the market. It consists in the two opposite alternatives: the neo-liberalist one and the Keynesian one.

In the Keynesian approach, when the demand is considered to have priority, there is the *Keynesian* variant. It sets hierarchies between demand and supply, giving priority to consumption in the business circle. Most anti-crisis policies would stimulate economy by stimulating demand; and action taken is to such effect. In the Keynesian approach – so much boasted at the present day crisis – in order for production to rebound, i.e. in order to beat the crisis, *more consumption* is requested; to stimulate consumption for maintaining it at high levels is seen as vital for all type enterprisers, as a prerequisite of any supply, increase thereof re-launching production.

The question issued is here: *which consumption?* Any consumption may have good effects for the short-term run, i.e. it will bring in a certain amount of income for a certain number of producers, thus favouring certain types of production. So the role of stimulating production raises the question: which production, then? Activities will be enhanced that lead to or contributed to social economic welfare and to Mother Nature's redemption? Or is it production that profits to some enterprisers, while side effects – if we rigorously consider the entire result - thereof make the investment all for the worse-off, thus generating consuming, rather than true investing? Dope and bomb demand can boost production, same as bread and butter. But in terms of preference, consumption should be favoured that does not prove detrimental, in the long run, for the overall environment, for constructive goals. Unfortunately, in fact, the egoistic decisions of the enterprisers do not always for constructive goals: the market fails in such targets. Therefore economic actors should have not only temporally limited selfish interests. Responsibilities can be only set at societal level: economic policies of co-interesting actors and adequate regulation, for coercing them.

On the other side, in the traditional approach, coming from the classics and kept and developed by neo-classics, the logic of the economic action (and also in the economics thinking) starts with supply. That is, *in order to beat the crisis saving is necessary:* savings allow each person to cope with price rises and the hard times an economic crisis is. Also, at the level of the macroeconomic system, savings allow for the investment novel technology takes, or research, or advertising (here seen as immaterial investment); any renewal aimed at re-launching economic activity takes investment.

But the question issued is: *which investment?* Is it stimulating consumption (like advertising is) and investment in consuming capacities? It may profit to a number of enterprisers, apt to thus

produce more; yet such action will also result not just in *less planetary raw materials*; but also in new *destructions* thereof (see inbuilt decay, dispensability, the concept of produce a-new rather than mend... costs being recorded *per supplier*, not *overall*, *global*, for the whole systems and planet). Or, rather, is it true investment, in the long run *globally constructive*, in the *recovery of the planet*, in *socially balancing*, and other organising goals, generally having anti-entropic effects? In the traditional (classical) economic model, technical progress tends to be distinctly shown versus *labour* and *capital* factors, or to be included in *capital*. Profit and interest are usually seen as varying with capital amount, economic growth is generated by material investment, which is about quantitative growth of tools, machines, money and other forms of capital employment for production which generates quantitative growth of production. But we must remember that the economic growth can be generated not just by such economic activity spreading, but better by growing returns. We emphasize that, despite of the standard approach, productivity and the quality of being lucrative are given by innovation, information, knowledge, science, brains, including the results of human capital formation and education. Therefore, growth is varying with inter-relational growth and with intellectual factor. Therefore, under the circumstances of a knowledge based economy, a more adequate presentation should take into account that labour and capital as well, have a *qualitative* component part, besides the quantitative one. Thus, two types of economic factors, differing from the orthodox ones, could be outlines, in a manner proper for the XXI^t century: the *intellectual* factor and the *material* one, represented, the first one, by information, innovation, invention, knowledge, science, intellect, idea, initiative, enterprising spirit, know-how etc., and the second one, consisting in the material component parts of capital and the pure energetic, physical aspects of labour.

The essential idea of the liberalist way out of the crisis is the individual effort: for research and renewing, for finding solutions and generating progress, including implementation thereof, new production capacities etc.; saving (by avoiding and reducing individual consume) and investment can be seen like its sources, even from Ricardo's view. The bourgeois spirit, which existed before the consumption stage of the market economy, would actually economize, rather than consume: this was the condition for any enterprising, for any economic project, this was the thinking of Ricardo himself. Emphasising demand is beneficial to satisfying *real* needs, but creating an artificial demand, by paid digging-and-filling-up of holes (à la Keynes), or other such like palliative economic policies, is nonsense, even if generating short-term demand: it proves detrimental to the money system, to the economic system in general. Emphasising supply is not a bad thing in itself, i.e. just because it can find itself with no demand, in Keynesian terms (contradicting classical optimism of the Say's law).

This is criticisable, because a serious solution will not intemperately and unlimitedly pedal on emphasise supply: production can be destructive, if it produces bombs or dope, for instance. Thus, just like consumption, *investment* and *production* are also not all constructive and absolutely beneficial (over a large space and time span). In the same manner, consumption in itself should not be blamed for irreversible transformations, if manifested in answering real needs (like bread, cheese and wine - that cannot be put under question). It is destructive, though, if purposefully meant for increased production (like dig up holes and fill them up, à la Keynes; or throw away things, instead of mending them; or change fashion, in order to drop old clothes; or artificially create and stimulate "needs", like sex-change surgery, lifting, dope etc.): which fill a perverted market, with *artificial needs*, going contrary to *natural* market run. Of the above, there results that, today, saving should be understood in the widest sense of the term.

4. Concluding answers

The issue is: *what effects* do consumption and investment have? Not only the effects on the short-term run matters, but mainly the effects on the long run matter. Otherwise we deal in surface effects, i.e. sham actions, tools and methods involved.

Consumption should therefore be stimulated *only of non-destructive goods, environmental friendly and low-cost*. Such approach is valid for crisis-time and beyond. At all times, and acutely at crisis times, we should *save*; not for economizing sake, but mainly *for* (*i*) *diminishing destructive costs*; destructive costs are way out of line in our consumption society, even if accepted by the hedonistic speculative *homo-oeconomicus* spirit.). And we also should *save* for (*ii*) *long-term run investment* (so: not for any type investment).

Quite like about industry and services, there ensues that investment, on the one hand, and consumption, on the other, are not antagonistic: we simply must to change the analysis criterion; as both consumption and investment – always correlated – may produce effects, and those effects are the matter to be studied in detail; their nature is the fundamental criterion: are they constructive or rather consuming?

In the field economic activity and in the usual economic analysis as well, we are in the presence of the *narrow scope analysis fallacy*: targeting the *self-benefit here-and-now*, regardless of what may befall to *others elsewhere*, maybe in the future. In the logic of open economies, the main stay is in the environment of the individual person or entity. The reasoning underlying this fallacy is that the national, world-wide, planetary ensemble will somehow, some day take care of the side effects.

The trouble with the approaches that we discussed so far is the very analysis and perception criteria, based on which oppositions are assumed, regarding their auspicious causing role (or not) in crisis.

The *material* should not be preached over the *immaterial*, and *immaterial* must not be blamed; going back to industrialization is not advisable where it is already done, and industry and palpable goods should not replace services; services must not be reduced to a minimum. Neither is industry, per se, to be blamed *in corpore*, declaring services preferable and denying industrialization (especially where industrialization is poor; deindustrialization effects in Romania could teach everybody and every developing country a lesson).

Supply is not to be discouraged, encouraging demand (as in Keynes obsession with employment, employment meaning incomes, even if generating no value-added), with famous inflation effects (accepted, as per Philips' curve, or unaccepted, as per the neo-liberal thought). *Demand* is not to be discouraged, either.

Analysis *criterion* should be a different one, i.e. how the crisis should be viewed. Potential complex effects, variously analyzed (at individual, local and global level), including target-attainment must be pointed out and should became the main criterion; which means considering, besides the entrepreneur's income, "external" effects, covering *all* costs. Unfortunately, the analysis scientists make in economics often goes not deeper than the businessmen's approach and perception (the understanding being muck like that of the actors in economy). Scientists in other branches (philosophy, sociology, geography, politics etc.) can sometimes have wider horizon and, therefore, better understanding than economists. Economists would be all the better for a broader horizon: besides financial effects (*economic, generally*), other (that are not) could be considered by economic analyses, especially active on the long term run *over economy itself* (e.g. education); research can only be cross-sciences, in knowledge economy: *scientific* research must be inter- and multi-disciplinary. The criterion should be more rigorously set, based on target (desired), as well as unwanted (ignored by the individualist enterprise) *ground* effects on the short, medium and long term run. Thus biased (i.e. considering the mix of implications), we can understand/clarify a number of aspects, facets and nuances that are affected by preconceived ideas, by routine and by ignorance.

For instance, like a first set of conclusions of our analysis, we can find that *immaterial economy* can be pure speculation, gaining on the poor sanctioned by the free market (being under the

coercion of the market[184]), and that credits may have no cover validation (such as, quite topical of late, in the context of global financial crisis). The conclusion is that part of the services can be crisis-encouraging. Such statement will not hold true for services *in general*, but for only *specific services*, which are apt to generate inflation; e.g. such services that do not have constructive, lasting *general* results. Certain of them can be positive on the short term run, i.e. for some individuals, not for all the people, not for the most of the saviours, i.e. not for those who grant, by economizing, the banking funds over which (private) banks are supposed to have the expertise to manager. But such economizers are now, during the crisis, also in sufferance. Consequently services can generate crises: *not because immaterial*; but just if they are destructive or merely speculative, i.e. non-creative, just transferring assets from certain entities in the advantage of other entities; or exploiting, i.e. absorbing alien income, for the short-term run benefit of a few, and detrimental for their environment. Concerning the *material economy*, we may as well find out that some material products are in fact gain at the expense of other individuals, or of Mother Nature: there do exist immaterial speculative activities, but also, there are industries, of the most material nature, which are destroying rather than constructive, equally destructive on the medium and long term run, i.e. when activity oriented in a consuming way) The fact that they are material does in no way grant them a *merely* advantageous nature (an "anti-crisis" character, in the meaning of present study).

Another set of conclusions concerns the fact that we can similarly prove consumption and supply able to generate crises, like it vas shown previously.

Economic activities do not generate crises depending on whether they are material or immaterial; nor depending on some assumed priority in some far-fetched hierarchy between demand and supply; but depending of their aims, of the manner of accomplishing goals and, therefore, of overall complex effects thereof (i.e. actual complex and general effects). Effects and implications on the whole, and not truncated, should be considered, even if usually just some parts, shares or sides of such effects are seen, depending of convenience, conventions or self interest. So the criterion is the *constructive vs. non-constructive* nature of the concerned activity: it can be more or less investing, it can be more or less consuming - or even destructive.

6. Ending Remarks

The European concept of *knowledge society* implies an interdisciplinary vision, including the care for the social problem, for the planetary environment and such like, among which moral-institutional aspects are also important and also the inter-generational share of the planet. The interaction in economy and in society is made mainly by information and knowledge exchange among the elements of the system and with the context of the system. The economy is not limiting itself anymore to the immediate material needs of the individual. The vital requests being better accomplished, other needs (more subtle, more human, more intellectual and more spiritual than the previous ones) come out. The scientific and technological supply must go a step further, outrunning the necessities of material sectors, the growing of intellectual potential should bring the restructuring and the development of this new economy - based on knowledge.

In opposition with the classical *productivity*, we advanced and promote *servicity*, meaning social-economic efficiency and the priority of constructive qualitative aspects of agents' activity (as from the own merit of the economic actor), in an adaptation to our days of Manoilescu's conceptions on competitiveness and international trade. Remaining (lasting) in the thinking schemes inherited from the industrial revolution period, means loosing from analysis important correlations that could allow outrunning certain limits and contradictions of the world economy.

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[184] Jivan A. Determinants and Compulsions in Setting Priorities at Macroeconomic and Microeconomic Level, Proceedings of International Symposium "Economics and Management of transformation", Timisoara, Romania, May 11, 2002, University of the West, Timisoara, p. 539-554)

Therefore, the intellectual resource should not be squandered by selling as simply *labour* (factor *L*) or by migration in the rich countries; intellects should be kept and valorised in the benefit of the own country that generated them, as the most precious capital: such is the most important economic policy mainly for the undeveloped or developing countries.

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LA REGLEMENTATION DES MARCHES FINANCIERS EST-ELLE REMISE EN CAUSE PAR LA CRISE ACTUELLE ?

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One the most important things to reveal about each economic crisis that can occur is to understand the past and the present and then maybe to try to predict the future. Economic crisis are not new, sooner or later they have common economic phenomenon and common causes and results. What is it not common are not the solutions. If some crisis can be described as crisis of over production or even oil crisis, the current one sis more a consumption crisis. Is it possible to regulate the market? Is it worth? Will it be a solution? Maybe we can try but what we see is that all the countries that have tried a regulated national economy their increase was either small or none at all.

I.Le cadre théorique sur le libéralisme et l'interventionnisme économique
I.1. Le libéralisme économique.

On commence avec d'Adam Smith, le père de l'économie politique. L'une des principales idées de son œuvre: « Recherche sur la nature et les causes de la richesse de nations » (1776), c'est le libéralisme économique, plus précisément, la promotion du libre-échange, la concurrence ne effrénée et de non-ingérence de l'État dans la vie économique.

Avant lui, avec « le passage du capital commercial dans la production, accompagnée d'une affirmation de la société capitaliste dans les XVIIe et XVIIIe siècles, étaient des penseurs et des praticiens qui ont fait campagne pour une politique économique libérale»[185], comme : William Petty, David Hume, Condillac, Cantillon et bien sur les physiocrates.

Pour Adam Smith la liberté naturelle est juste et cette liberté naturelle conduit au plus grand développement que l'on puisse espérer, les capitaux seront utilisés d'une façon optimale, et la société va prospérer rapidement. C'est précisément la perturbation de l'ordre naturelle, la raison pour laquelle ne veut pas l'intervention de l'Etat dans l'économie.

Les principes sur lesquels est fondé le libéralisme économique Smithien ce sont : la main invisible, et le principe du « laissez-faire ». C'est-à-dire que les marches s'autorégulent et obéissent à la loi de l'offre et de la demande a travers le prix qui va fluctuer. S'il y a une demande supérieure à l'offre, les prix vont augmenter, pour revenir à l'équilibre ; s'il y a une demande inferieure à l'offre les prix vont diminuer, toujours pour revenir au niveau de l'équilibre ou la demande est égale à l'offre. Ces choses sont possibles parce que la demande d'un produit est une fonction décroissante de prix, tant que l'offre d'un produit c'est une fonction croissante de prix ; ca veut dire que si les prix d'un bien augmentent il y aura une demande moins forte pour ce bien, et un offre plus forte, tant que si les prix d'un bien diminuent on aura une demande pour ce produit plus grande, et un offre pour ce produit plus petite. Donc, le prix c'est l'élément

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[185] G. Popescu – Evolutia gandirii economice, Editura Academiei Romane, 2004, pp 178.

essentiel du marche parce que de lui dépend les quantités demandées, mais aussi les quantités offertes.

Les économistes néoclassiques, comme Léon Walras, et leurs héritiers, ont pensé qu'une concurrence libre conduira au maximum de satisfaction. Mais par là il ne faut pas entendre le plus grand bonheur pour le plus grand nombre. Walras n'est pas Benthamien, mais il croit dans un droit naturel. L'équilibre est bon car il convient à la justice commutative. Walras ne va pas aussi loin que Pareto dans la formalisation de cette idée mais l'idée est déjà là.

Ils ont mis l'accent sur la parte quantitative de l'économie. Le marché est présenté comme statique. Comme Daniel Villey disait : « Walras va mettre le marché en équations». [186] Mais, mettre l'économie en équations ca veut dire aussi l'abandon de la causalité. Ici, apparaissent les économistes de l'école autrichienne, Hayek en particulier, qui vont mettre l'accent sur la parte qualitative de l'économie, sur la causalité, sur la dynamique du marche, de la concurrence, comme dira Hayek plus tard une dynamique de la découverte.

Le principe selon lequel les marches s'autorégulent, a été mis en œuvre dans les années 1980, aux Etats-Unis, soutenu par le président Ronald Reagan (1981-1989) et en Royaume Uni, soutenu par le premier ministre Margareth Thatcher (1979-1990).

I.2. L'interventionnisme économique.

Certains économistes ont remis en cause le bien-fondé d'autorégulation des marchés. C'est le cas, bien sur, de John Maynard Keynes, qui pensait que le marché n'est pas la modalité optimale d'allocation des ressources. A son avis, chacun actionne dans le marché selon les intéresses personnels, et les choses qui sont bonnes pour un individu ce n'est pas sur que ce sont bonnes pour tout le monde, pour la société en général (contrairement aux choses dites par Smith). Pour Keynes, l'intervention de l'Etat c'est nécessaire parce que les marches vont aboutir a un équilibre de sous emploi, et cette intervention doit réduire le chômage.

L'intervention de l'Etat dans la vision keynésienne est présentée dans la figure ci-dessous :

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[186] D. Villey – Petite histoires des grandes doctrines economiques, Paris, Neme, 1996, pp 198.
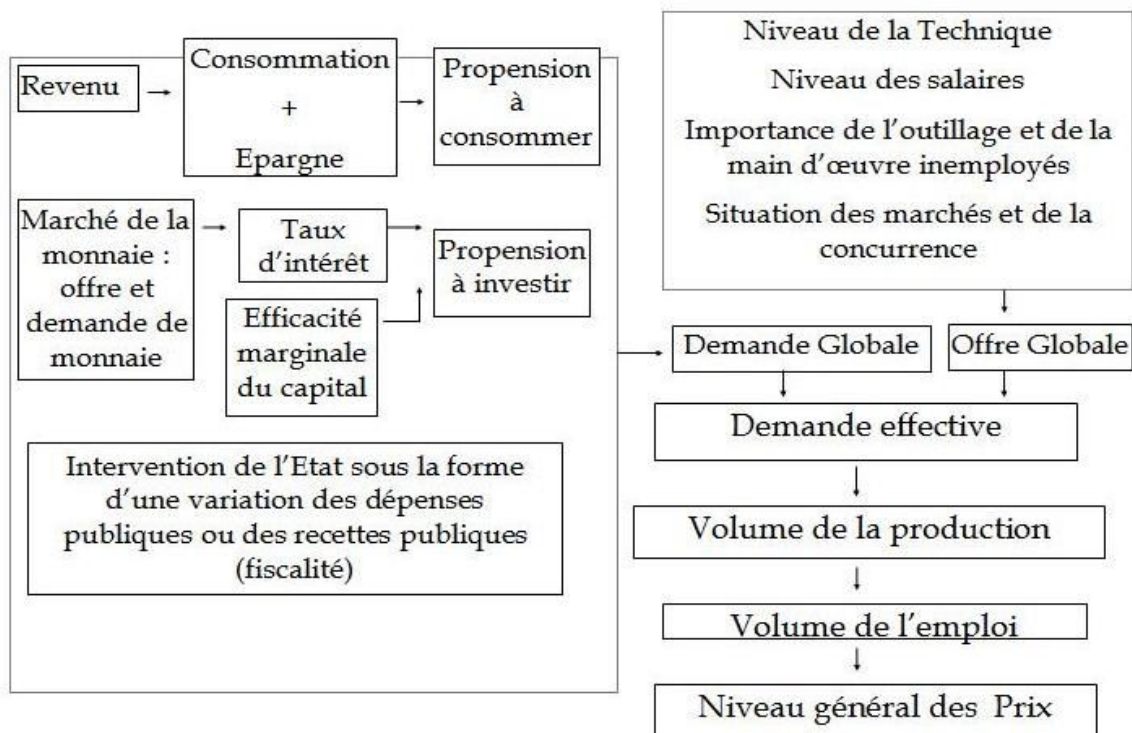
II.L'impact de la crise subprime sur les marchés des actions.

Pour mieux voir l'ampleur de la crise subprime on voudrait montrer comment ont évolué les marchés des actions dans cette période, de combien ont-elles chutés.

On commence avec l'indice américain Dow Jones Industrials, l'indice français CAC 40 qui ont les graphiques suivants :

Graphique 1 : Graphique historique a un jour, durée 3 ans pour Dow Jones Industrials et CAC 40, avec les volumes de transactions
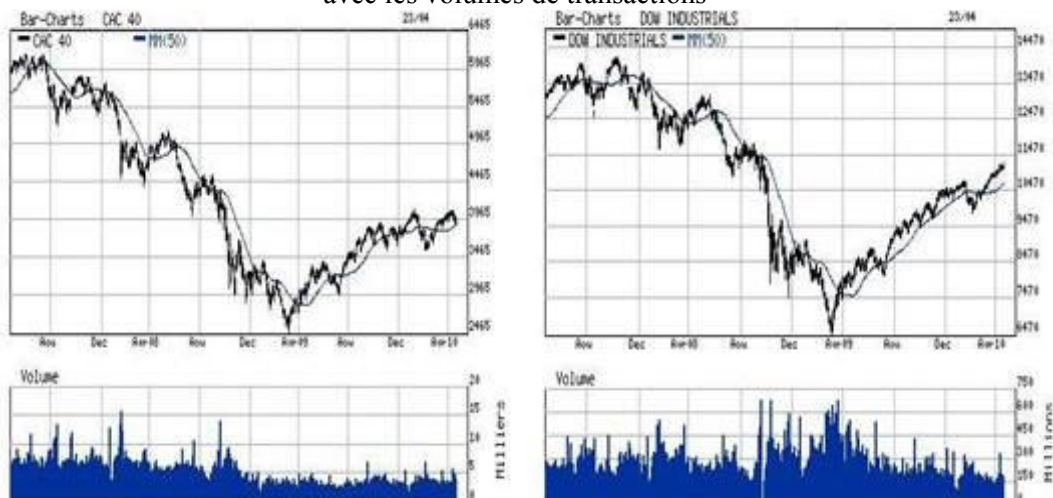
Source : Boursorama

Comme on peut voir sur le graphique, le niveau plus haut de Dow Jones Industrials c'était à 14198,10 Pts, et le niveau plus bas à 6469,95 Pts. Ca veut dire que l'indice américain a chuté de *54,43%.*

Pour l'indice CAC 40, le niveau maximum c'était à 6168,15 Pts et le niveau minimum c'était à 2465,46 Pts. Donc, la bourse de Paris a reculé pendent la crise subprime de *60,02%*.
Graphique 2: Graphique historique a un jour, durée 3 ans pour Nikkei 225, FTSE 100 et DAX 30, avec les volumes de transactions

Source : Bloomberg

L'indice asiatique le plus important c'est le Nikkei 225. Pour mieux voir comme les marchés financiers ont été touchés en Asie, on a montré aussi le graphique de cet indice, et son niveau plus haut c'était à 18297,00 Pts et son niveau plus bas c'était à 6994,90 Pts, donc le marche japonais a chute de *61,77%*.

Le plus important indice européen est considère l'indice anglais FTSE 100. Le niveau maximum c'était à 6754,10 Pts, et le niveau minimum c'était à 3460,71 Pts, donc une chute de *48,76%*.

En fin, l'indice allemand a « tombé » de *55,97%*, parce qu'il avait le niveau maximum à 8151,89 Pts, et le niveau minimum à 3588,89 Pts.

On a choisi les graphiques de plus importants indices du monde, pour mieux comprendre l'ampleur de la crise subprime sur les marchés « matures » des actions. On voyant tous ces importantes chutes de bourses internationales on peut conclure que la crise subprime a touché très fort le monde financier. A cause de ca, il y a pas mal du monde qui a perdu beaucoup avec ce recule de bourse. Pour ne pas se répéter cette chose, plein des économistes des gauches on proposé des normes de règlementation les marches financières.

III.Les règles proposées: mieux et peut-être plus.
III.1. La révision les normes comptables.
Des le début il faut qu'on dise que comptabilité a un rôle très important. Ce n'est pas difficile à constater que les normes actuelles de comptabilité sont pro cycliques et qu'elles favorisent les crises.
Les systèmes des actuelles de comptabilité déforment l'information. La loi fondamentale de la comptabilité : « copie fidèle de la réalité » est partiellement oublié. Par exemple, en Roumanie, un vendeur qui livre un produit aujourd'hui est obligés d'enregistrer en comptabilité, le montant de cette transaction comme une recette; mais aucun paiement n'a pas été fait et personne ne sait pas quand ou s'il se fera. Avec cette recette fictive les situations comptables seront embellîtes.
Actionnaires, investisseurs, spéculateurs attendent de bons résultats de sociétés pour acheter plus. Les entreprises sont conscientes de cette chose et que, pour survivre, elles ont besoin de fournir les résultats attendus et les états financiers figurant ainsi "faussée" et ainsi apparaissent les situations financières "déformés". Les entreprises, les

comptables profitent des échappatoires laissés par la réglementation en vigueur. Cela s'est produit dans le cas Enron, qui a fait couler beaucoup d'encre.

Il a pas mal des opinions selon lesquelles l'International Accounting Standards Board (IASB) ne doit plus être une institution privée, et que les banques centrales doivent avoir aussi des représentants.

III.2. La règlementation des agences de notation et la réduction de leur influence

Il est préférable qu'il existe un nombre plus grand d'agences de notations[187] dans plusieurs parties du monde, pour ne pas servir certains intérêts. L'amélioration de la concurrence entre eux serait plus que bénéfique. S'il y a plusieurs, elles doivent travailler mieux, donner de mieux rating pour avoir des clients.

Apres, il faut réduire leur influence. C'est inadmissible que les banques ne font pas des travailles de notation interne, et qu'elles prennent toutes les informations de ces agences de notation sans les vérifier.

En plus, on ne doit pas oublier que les agences de notation sont payées par les entreprises pour lesquelles elles font la notion, le rating. Donc, c'est l'émetteur qui paye pour avoir le rating, et ici c'est un petit conflit d'intérêt. Cette chose doit être changée d'une façon ou l'autre. Par exemple, on pourrait avoir de représentants de l'Etat, dans la direction des ces agences. Est une chose connue qu'avant de faire faillite la Banque Lehman Brothers avait le meilleur rating.

III.3. L'amélioration de l'information des investisseurs et, aussi, du grand public

Ce n'est pas difficile à observer que l'information offerte par les sociétés, en général, manque la clarté souhaitable et beaucoup de gens ont du mal à déchiffrer cette information. On pourrait demander un minimum des informations que doivent être fournîtes, et aussi un niveau minimum de lisibilité.

Toujours il y aura une asymétrie d'information entre l'offreur d'un produit complexe et son client, mais cette asymétrie peut être limitée, en imposant des restrictions strictes pour tous les papiers remis au client. Ce aussi important d'avertir le client que certains produits n'ont pas reçu l'agrément du régulateur.

III.4. La redéfinition des modalités d'action des banques centrales

Les banques centrales ont un rôle très important dans le processus de développement économique. Elles peuvent provoquer une crise économique, mais elles peuvent aussi stopper une. Comment disait Patrick Arthus, qui conduisait a l'époque L'institut de recherche et des Etudes de Natixis: « Le monde est devenu différent, pas la philosophie des banques centrales»[188].

Soit le cas de la crise subprime: si les banques commerciales peuvent emprunter des banques centrales avec un taux d'intérêt très bas, et elles savent que si elles ont des problèmes la banque centrale les aidera, les banques commerciales accordent des prêts à leurs clients sans se ressemblent sur eux. Le crédit a deux conséquences directes: a) une positive, parce qu'il multiplie les possibilités de financement avec le même montant d'argent ; b) une négative, car il y a le danger de multiplier la monnaie fiduciaire, résultant un gonflement de la valeur symbolique de la économie en comparaison avec sa substance matérielle. L'argent sans couverture qui alimente en spirale la valeur gonflé, nécessitant d'autres montants et des autres montants... jusqu'à ce qu'elle

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[187] Elles sont trois et toutes les trois sont pratiquement américaines.

[188] P. Arthus – Les incendiares - Les banques centrales dépassées par la globalisation, Librairie académique Perrin, Paris, 2007 pp. 87.

atteigne son point culminant. Et la crise a apparu. Le coût et disponibilité de crédit sont des facteurs importants influençant le niveau de l'activité économique: ils sont très probablement les facteurs les plus importants dans la détermination de la forme asymétrique de modelé boom / crash[189]. Le crédit à taux d'intérêt tres bas a gonflé toujours l'économie symbolique sans avoir couverture dans l'économie réelle.

III.5. L'harmonisation de la notion de fonds propres des banques

Comme disait Voltaire : « *Si vous voulez parler avec moi* définissez vos termes ». Donc pour mieux s'entendre il faut définir le concept des fonds propres de banques. Comme nous ne pouvons pas mesurer le poids, si son unité de mesure (le gramme) lui-même n'est pas pareille pour tout le monde[190], nous ne pourrions pas bien comprendre les banques si leurs fonds propres ne sont pas pareille pour tout le monde.

Elles doivent travailler avec les mêmes notions. Ce serait une étape vers un marché unique des services financiers, ce qui implique évidemment une plus grande concurrence et une égalisation des termes.

Des règlements sur les normes et sur l'utilisation possible de capital pourraient être restaurée et, en plus, des règlements pour un capital minimum que les banques devraient avoir.

III.6. La sécurisation des marchés de dérivés

Le volume de ce marché de dérivé a été, avant la crise, dix fois plus grande que la valeur de PIB cumulé de tous les pays du monde. Impressionnant, n'est ce pas ?

C'est important de connaître plus des choses sur ces marchés, on pourrait standardiser ces genres de contrats et le faire passer par une sorte de « chambre de compensation ». Comme ca, on pourrait avoir un véritable marché.

Les choses sus-énoncés peuvent être appliquée seulement dans une période de crise, parce qu'autrement il y a presque tout le monde qui s'opposera en disant, pourquoi réglementer quelque chose qui marche tres bien ?

En conclusion, avec une meilleure règlementation, on pourrait arrêter l'effondrement économique, le crash économique, mais aussi nous ne pourrions pas nous attendre aux booms spectaculaires.

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[189] G. Soros, Criza capitalismului global, Editura Polirom, Iasi, 1999, pp. 118.
[190] G. Popescu -O paradigma a crizelor economice; Volumul: Criza financiara si economica: cauze, efecte si solutii, 26 mars 2009, pp. 12.

THE ELDERLY PATIENTS IN THE GERMAN HOSPITAL SETTING: FACTS AND FIGURES

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The demographic evolution and its consequences – population ageing - have been the topic of multiple research studies and analyses in many countries, industries or political regimes. Health care systems have been faced with questions regarding future financing, organization and resource allocation under the impact of the demographic evolution. This time is the hospital sector in focus. Analyzing the situation in German hospitals on the basis of recent, detailed statistical data and studies, this paper provides information, data and figures on elderly hospitalized patients with regard to costs, diagnoses and operations and presents briefly implications of the demographic evolution and of an ageing population for hospitals.

1.Introduction

The health care system of the European countries has been undergoing major changes related to the financing of the health care system, the allocation of resources, the spectrum, structure and organization of the health care service provision and also the access of the population to these services in the last decades. These health care reforms together with other factors of influence have had a great impact on the hospital sector in the European countries. Data provided by the World Health Organization Regional Office for Europe show that both the number of hospital and of hospital beds per 100,000 inhabitants decreased in the great majority of the member countries of the European Union in the last decades, but considerable differences between the member countries still persist. The average length of stay in acute care hospitals also diminished considerably, whereas the inpatient health expenditure per capita has been almost continuously rising, with small exceptions, in the member countries of the European Union.[191] But the hospital sector in Europe is also facing a major challenge provided by the demographic evolution – the European hospitals will be caring for more and more elderly patients with special and often complex needs. In Germany, the patients aged 65 years and older discharged from German hospitals accounted in 2008 for about 42% of the cases registered in the hospital diagnosis statistics, whereas the patients aged at least 80 accounted for almost 14% of all primary diagnoses.[192] The data referring to total health expenditure by age and disease groups in 2006 show that the average health expenditure per capita for the population aged at least 65 years and less than 85 is about 2.1 times higher (6090 €) and for the population aged 85 years and over about 5 times higher (14 370 €) than the average health expenditure per capita within all age

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[191] World Health Organization Regional Office for Europe, *European health for all database (HFA-DB)*, Copenhagen, Updated: January 2010, Online Version – selected parameters: Health Care Resources, Health Care Utilization and Expenditure.
[192] Statistisches Bundesamt, *Diagnosedaten der Krankenhauspatientinnen und - patienten (einschl. Sterbe- und Stundenfälle),* Fachserie 12 Reihe 6.2.1 – 2008, Wiesbaden, 2009, table 2.1.1.1.

groups (2870 €).[193] What for an impact will the demographic ageing process have on the health care system and on the hospital sector? The studies, data and publications available have been so far aiming at quantifying the impact of the demographic changes on the health expenditure, organizational structure and allocated resources and on the evolution of the medical specialties. This paper presents and analyzes some of the results of studies published on this topic and recent statistical data available with regard to the diseases and operations of the elderly hospitalized patients in Germany, trying to underline their characteristics and presents briefly implications of an ageing population for the German hospitals.

2. Characteristics of hospitalized elderly patients in Germany

There are many publications trying to estimate or predict the impact of the demographic evolution and of an ageing population on the health care expenditure, hospital cases, capacities and costs. There are more theses with regard to the evolution of morbidity at high ages, such as the compression of morbidity[194] or the medicalization thesis[195]. The German hospital diagnosis statistics[196] shows that the diseases of the circulatory system (about 2.7 million recorded primary diagnoses) accounted for the highest number of primary diagnoses of the hospitalized discharged patients in 2008 in Germany, followed by the neoplasms (about 1.9 million recorded primary diagnoses), by the diseases of the digestive system and of the category injury, poisoning and certain other consequences of external causes (each about 1.8 million recorded primary diagnoses), by the diseases of the musculoskeletal system and connective tissue (about 1.6 million recorded primary diagnoses), the top 6 diagnosis categories ending with the mental and behavioral disorders (about 1.1 million recorded primary diagnoses).

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[193] Statistisches Bundesamt, *Krankheitskosten nach Krankheitsklassen und Alter 2006 in EUR je Einwohner der jeweiligen Altersgruppe*, Wiesbaden, 2008, online table document.
[194] Fries, J.F., *Compression of morbidity in the elderly*, in: Vaccine, 2000, Nr. 18, pp. 1584 – 1589.
[195] Verbrugge, L.M., *Longer Life but Worsening Health? Trends in Health and Mortality of Middle-Aged and Older Persons*, in: Milbank Memorial Fund Quarterly, 1984, Nr. 62, pp. 475-519.
[196] Statistisches Bundesamt, *Diagnosedaten der Krankenhauspatientinnen und - patienten (einschl. Sterbe- und Stundenfälle)*, Fachserie 12 Reihe 6.2.1 – 2008, Wiesbaden, 2009, table 2.1.1.1.

Figure 1: Primary Diagnosis Categories by Age Groups (I).
Source: authors' own calculations based on available statistical data from Statistisches Bundesamt (2009a).[197]

The analysis of the diagnoses data for the patients aged 65 years and over shows that the top 5 diagnosis categories are identical with those of all discharged patients, followed by the but the diseases of the circulatory system on the 6th place. The diagnosis categories mental and behavioral disorders, certain infectious and parasitic diseases, diseases of the blood and blood-forming organs and certain disorders involving the immune mechanism, diseases of the skin and subcutaneous system and the diseases of the ear and mastoid process occupy the last 5 places in the top diagnosis categories for the group of patients aged 65 years and over. Figures 1 and 2 show that the highest frequencies of recorded primary diagnoses from the categories neoplasms, diseases of the musculoskeletal system and connective tissue and diseases of the ear and mastoid process are registered in the age group 65 – 70 years (patients aged at least 65 and less than 70 years).

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[197] Ebenda.

Figure 2: Primary Diagnosis Categories by Age Groups (II).
Source: authors' own calculations based on available statistical data from Statistisches Bundesamt (2009a).[198]

The highest frequencies of recorded primary diagnoses from the categories: diseases of the circulatory system, diseases of the genitourinary system, diseases of the digestive system, diseases of the nervous system, symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified, then endocrine, nutritional and metabolic diseases, and diseases of the eye and adnexa are registered in the age group 70 – 75 years (patients aged at least 65 and less than 70 years). The highest frequency for injury, poisoning and certain other consequences of external causes is to be found in the age group 80 – 85 years (patients aged at least 80 and less than 85 years). The percentage of the patients suffering from diseases of the circulatory system is in all 7 age subgroups 65+ (at least 65 years old) the highest among analyzed diagnosis categories, followed by the neoplasms in 3 age subgroups (65-70, 70-75, 75-80) and disease of the musculoskeletal system and connective tissue in 2 age subgroups (65-70, 70-75). For the last 4 age subgroups 65+ (80-85, 85-90, 90-95 and 95+) the next 2 highest percentages after the diseases of the circulatory system are registered by the categories injury, poisoning and certain other consequences of external causes and diseases of the digestive system. The data from table 1 shows that 6 of the 10 top primary diagnoses of the discharged patients aged 70 years and over in 2008 were diseases of the circulatory system.

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[198] Statistisches Bundesamt, *Diagnosedaten der Krankenhauspatientinnen und - patienten (einschl. Sterbe- und Stundenfälle),* Fachserie 12 Reihe 6.2.1 – 2008, Wiesbaden, 2009, table 2.1.1.1.

Top 10 Primary Diagnoses for the age group 70+	Percentage of the 70+ hospitalized patients in all hospitalized patients by primary diagnosis (%)	Percentage of the sum of the hospital days of the patients 70+ in all hospital days by primary diagnosis (%)
Heart failure (I50)	79.4	80.2
Cerebral infarction (I63)	67.8	69.6
Angina pectoris (I20)	46.8	54.2
Femur fracture (S72)	77.7	82.3
Atrial flutter and atrial fibrillation (I48)	53.3	63.4
Acute myocardial infarction (I21)	55.0	60.6
Pneumonia, organism unspecified (J18)	54.6	62.8
Non-insulin-dependent diabetes mellitus (type-2-diabetes) (E11)	57.6	58.6
Essential (primary) hypertension (I10)	51.0	58.1
Knee osteoarthritis (M17)	49.2	55.0

Table 1: Top 10 primary diagnoses for the age group 70+.
Source: authors' own calculations based on statistical data from Statistisches Bundesamt (2009c).[199]

Table 2 indicates the gender differences with regard to the top 10 primary diagnoses (for example: angina pectoris, knee and hip osteoarthritis, arteriosclerosis, malignant neoplasms of bronchus and lung etc.) for the patients aged 70 and over discharged in 2008 from German hospitals. Analyzing the data with regard to surgical operations and procedures one can observe that the age group 65+ accounted for almost 42% of the inpatient surgical operations performed in German DRG-hospitals in 2008 (when not considering additional information on operations).[200]

Top 10 Primary Diagnoses: age group 70+, female	Top 10 Primary Diagnosis: age group 70+, male
Heart Failure	Heart Failure
Femur fracture	Angina pectoris
Cerebral infarction	Cerebral infarction
Essential (primary) hypertension	Chronic ischemic heart disease
Knee osteoarthritis	Acute myocardial infarction
Atrial flutter and atrial fibrillation	Pneumonia, organism unspecified
Non-insulin-dependent Diabetes mellitus (type-2-diabetes)	Other chronic obstructive pulmonary disease
Acute myocardial infarction	Malignant neoplasms of bronchus and lung

Angina pectoris	Arteriosclerosis
Hip osteoarthritis	Atrial flutter and atrial fibrillation

Table 2: Top 10 primary diagnoses for the age group 70+ by gender.

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[199] Statistisches Bundesamt, *Tiefgegliederte Diagnosedaten der Krankenhauspatientinnen und –patienten (Datensatzstruktur) 2008*, Wiesbaden, 2009c, table: Geschlecht_Anzahl_08.
[200] Statistisches Bundesamt, *Fallpauschalenbezogene Krankenhausstatistik (DRG-Statistik) - Operationen und Prozeduren der vollstationären Patientinnen und Patienten der Krankenhäuser – Ausführliche Darstellung - 2008*, Wiesbaden, 2009, table 1.1.1.

Source: authors' own calculations based on statistical data from Statistisches Bundesamt (2009c).[201]

Table 3 shows the percentage of the operation categories within all 7 subgroups 65+: the operations of the musculoskeletal system and of the digestive tract accounted for high percentages in all selected age groups (correlating with the information provided by the analysis of primary diagnoses by age groups) in the year 2008. Whereas the percentage of the operations on the nervous system, on the lung and bronchus, on the heart, on the blood vessels, on the male and female genital organs decreased in the higher age groups, the percentage of the operations on the skin and subcutaneous tissue and on the musculoskeletal system (partially) increased in the higher age groups.

Operations: categories	Percentage of the number of performed inpatient operations within the selected age groups (%)						
	65 - 70	70 - 75	75 - 80	80 - 85	85 - 90	90 - 95	95+
Operations on the nervous system	5.0	5.0	4.5	3.7	2.6	1.6	1.2
Operations on the endocrine glands	1.5	1.1	0.7	0.4	0.2	0.1	0.1
Operations on the eye	4.6	5.7	6.8	8.1	8.1	6.6	5.1
Operations on the ear	0.6	0.5	0.4	0.4	0.4	0.4	0.5
Operations on the nose and paranasal sinuses	1.5	1.0	0.8	0.6	0.6	0.6	0.6
Operations on the oral cavity and face	1.1	0.9	0.9	0.9	0.9	0.9	1.0
Operations on the pharynx, larynx and trachea	1.1	1.0	1.0	0.8	0.5	0.3	0.2
Operations on the lung and bronchus	1.5	1.4	1.2	0.8	0.5	0.3	0.2
Operations on the heart	3.6	4.6	5.4	5.1	4.3	3.7	2.8
Operations on the blood vessels	7.3	7.1	6.8	6.3	5.6	4.7	4.4
Operations on the hematopoietic and lymph vessel system	1.9	1.4	1.1	1.0	0.7	0.5	0.3
Operations on the digestive tract	18.2	19.0	20.4	22.5	24.3	23.6	22.1
Operations on the urinary organs	5.6	6.0	6.4	6.4	5.9	5.3	4.2
Operations on the male genital organs	2.6	2.5	2.2	1.8	1.3	1.0	0.8
Operations on the female genital organs	3.3	3.1	2.6	2.1	1.7	1.1	0.6
Operations on the jaw and craniofacial bones	0.3	0.2	0.2	0.2	0.2	0.3	0,4
Operations on the musculoskeletal system	30.8	29.9	28.3	26.5	27.1	30.4	34.8
Operations on the breast	2.0	1.2	0.9	0.9	0.8	0.7	0.5
Operations on the skin and subcutaneous tissue	7.8	8.4	9.4	11.5	14.3	18.1	20.4

Table 3: Performed inpatient operations by age groups in 2008 in German DRG-hospitals.
Source: authors' own calculations based on statistical data from Statistisches Bundesamt (2009b).[202]

The data presented above shows that even at present the elderly patients register a high percentage in the number of inpatient hospital cases, of hospital days and absorb a high degree of the operation resources in German hospitals.

3. Implications of an ageing population for the German hospitals

The data presented above together with the values of the hospitalized patients per 1 000 inhabitants by age groups indicate that the number of inpatient hospital cases increases considerably at a high age.[203] Under the premises of the representativeness of the statistical data for the year 2008, one could expect a considerable increase of the age-related diagnoses as result

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[201] Statistisches Bundesamt, *Tiefgegliederte Diagnosedaten der Krankenhauspatientinnen und –patienten (Datensatzstruktur) 2008*, Wiesbaden, 2009c, table: Geschlecht_Anzahl_08.

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of the demographic changes. Using the age and gender specific diagnoses probabilities of the years 2004/2005 and the results of population projections in order to quantify the impact of population ageing on the number of hospital cases and beds, one of the analyzed studies presented a projection scenario indicating an increase of about 12% in the hospitalized cases in 2030 compared to 2005; according to this projection scenario, high growth rates are expected in the age-related diagnoses categories, for e.g. diseases of the circulatory system (34.2%), neoplasms (20.9%), diseases of the digestive system (13.7%), injury and poisoning (10%), diseases of the musculoskeletal system and connective tissue (9.9%) and diseases of the respiratory system (11.5%). In the case of decreasing hospitalization rates (in accordance with the hypothesis of compression of morbidity[204]), the results of this projection scenario indicated an increase of 5.3% in the hospitalized cases in 2030 compared to 2005. With regard to the percentages of the hospital inpatient cases by age groups, both scenarios showed similar results: the percentage of the age groups 60 - 80 and 80+ are predicted to increase from 35.5%, respectively 12.5% in 2005 to 39.5%/42.1%, respectively 20.2%/20.4% in 2030.[205] On the basis of the analyzed data, one can say that the implications of an ageing population for the German hospitals will be multiple and complex, ranging from changes in the diagnosis spectrum, allocated resources (number of beds, operation resources and capacities, qualifications of the hospital personnel, care effort etc.) to changes in the hospital organizational structure and processes (for e.g. case management, coordination activities and discharge management). The characteristics and often complex needs of the elderly patients require more than ever the implementation of multi- and interdisciplinary care concepts in hospitals. Due to the expected increase of the percentage and number of the patients aged 70/80 and over, German hospitals should consider the necessity of ensuring geriatric medicine knowledge in the hospital setting.

4. Conclusions

Many data illustrate implications of the demographic evolution for European health care systems. The hospital sector, as integrative part of each heath care system, will be also facing challenges and changes. The precise analysis of the patient hospital structure and their characteristics can provide hospitals with important information and enable them to react in time by adopting necessary structural and organizational measures in order to be well prepared for the multiple facets of the demographic evolution.

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STANDARD MONEY IN VICTOR JINGA'S OPINION

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The author of this article has aimed to analyse Victor Jinga's opinion on currency or on standard money, with respect to the importance he gave to the stability of the buying power of the currency and especially to the source of this stability.

Victor Jinga's fundamental work about money entitled **Moneda şi problemele ei contemporane (Currency and its current problems)** was published in Cluj-Napoca in two volumes at Dacia Publishing House in 1981. The following ideas spring, generally, from this work. Jinga also has other works about money but I considered that, in its size and content, and considering the author's age at the time of publishing, this work practically reflects his overall view upon money, a view established after a long and mature experience. Thus, as the title of this article states, what we assume to find out and present in this article is Jinga's view upon money, as it transpires from this fundamental work and, of course, the way we managed to grasp it. The task has not been an easy one because Jinga's book is quite big; it is also particularly complex, maybe even slightly complicated and highly illustrated with quotations and references; some several times (e.g. paragraph one page 114 and paragraph two page147; or, Nogaro's quote page 188 and the same idea presented without reference on pages 76-77) and others contradictory indeed; without any comment, any argument or any evaluation from Jinga; he plainly exposes them and the readers can help themselves with whatever they like. Indeed, the literature consulted by Jinga for elaborating this work is really impressive.

Before moving forward we need to state that Victor Jinga prefers the word currency instead of the word money and we believe him to be right in doing so because in this work he is primarily preoccupied by the state and the evolution of the buying power of the currency. Indeed, understanding the essence of money boils down to understanding the essence of the currency, respectively of the monetary unit or the standard money. Thus, what does money or the currency look like in Victor Jinga's view?

The first thing that drives our attention is Jinga's insistence on the stability of the buying power of the monetary unit, an idea presented along the entire work "an essential quality of the currency –Jinga states on page 108, volume I – is the stability of the of its buying power; having this quality – he continues – a currency is considered 'healthy'. Its stable buying power – Jinga says – means stable prices." Hence, it is only by prices, by their static or dynamic nature that we realize what happens to the buying power of the monetary unit. On the other hand Jinga claims that "stability does not mean immobility … the ocean does not rest at all – he argues – but in the vastness of its bed it is stable" (page182 volume I). Finally, to close one idea, let's give another quotation: "any attempt to 'stabilize' the buying power of the currency is useless. As long as the economic organism is alive – Jinga goes on –, nothing stays the same; obviously, the succession of instabilities should not exceed a certain average line" (page 148 volume I). As we can note, it takes a lot of attention to interpret Jinga's thoughts as his statements are sometimes contradictory; at least apparently because the last part of the quotation, the part with "average line" shows though that Jinga is consistent. At the same time, regarding his ideas about inflation as well –

which we widely dealt with in another work (2) – we reach the conclusion that the stability of the buying power of the currency remains a constant of his thinking.

Another idea, as important as the former one and closely connected to it, is represented by the **source** of the stability of the buying power of the monetary unit. Where does this stability derive from and what does it assure or what **can** it assure? The problem is the more important as in real life we can notice that the stability of the buying power of money is more of an illusion, a fiction. On the other hand, the lack of stability most commonly manifesting in the form of inflation, sometimes raging, has disastrous consequences on the economic activity, being able to trigger even crises – as Rothbard states (3) – and a strong redistribution of the population's buying power against those with relatively constant incomes like budgeteers and especially retired people (4); as Jinga claims also. Consequently, lack of stability (of course relative stability, as professor Jinga accurately saw it) can generate great social inequities (in fact, that's what it does), with extremely serious consequences on people's participation to the economic life and so on the results obtained. Given these reasons, especially in the pages covering inflation, Jinga vehemently argues it and with scientific and convincing arguments. Thus, which is the source of the stability of the buying power of the monetary unit in Victor Jinga's opinion?

While going through the pages of Jinga's book I got increasingly curious even more as Murray N. Rothbard, the author of a recent work on money work of money to which I have referred to, relates this stability to the material the money is or, more precisely was, made of (gold or silver) and to the taking of the monopoly of coin manufacturing or monetary issue from the state and giving this activity to the private sector (3). At contrast, Jinga claims from the very beginning of his work and all along it that the link between money and precious metals has broken, has deteriorated and, at any rate, it does no longer present any importance currently, except perhaps in foreign trade for a given time. Why is that? Because, Jinga says, "Gold is – even when monetized – a merchandise as well, whose price fluctuates and thus cannot be a stable reference element, an essential feature for the currency in order to fulfil its role of general equivalent" (page 86, volume I). A few pages on, Jinga states again: "Previous standards have been and are based, more or less, on gold. So, monetary stability, the stability of the standards are dependent on the stability of the value of gold. We are aware how fluctuant this value has been for the last 150 years. A healthy currency, though, – Jinga goes on – doesn't have to be necessarily a golden coin but a coin with a constant buying power" (page 180 volume I); "a perfect standard – Jinga had written a bit earlier – supposes theoretically a stabile price of gold, stability practically unattainable" (page 83, volume I).

Constantly rising, along the book, against the gold standard, Jinga states at a point the following: "this standard claims a large quantity of gold whilst gold is so little, which triggers price reduction and bad trade (page 187, volume I). Incidentally – Jinga says – "Gold is not only little (…) but also wrongly distributed among the various nations" (page 87-88, volume I). Seeing these statements of Jinga's thinking, a few questions occurred to me. I wonder if the instability of gold value on the world market has been and is greater than instability of the buying power of the banknotes of the various countries from the moment of their complete abandon of the standard. The information we have about the price of gold on the world market, at least for the past 50 years, makes us believe it hasn't and it isn't. In this respect, let us consider what had happened to the Romanian currency since 1990 and by the time of its replacement with the current money; or to the US dollars after 1965 or, finally, to the German mark before Hitler's coming to power. Since 1991, since I observe even more carefully the evolution of the price of gold on the world market, this price has slightly and almost constantly increased, even more pronounced since the crisis began; perhaps because, as mass-media state, the demand for it has increased steeply in the time of crisis. This means that, in fact, the dollar devalued and not necessarily, as Jinga believed that the gold increased in value. As a matter of fact, at a point, Jinga stated in his usual note

quoting an indirect source without commenting it: "It is not that gold increased in price, but the dollar that depreciated as compared to gold" (page109, volume 1).

I also wondered if the stability of the buying power of the banknotes is bigger from the moment of the abandoning of the gold standard, than it was before, when currencies were defined by reference to gold and were, at the same time, convertible into gold. Without deep search into the matter I would, however, think not. This opinion is based both on information rather inconstant, as those which we mentioned above were, and on logic; but especially on certain works of specialty as the book of the American economist we talked about.

As for the other reasons that Jinga considered to be at the basis of renunciation to gold as a base for stability of the buying power of the currency, such as 'littleness' and the gold's "inequitable distribution among nations", we have to say for very beginning that these are not sufficiently serious grounds to support this. First of all, because as the 'littleness of the gold' is concerned there is this principle of the Romanian peasant or, at any rate, of the Transylvanian one, that works properly, principle stating "if there is a lot, it will be used, if there is little, it will do"; be gold as little as it may, it is always enough as means of exchange, because the buying power of monetary unit grows proportionally to the decrease of the quantity of gold. In what its distribution among various nations is concerned, this depends on the competitiveness of the products of different countries and the customs duties system which both are at each country's determination. On the other hand, the dollars or euros, as paper money are particularly concentrated in a few countries, even though, at a world level, they are plenty (perhaps too many). Otherwise, Romania wouldn't have recently had to borrow almost 20 billion dollars or euros from the international institutions, while the USA didn't borrow any, though facing difficulties derived from the crisis, difficulties maybe even bigger than in Romania.

Thus, Jinga does not regret the abandon of the relation between paper money and gold, but on the contrary. But then, however, what is the source of the stability of the buying power of the monetary unit that Jinga, perfectly correctly, considers a sine qua non condition of the monetary health? However strange it may seem, this source is, in Jinga's opinion, the state: "Currency is currency - Victor Jinga writes - because this is what the state decides, and those that use it ratify this decision; can they do differently?" Jinga asks rhetorically (page 28).

A few pages further, Jinga argues again: "The socialist economy has vast and varied opportunities to socially plan and manage; it assures as many premises that favour a firm control of the monetary phenomenon and of the monetary stability" (page 32). Drawing a comparison between money and ordinary goods, especially as some economists argue that money itself is originally a merchandise like all the others, Victor Jinga argues: "The goods bear nothing more than the mark of their quality, it is not conditioned by laws and rules, it is not charged with certain forms and contents, while the currency has an established figure, is manufactured according to strict legal advice, it has the approval and guarantee of the state or of an issuing institute." (page 35, volume 1). All these statements of Jinga and, of course, many others in his work on money, which underlie our views, demonstrate that, from his point of view, the state's institutions are, or should be, the source of monetary stability.

We should not be misled into thinking that for Jinga the state's institutions have already solved the problem of the stability of the buying power of the monetary unit; not even in the former socialist countries at that time. Still, we must admit, the stability of the buying power of money in these countries was, however, much bigger than it was in the Western capitalist countries, as professor Jinga very properly appreciated, or bigger than it is nowadays in Romania or in other countries. Jinga thinks the state can and must assure the stability of paper money and, for that, it is not necessary that paper money are related to gold and defined by reference to the yellow metal. He even expresses his hope that sooner or later the world states will agree even on global paper money which would be stable and would allow international exchange without any disturbances or, at any rate, without the disturbances common to the previous decades. "We could

also note - Victor Jinga writes - that only an entirely superior organization of the human society could at a point establish and accept a non-metallic universal currency, bearing the approval and under the authority of a great monetary board unanimously acknowledged. (page 141, volume 1)

Unlike Jinga, Murray N. Rothbard, we previously referred to, does not trust at all the state's institutions, which historically have proved incapable or, better said, subjective and unfair in intentions, using the money to redistribute incomes in favour of their interests groups and, consequently, he hopes in a stable currency, as aforementioned, by readopting gold and silver coins, or gold only, manufactured by the private sector with no interference from the state. As we know, in the period 1990-1993, the American economist of Romanian origin Anghel Rugină came to Romania with high hopes and a proposition to put into circulation silver money instead of paper money. Vain hopes, because Romanian politicians did not pay much attention, but out of conventional courtesy. As well known, Rugină published a book in Romania in which he supports his ideas (5). He there pleads for returning to precious metals money or, at least, to compulsorily cover paper money, a 100 percent, in precious metals or, otherwise, completing with stocks of certain goods which can be stored for a long period of time. The reason - a bigger financial discipline of the state institutions. As we know, there isn't currently anywhere in the civilized world and, of course, neither in Romania, sufficient financial discipline or gold coverage of paper money.

Victor Jinga knew, of course, Rugină's ideas, but would not agree with them: "A. N. Rugină firmly assimilated the idea of monetary gold standard - Jinga writes – considering it the only one capable of bringing a sense of order in the difficulties created by the contradictory and controversial monetary experiments in the recent decades (…) And this option can be considered a prejudice as well, in favour of gold this time." (page 63, volume 1)

As we can note, in literature of specialty there appeared finally two directions concerning the monetary phenomenon: one, being led by prestigious names as Anghel Rugină, Murray N. Rothbard, J. G. Hulsmann, Ludwig von Mises etc., who relate the stability of the buying power of the monetary unit either to the manufacturing of money from precious metals in the private sector or, at least, to the obligativity for the state to entirely cover the paper money in precious metals or, in other words, to the limitation of paper money issuance to silver and gold stocks or to gold stocks only compulsorily constituted at the state's disposal; the other, supported by prestigious economists again, such as J. M. Keynes, for instance, Roy Harrod, Milton Friedman, Paul A. Samuelson or Victor Jinga who hope the states institutions shall stabilize the buying power of the monetary unit. The latter consider it may be obsolete to maintain a connection between paper money and the yellow metal, in modern times; let alone their manufacturing of gold and silver. Which of the two groups is right?

With no presumption to have thoroughly established a position towards this dispute, we can notice that, if we follow the evolution of the stability of the buying power of money, as it develops or, more precisely, as paper money move away from the metals it was initially manufactured of, we tend to be in favour of first group. Indeed, instability of paper money has increased over time, as the link between it and the yellow metal has been broken. As Jinga says: "In the past, inflation was a singular phenomenon, even accidental, while today, in the capitalist world, it has become an ordinary and almost generalized fact." (page199, volume 1). A return to the precious metal seems, therefore, a return to peace and more monetary stability. But if we think that in order to return to the gold and silver money or to the free manufacturing in the private sector of gold and silver coin or, at least, to the obligation of the state to cover the paper money in these precious metals, we must somehow grab these rights from the hands of the state, which, as we can realize, will not willingly agree to it, then it seems quite as easy to force the state's institutions into being more careful and more accurate, into taking care that the paper money should maintain its buying power as stable as possible. The former socialist countries have demonstrated that this is possible. It is true, though, that we cannot point out or evaluate, at

this moment, what economic and social consequences this could bring about. Therefore, Victor Jinga seems to be right.

On the other hand, while the return to the gold and silver coins and to freely manufacturing them in the private sector involves a single dispute with the state's institutions (if successful, of course), the pressure exerted by the civil society upon state's institutions, in order to force them to maintain the buying power of the monetary unit as stable as possible in the case of paper money, even with coverage, should be permanent and, therefore, much more difficult. Still, a return to the past seems almost impossible. Jinga claims, even from the first pages of his book, that money means power as well. He gives plenty of references regarding this idea, accepting them without any comment. Indeed, today money in the government's hands also means an instrument of economic policy, inclusively or especially at an international level. The devaluation or revaluation of one country's money in relation to other currencies represents a means of stimulating or inhibiting exports and imports (as appropriate) in order to equilibrate the balance of payments or to temporise its disequilibrium. To deprive state of this lever means, under current circumstances, to let economy function according to monetary decisions of other states, which cannot be an advantage for the country in question. Of course, if all countries in the world simultaneously embraced paper money instead of precious metals money or the obligation of entire coverage of paper money in these metals then we could talk about a triumphal return to the past. But who would do that? And how? A country nowadays embracing by itself gold and/or silver coins could well end up without them, overnight, unless having forbidden their taking out of the country. But in the latter case, the country would have big problems with international trade. Therefore, Rugină had no chance with his proposition back in the '90s. In fact, in old times, when money was made of gold and silver, kings and emperors often withdrew from circulation a part of the money (as much as they could) and remelted the coins, only to put them back into circulation with a lower precious metal content, though. In other words, with a lower buying power. This argument also supports Jinga's opinion. Nowadays, the world economies are so closely connected to one another that we can only proceed together; either towards better or to the final disaster.

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FEMININE ENTREPRENEURSHIP AS A RESEARCH THEME. SOME CONSIDERATIONS REGARDING THE WAY OF INITIATING A BUSINESS BY THE ENTREPRENEUR WOMEN IN THE WEST OF ROMANIA[206]

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The present paper aims an incursion in the concern for researches in the field of feminine entrepreneurship – as a research theme, the study directions of the feminine entrepreneurship, on the basis of the special literature in the field. The applicative part of the paper refers to the research taken in the field of feminine entrepreneurship in Romania, through the project AntrES, in the area of the initiation way of business by entrepreneur women investigated and aligns aspects regarding the research methodology, the study of the way of initiating a business, the length with the age of manager women, the occupational situation at the moment of business initiation and their previous experience.

Key words: Entrepreneurship, feminine entrepreneurship, women entrepreneur, business start up, occupational situation

JEL code: E24, R11, J24,

Feminine entrepreneurship – research theme

Entrepreneurship is definited, from historic point of view, as a area with predilection masculine. The first characteristics of the entrepreneur included the notion of „*the leader of industry*"[207] („Captain Man"), „*man with initiative*"[208] (enterprising man), „*basis man*" „Key man"[209] or „*the man who organizes the firm and/or increases its productive capacity*"[210]. Also, the literature in the field, describes the entrepreneurial theories as being „created by men, for men and applicable to men"[211]. These definitions centered mainly on the entrepreneur, are not surprisingly because,

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from historical point of view, for many decades, they have been the most active in initiation, ownership and developing businesses.

More recent definitions of the entrepreneurship are less gender centered, suggesting that entrepreneurs that make activities that bring an added value depending on certain conditions[212]. Like this, entrepreneurs are definite as being all who[213]:

- try to find opportunities without considering the resources they control;
- create economic innovative organizations to obtain advantages and grow under risk and incertitude conditions;
- discovers, evaluates and exploits the opportunities to introduce new goods and services.

Even though the feminine entrepreneurship is defined in terms of creative activity, owner of the business of self-employed, a very big percentage of men and women are implied in entrepreneurship in all developed countries, even though there is a tendency of growing the feminine entrepreneurship in many of these countries.[214] In the period 1975-1995, the percentage of women entrepreneur has raised with more than 60%, comparatively to the 20% growth of men entrepreneur[215]. This growth has been registered until 1955, when, the percentage of those remained 12%, percentage who registered a tendency to increase only after the '90's.[216] In Europe, women entrepreneur are a minority, even so the proportion of those varies considerable from over 20% in England, Ireland, Sweden to 40% in Belgium and Portugal[217].

Into the first notable article dedicated to the feminine entrepreneurship published at the middle of '70's, published by Eleanor Brantley Schwartz's (1976), the article „Entrepreneurship – a new feminine border"[218], the writer appreciated that, the same like men, women are motivated by the wish of accomplishment, work satisfaction and independence. Also, other authors, Schwartz (1976)[219], followed by Hisrich and Brush (1983, 1984, 1985, 1986, 1987)[220] who have described the abilities of women entrepreneur and their business, reached to the conclusion that women's motivations are similar with men's motivations, but they are less qualified, less capable, less trained in the field of business, have a smaller inclination to entrepreneurship and manage to settle a business in a slower rhythm than men. Even though the preoccupations in the field of studying feminine entrepreneurship are growing, authors who have hold on inspection the profession bibliography[221] show that approximately 7% of the articles published between 1969 and 1994 have included and have centered on business women. In 2000, the percentage of the

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[220] Hisrich şi Brush (1983, 1984, q985, 1986, 1987), quoted after Casson Mark; Yeung Bernard; Basu Anuradha, Wadeson Nigel, op.cit., p. 612;

[221] Brush, C. G., "*Research on women Business Owners: Past trends, a new perspective and future directions*", *Entrepreneruship Theory and Practice*, 16 (4): 5-30 (1992); Baker, (1997), quoted after Casson Mark; Yeung Bernard; Basu Anuradha, Wadeson Nigel, op. cit. p. 611;

articles on this topics reached 6%[222]. Also, other authors who have reviewed the articles written in the field of feminine entrepreneurship, counting over 400 scientific papers and several articles, published in professional magazines in the last years, have reached the same conclusion, which is that women entrepreneur represent, for sure, a field very little researched. This thing is surprisingly considering the fact that they register the most significant growth in line of entrepreneurs, the contributions of women entrepreneur being significant in innovation, creating workplaces and developing the business environment. Even though there is in the last decades an obvious concern for the domain, the specialty papers highlight that they have not managed to build adequate theories, particularly over the gender concept and the way in which entrepreneur's women experience are reflected in the socio-economic context[223].   Though, the research directions synthesize by the specialty papers in the field of feminine entrepreneurship are centered on the following directions[224]:

−   characteristics and motivations of women entrepreneurs, with subthemes: differences in psychological characteristics between men and women, social background and business differences between women and men, the effect of labour market in the women's decision to start in business;

−   the start-up patterns, resources and constrains, with subthemes: motivations, processes and structures used at start-up businesses, resource acquisition and mobilization including finance, social and human capital; the business start-up pattern and long-term performances of the business; Programs and development politics of women entrepreneurs;

−   management of female-owned firms, with the following sub-themes: women's management style and approach to leadership; the family business and the wish of accomplishment; gender effects over the performance of the business;

−   finance issues of female start-up businesses, with the subthemes: access to financing resources, guarantees on loans and relationship with external lenders and women's credibility;

−   business relationships built by the female entrepreneurs, with the subthemes: gender differences in building business relationship; gender differences in the contain and the different approach to forming relationships;

−   business performances and their growth, with subthemes: gender differences and criterions used in obtaining business performance; business performance in nowadays business performances.

Synthesizing these research directions, we observe that referring to Romania, the interests for studying female entrepreneurship are modest. A review of the publications in this field shows a lack of preoccupation of the researches for this field, even though it is registered a similar trend to the European one, of growing the number of female entrepreneurs in the last ten years.

Even so, the research directions emphasized in the specialty literature, have raised interest in the research activity realized during the project AntrES, who through the research made until this moment and the one that is prefigured to be outlined at the end of the project (January 2011), aligns in the study interests of the Romanian female entrepreneurship, especially on the North-West of Romania.

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[222] Brush, C.G şi Edelman L. "*Women entrepreneurs Opportunities for Database Research*" (2000), in J. Katz (ed.) Databases for the study of Entrepreneurship to be filled, C, New York, JAI Press, quoted after Casson Mark; Yeung Bernard; Basu Anuradha, Wadeson Nigel, op. cit. p. 611;

[223] Carter M. Nancy; Henry Colette; Cinneide O Barra; Johnston Kate (Editors) - *Female Entrepreneurship – Implication for education, training and policy*, Ed. Routledge Taylor & Francis Group, London and New York, Routledge Advances in Management and Business Studies collection, New York, 2007; p. 11;

[224] Carter M. Nancy; Henry Colette; Cinneide O Barra; Johnston Kate (Editors), op.cit., p. 14;

Aspects regarding the research methodology

The data base that stays at the basis of the present paper is constituted from the answers registered at the Questionnaires of research-monitoring[225] applied on a total number of 153 respondents – manager women[226], from the territorial centers created in the AntrES project, distributed as it follows: Baia Mare - 24, Satu Mare - 24, Oradea - 30, Arad - 27, Timişoara - 24, Reşiţa - 24.

The questionnaires applied to this target group I –manager women, have been constituted in a number of 52 questions, grouped as it follows: 39 questions in section A – Questions about entrepreneur/manager women and their businesses; 13 questions in section B – Aspects regarding the psychological profile of women entrepreneur/manager.

The present paper proposes to analyze answers given by women manager at section A – questions that have outlined at female entrepreneurs the following characteristics: the way of acquiring the business, the length with the age of business women, their previous experience.

The study of the way of acquiring the business and the lengths validated

The majority of the persons from the data base of the manager women from AntrES, respective 85%, are at their first business developed, so the valid affirmations for the actual business are valid for the first business as well as a result. In the case of the first business, the age of respondents at its start-up is, for most of them, in the group 26-30 years, followed, with frequencies approximately equal, by the groups of 19-25 years, respective 31-35 years. This means that 78% of the persons who answered were, at the moment of starting-up their own business, aged under 35 years, *thing that confirms the appetite for entrepreneurship and for risks higher in younger ages* (Graphic nr.1 – ***The age of manager women from AntrES research at the start-up of their first business***).

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[225] These questionnaires have been applied, in the period 07.17.2009-07.31.2009, according to the Methodology of developing the research-monitoring activity using questionnaires, with the Instructions of application of the questionnaires and with the Instructions of filling in the data base, documents realized in AntrES project.

[226] Target group I in the project AntrES – business women – *who which to develop their business, form the counties situated along the West border (Maramureş, Satu-Mare, Bihor, Arad, Timiş, Caraş-Severin).* For this target group, the projects wants to develop the managerial abilities, intra and entrepreneurial, in order to develop the existing business, for the optimum utilization of the opportunities existing on the market, of the success factors that raise competitiveness, of the management and marketing strategies etc. and promoting the adaptability, with effects upon performance, the SME's stability and the occupation level.

Graphic nr. 1. The age of manager women from AntrES research at the star-up of their first business
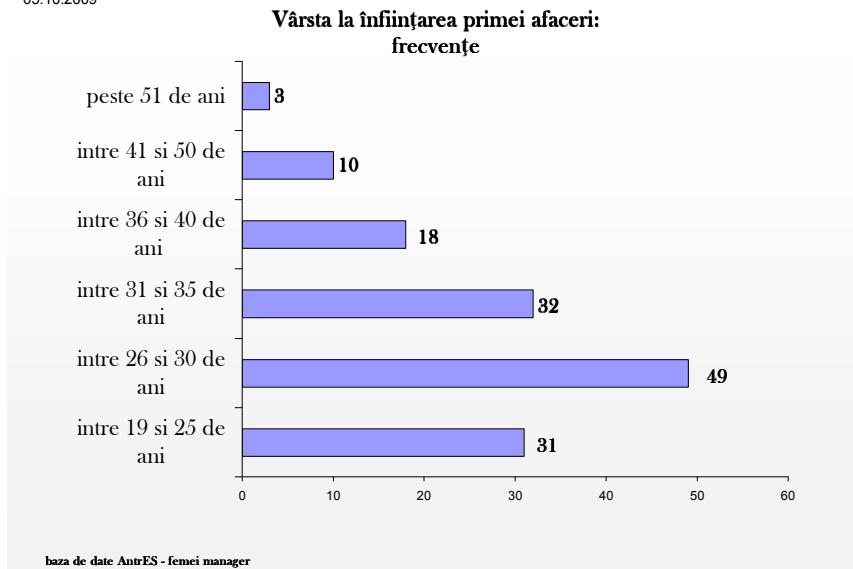
Source: ***Progress report nr. 2 –Research-monitoring study - aggregate and comparative – at inter-regional level**, realized in the project "**Entrepreneurship and the Equality of Chances. An Inter-regional Model of Women School of Entrepreneurship**". Project financed through the European Social Fund - "Invest in people!" Contract nr. POSDRU/9/3.1/S/5. **Project manager**: prof.univ.dr. Anca Dodescu, www.antres.ro;

Though, the entrepreneurs have not been out of any professional experience at the beginning of their business, 78% of them declare that they have not worked forever in their own business, so they had previous workplaces, before their started their own business (***Graphic nr. 2. Previous experience of entrepreneur of the manager women form AntrES data base***). In average, manager women who have worked in other places than their own business, had two previous workplaces, the highest number of previous workplaces being 6.

Graphic nr. 2. Previous experience of entrepreneur of the manager women form AntrES data base

05.10.2009

Afacerea actuală este prima afacere
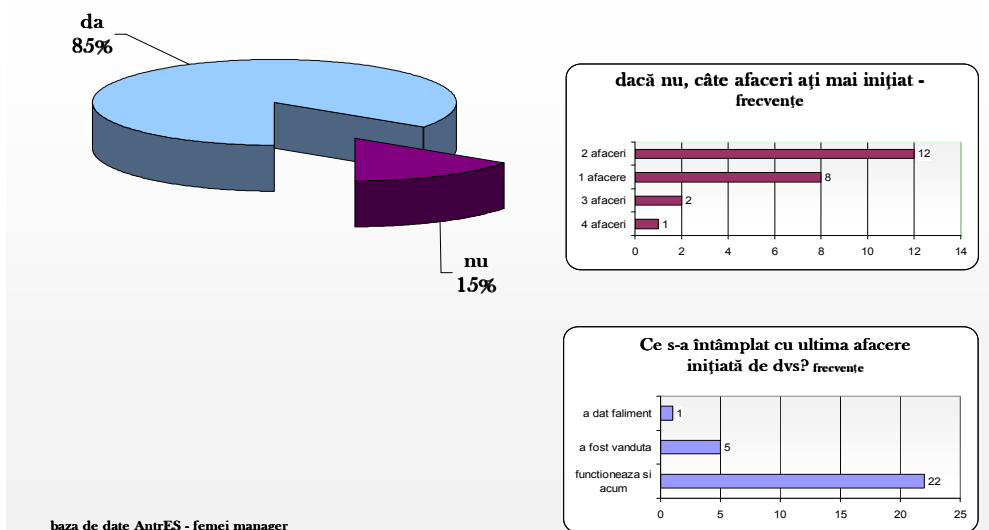
baza de date AntrES - femei manager

Source: ***Progress report nr. 2 –Research-monitoring study - aggregate and comparative – at inter-regional level**, realized in the project "*Entrepreneurship and the Equality of Chances. An Inter-regional Model of Women School of Entrepreneurship*".

Regarding the present businesses of the respondents, as it can be noticed in the first table, The way of acquiring the business, 51% have been conceived personally by the entrepreneur women, 37.2% have been initiated together with other persons, 5.4% have inherited the family business, 1.4% have bought the business. Only 4.8% have acquired the business in other ways, either joined an existing firm or got a franchise.

Table nr.1. The way of acquiring the business

Your business was:	Frequency	Valid percentage
Started by you personally	**76**	**51,0**
Started by you together with someone	**55**	**37,2**
An inherited family business	8	5,4
You bought the business	2	1,4
I joined an existing firm	6	4,1
Franchise	1	0,7
Total	**148**	**100,0**

Source: ***Progress report nr. 2 –Research-monitoring study - aggregate and comparative – at inter-regional level**, realized in the project *AntrES*.

As the majority of the entrepreneurs begun their business alone, it is interesting to emphasize the main reasons, as well as the context in which they decided to start-up their own business. So, referring to the occupational situation in the moment of business start-up, 35.3% of the respondents have declared that they had a workplace but the salary was unsatisfying, 16.7 % did not have a workplace, 15.7% were happy with their workplace, 8.7% had a workplace but were going to lose it, 5.3% had a workplace but the conditions were difficult, 4% declared that they had a workplace but the relationships at the workplace were unsatisfying. Quantifying, over two

thirds of them either did not have a workplace or were going to lose it, or they were unhappy with their workplace that they had because of their salary, work conditions, climate etc.

Though, it is to be remarked that the unhappiness towards the occupational statute from the respective moment has been associated with the apparition of a special business, with a favorable conjuncture 29.45% or with a special business opportunity (28.77%).

These conditions – unhappiness towards *status quo*, but the favorable moment for expressing the business idea – describe the context in which the nowadays entrepreneurs have assumed the risks of starting-up a business.

Regarding the business start-up determined by the motivation of self-determination, participants have been asked in to what extent they agree the affirmation „I started the business to demonstrate myself and those around me that I can succeed"; only 7.8% declared that they have not been determined at all by such motivations, while 41.8% have declared that they largely agree with this affirmation (24.8% have declared that totally they agree with the affirmation, and the same percentage has been registered for those who have declared their agreement in a small percentage with the affirmation).

Conclusions

As a result of our study, we conclude with emphasizing on the following correlations: there is a significant negative correlation between the age and the year of the business start-up, in other words as much as the age of the respondents grows as much the year of starting up the business decreases; the average age of women who have always worked in their own business is significantly smaller than the average age of the women who had other work places as well, on the extent to which the age increases at the moment of the business initiation, increases the number of workplaces that they had previous. The analyses did not emphasize a significant relationship between the age of the entrepreneurs at the moment of present business settlement and the number of businesses started up until present. In other words, we cannot state that older women have a bigger experience in entrepreneurship comparatively with the younger ones. The factors considered more important in the decision to initiate a business look to be those bounded to the opportunity and not to need, even though enumerating the problems from the occupational situation from the start up moment, the problem of the unsatisfying salary appears as prevailing, followed by the lack of a work place (more than 53% of the respondent persons have stated that at the moment of the business settlement they had a workplace but were not happy with the salary). It is, like this, possible that the answers related to the entrepreneurial mobile to be rather desirable and not to present correctly the accent on opportunity towards the need. On this conclusion join, besides, the results obtained as a result of a study taken on the theme of entrepreneurship, made by 162 Romanian firms initiated after 1990[227], study that revealed that the main reason for which the Romanian entrepreneurs have started their businesses has been the "opportunity", followed by "the wish to use their experience". This result coincides with the entrepreneurial theories accepted all around the world, according to which "the opportunity" is the main reason for starting-up a business[228].

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[228] Văduva, S., op. cit., p. 185;

2. Cantando Mary, ***Leading with Care, How women around the world are inspiring business, empowering communities, and creating opportunity***, Jossey-Bass a Wiley Imprint house of publishing, San Francisco, 2009;

3. Casson Mark; Yeung Bernard; Basu Anuradha, Wadeson Nigel (Editori) – ***The Oxford Handbook of Entrepreneurship***, Oxford University Press, 2006;

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6. Nicolescu, O., ***Managementul întreprinderilor mici şi mijlocii***, Economică house of publishing, Bucureşti, 2001;

7. Schumpeter J., ***The theory of Economic Development***, Cambridge, M.A, Harvard University Press, 1934;

8. Văduva, S., ***Antreprenoriatul. Practici aplicative în România şi în alte ţări în tranziţie***, Ed. Economică house of publishing, Bucureşti, 2004;

9. *** ***The mthodology of developing the activities of research-monitoring based on questionnaires, Instructions of applicating the questionnaires and with the Instructions of data base completion*** – realized in the project "***Entrepreneurship and the Equality of Chances. An Inter-regional Model of Women School of Entrepreneurship***". Project financed through the European Social Fund - "Invest in people!" Contract nr. POSDRU/9/3.1/S/5. **Project manager**: prof.univ.dr. Anca Dodescu, www.antres.ro

10. *** ***Progress report nr. 2 –Research-monitoring study - aggregate and comparative – at inter-regional level***, realized in the project "***Entrepreneurship and the Equality of Chances. An Inter-regional Model of Women School of Entrepreneurship***". Project financed through the European Social Fund - "Invest in people!" Contract nr. POSDRU/9/3.1/S/5. **Project manager**: prof.univ.dr. Anca Dodescu, www.antres.ro;

SUB-SECTION: BUSINESS ADMINISTRATION

ENTREPRENEURIAL MOTIVATIONS: ARE WOMEN DRIVEN BY DIFFERENT MOTIVATORS THAN MEN? (I – THE LITERATURE)

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The present article has the goal to reveal the (eventually) differences between entrepreneurial motivations between men and women, in the case of EU and Romania. In the first part, we make a brief research into the literature related to this subject, and in the second part we shall reveal the facts and figures in the EU and Romania.

Key words: entrepreneurship, women entrepreneurship, motivation for business start-up

JEL code : M13, G32

1.Introduction
The present article has the goal to reveal the (eventually) differences between entrepreneurial motivations between men and women, in the case of EU and Romania. In the first part, we make a brief research into the literature related to this subject, and in the second part we shall reveal the facts and figures in the EU and Romania.

2.Motivations for entering into the entrepreneurship
Analysing the literature on factors determining people to start a business and become an entrepreneur we find a variety of reasons for this issue.
An emprical research carried by Shane, Kolvereid, and Westhead (1991) on the basis of a questionnaire
identified four factors: labeled recognition, independence, learning, and roles. Birley and Westhead (1994) instead identify seven factors: need for approval, need for independence, need for personal
development, welfare considerations, perceived instrumentality of wealth, tax reduction, and following role models. On the basis of these findings, Carter, Gartner, Shaver and Gatewood (2003) have developed five categories of entrepreneurship reasons: innovation, independence, recognition, roles, and financial success, adding self-realization as a sixth factor.
A very useful taxonomy is achieved by The Global Entrepreneurship Monitor, an international research consortium covering survey type research in 43 countries (2008) on three directions: entrepreneurial attitudes and perceptions, entrepreneurial activity and entrepreneurial aspirations. The GEM proposes two categories of entrepreneurs according to their motivations:
- the "opportunity entrepreneurs", who start a business based on finding a good opportunity on the market[229], and
- the "necessity entrepreneurs", who start a business rather because they have no better choice or to avoid unemployment.

The GEM taxonomy is related to the "pull-push" factors approach. The "opportunity entrepreneurs" are driven by classical pull motivations, such as: the perception and exploitation of a market opportunity, of a better solution than the existing ones, the emergence of a new or

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[229] Entrepreneurial opportunities are "situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than the cost of their production" (Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. Academy of Management Review, 25(1), p. 220)

innovative idea, the recognition of an existing network he or she could try to exploit etc. (see McClelland, 1961; Shane et al., 1991; Birley and Westhead, 1994, cited by Caliendo and Kritikos, 2009a[230]). The usually enjoy a better development

According to the taxonomy suggested by Carter et al. (2003), other pull motivations relate to motivations such as:

- independence and willingness to be free of any control or to become one's own boss;
- recognition and gain of acceptance and appreciation by other people (Nelson, 1968);
- self-realization, achievement of the entrepreneurial goals (Fischer, Reuber, and Dyke, 1993);
- financial incentives, the desire to gain more and achieve financial success (Birley and Westhead, 1994).

On the other hand, people's willingness to pursue entrepreneurial opportunities depends on factors such as: their opportunity cost (Amit, Meuller & Cockburn, 1995), their stocks of financial capital (Evans & Leighton, 1989), their social ties to investors (Aldrich & Zimmer, 1986), and their career experience (Carroll & Mosakowski, 1987; Cooper, Woo, & Dunkleberg, 1989)[231].

The "necessity entrepreneurs" are driven by push factors and their main motivations are:

- lack of other or better alternatives to unemployment (Evans and Leighton, 1990, Storey, 1991, Clark and Drinkwater, 2000, Masuda, 2006);
- lack of other income option in the case of unemployed persons facing the end of their unemployment benefits;
- advisement from other parties of the unemployed people to try self-employment as an alternative option to wage-employment and unemployment (see Caliendo and Kritikos, 2009b[232]).

Unlike "opportunity entrepreneurs", whose businesses enjoy better development, "necessity entrepreneurs" may suffer a high risk of failure (see Carrasco, 1999, Pfeiffer and Reize, 2000, or Andersson and Wadensjo, 2007), or, if they survive, they may produce only marginal businesses (Vivarelli and Audretsch, 1998), invest insignificant amounts of capital (Santarelli and Vivarelli, 2007), fail to create further jobs (Shane, 2009), and earn minimal incomes (Hamilton, 2000, and Andersson and Wadensjo, 2007)"[233].

A model of the factors motivating the entrepreneurial process was achieved by Shane et al. (2003):

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[230] Marco Caliendo, Alexander S. Kritikos (2009). *"I Want to, But I Also Need to": Start-Ups Resulting from Opportunity and Necessity*, Discussion Paper No. 4661, December 2009, IZA
[231] Scott Shane, Edwin A. Locke, Christopher J. Collins, "Entrepreneurial motivation", *Human Resource Management Review* 13 (2003) 257–279
[232] Caliendo, M. and A. Kritikos (2009). "Start-Ups by the Unemployed: Characteristics, Survival and Direct Employment Effects", forthcoming in: *Small Business Economics*, cited in Caliendo and Kritikos, 2009a
[233] Caliendo and Kritikos, 2009a, p. 2

Entrepreneurial Motivations:
1. **General**
   - Need for achievement
   - Locus of control
   - Vision
   - Desire for independence
   - Passion
   - Drive
2. **Task-specific**
   - Goal setting
   - Self-efficacy

Entrepreneurial Opportunities

Environmental Conditions

OPPORTUNITY RECOGNITION

IDEA DEVELOPMENT

EXECUTION
- Resource Assembly
- Organizational design
- Market making
- Product development

Cognitive Factors:
- Vision
- Knowledge
- Skills
- Abilities

Fig. 1. Model of entrepreneurial motivation and the entrepreneurship process.

Source: Shane, S. et al (2003), p. 274

3. Are there gender differences about motivators?

Since the pioneering article on women's entrepreneurship of Eleanor Brantley Schwartz[234], the literature on entrepreneurs' motivations enriched considerably. There were plenty of researches studying the main motivators for women versus men entrepreneurs and trying to identify classes of homogenous factors and their effects on the survival and the performance of the entrepreneurial firms.

Eleanor Scwartz founded in her above mentionned article that the main motivators of female entrepreneurs are the same as previously identified in the case of male entrepreneurs (Collins & Moore, 1964)[235], namely: the need for achievement, job satisfaction, economic payoffs and independence. She found differences in the operated sectors (the predominance of service based businesses in the case of women) and discrimination regarding the access to financing.

Goffee and Scase (1985), analysing the women entrepreneurs' motivations in UK, proposed a typology of female entrepreneurs based on their relative attachment to conventional entrepreneurial ideals and their willingness to accept conventional gender roles, often subordinate to men. Four types of female entrepreneurs emerged in this taxonomy:
   - 'conventional' entrepreneurs who were highly committed to both entrepreneurial ideals and conventional gender roles;
   - 'innovative' entrepreneurs who held a strong belief in entrepreneurial ideals but had a relatively low attachment to conventional gender roles;
   - 'domestic' entrepreneurs who organise their business life around the family situation and believed very strongly in conventional female roles and held low attachment to entrepreneurial ideals;

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[234] Schwartz, E. (1976). "Entrepreneurship: A new female frontier". *Journal of Contemporary Business, 5* (1), 47-76
[235] Collins, O. F. & Moore, D. G. (1964). *The Enterprising Man*. East Lansing: Bureau of Business and Economic Research, Graduate School of Business Administration, Michigan State University

-   'radicals' who held low attachment to both, often organising their businesses on a political, collectivist basis.

Hisrich and Brush (1986) continued these research trends, describing the 'typical' female entrepreneur as: the "first born child of middle-class parents … After obtaining a liberal arts degree, she marries, has children, and works as a teacher, administrator or secretary. Her first business venture in a service area begins after she is thirty-five" (Hisrich and Brush, 1986, p. 14). The main factors motivating women to start-up a business were reported to be the desire for job satisfaction, independence and achievement.

However, some other researchers studying the women' motivations for starting-up new businesses founded gender differences between men and women. Scott (1986)[236] founded that men were concerned by the issue of independence and the desire to be their own boss, while women were concerned by personal challenge and satisfaction.

Empiric research carried on a national basis reported gender difference in the start-up motivations (Ljunggren & Kolvereid, 1996, Shabbir &D'Gregorio, 1996) and also the similarity across countries of women's motivations[237].

We can conclude that, overall, most studies consider that the motivations for start-up there are similar in the case of women and men entrepreneurs. People – male and female – enter into entrepreneurship and start-up businesses motivated by the desire to achieve job satisfaction, independence and financial payoff. The literature reported however differences in terms of growth motivation, women having lower growth ambitions than men (Carter, 1997, Wiklund, Davidsson & Delmar, 2003). The results are stable across industries and over time.

„Women tend to self-select from self-employment because they do not perceive that they have the competence needed to start and manage firms, that entrepreneurship is often perceived and portrayed as a male occupation. The lack of perceived competence will also diminish the motivation of women as the perception of competence and motivation are closely related to each other. If they decide to start firms they will to a higher degree choose to start more part-time and home-based firms in order to balance professional responsibilities with family responsibilities. Saying this, it is also necessary to remember that individual women may well act differently, that is some women will always behave in a non-typical way, resembling men in their pattern of behaviour" (OECD 2004)[238].

Karen Hughes[239] uses a taxonomy grouping the motivations into three classes:

-   Classic entrepreneurs – motivated, as men, by: desire for greater independence, challenge and self-fulfillment, „own boss" desire, financial independence;
-   Forced entrepreneurs ('necessity based') – driven by unemployment, job loss, lack of work opportunities;
-   Work-Family entrepreneurs – motivated by: work-family balance, flexibility. These factors are especially important for women (see Brush 1992; Stevenson 1986, 1990). Lee-Gosselin and Grise (1990) underline the role of family-based motivations, noting that for some women "starting a business may be an adaptive

[236] Scott, C. E. (1986). "Why more women are becoming entrepreneurs". *Journal of Small Business Management, 24* (4), 37-44

[237] Greene, Patricia et al., *Women Entrepreneurs: Moving Front and Center: An overview of Research and Theory*, USASBE, 2003, http://usasbe.org/knowledge/whitepapers/greene2003.pdf

[238] *Women's Entrepreneurship: Issues and Policies*, 2nd OECD Conference of Ministers Responsible for Small and Medium-Sized Enterprises (SMEs) Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a More Responsible and Inclusive Globalisation, Istanbul, 3-5 June 2004, http://www.oecd.org/dataoecd/6/13/31919215.pdf

[239] Hughes, Karen, *Does Motiovation Matter? Women's Entrepreneurship and Economic Success*, http://www.allacademic.com/meta/p_mla_apa_research_citation/1/0/4/5/4/p104549_index.html

response to the demands of the parent and spouse/partner roles, which are very important to them"[240].

D. P. Moore and E. H. Buttner (1997)[241] suggested that women started their own businesses from a desire for self-determination and for career challenge, and that they expect the corresponding respect, recognition, and selfesteem that both self-determination and challenge provide. For some women, high unemployment rates, and divorce force them into entrepreneurial activities[242].

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[240] idem

[241] Moore, D. P. & Buttner, E. H. (1997). Women *entrepreneurs: Moving beyond the glass ceiling*. Thousand Oaks, CA: Sage.

[242] Susanne E. Jalbert, *Women Entrepreneurs in the Global Economy*, 2000

THE TOURIST PERCEPTION OF THE HOSPITALITY INDUSTRY: ROMANIA VERSUS EUROPEAN UNION

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Automatically when we talk about tourism, tourism industry and hospitality industry we refer to the term also increasingly mentioned. Through this work we describe the hotel, restaurant business and other travel related activity services, which since 2008 have been continuously developed and represent a source of benefit to the economy of any country. The paper aims to assess the perception of tourists based on a questionnaire about the quality of hospitality services in Romania compared to European Union countries.

Concept Clarification
Oxford English Dictionary defines hospitality as "receipt and maintenance of guests, visitors and foreigners with generosity and kindness". Hospitality includes all services which provide accommodation and/ or food and beverages to persons who are not resident in the area, regardless of how long they will spend away from it, including a wide range of business such as small guest houses, fast food, pizza house and related services. Public accommodation and catering are different due to service quality, to the people who receive them and due to the targeting customer segments, and they are different by the comfort and quality offered as part of a wider group of activities grouped under the name of tourism.

Hospitality Industry in Romania and the European Union
Hospitality Industry
Systematic analysis of tourism service quality and taking the necessary measures are top priorities in the current period to transform the hospitality industry in a cost-effective resource with high share in GDP, as there are countries with a tourism well developed, such as Spain, Italy, Greece, Switzerland. The creation of a culture of quality in this area, where they have established for decades some inappropriate practices takes time in order to professionally and ethically train all staff and change its mentality.
Tourism professionals say that it should be smiles, courtesy and decency to be part of a quality system. Such a system was launched in Spain, where the number of stars appears with a Q, symbolizing of a system showing the highest degree of service quality Star alleged.
In the Romanian hotel sector, although we can still find obstacles, however, we see significant changes in legal law, in the state economy which shows a financial jam and also the leadership characters involved in tourism that began to change their mentality and understand the need for quality tourism.

The first major trend is the increase in service quality and enhance the facilities offered to tourists, so often met in hotel units integrated into large hotel chains (e.g. Hotel "Mara", Sinaia), in hotels under joint ownership with foreign investors (e.g. hotel SOFITEL-Bucharest) and in other hotels that have passed from public ownership to private ownership (e.g. most of the hotels in Mamaia). The second trend is the realization of investments aimed at building new hotel units. Another trend, but a negative one for Romanian tourism is due to increasing prices charged for hotel services which was not always consistent with the quality of the offered services, which resulted in loss of both foreign and Romanian tourists to other holiday destinations such as Turkey Greece, Croatia, Spain, etc.

Restoration Industry
In collective and commercial consumption the major trade groups increasingly make their presence felt. Comparable levels of collecting revenue for food and trade leads to the assumption of equal relative intensity of expression of horizontal concentration. Moreover, we see the same group both carrying out the activities of collective food and catering business activities (e.g. ACCOR group).

In France, Sodexho Group has 1714 restaurants, serving over 145 million customers annually. From the total number of restaurants, 30% work in education institutions, 43% in enterprises, 27% in health institutions and in asylums.

Across Europe, the rule is held by Mc'Donalds' Corporation. In the context of commercial food, chain fast-food restaurants have the most spectacular results and it's expected that in the future development potential of the fast-food formula will be considerable. Thus, an American spends on fast food restaurants over 10 times more than in a French one and 100 times more than in an Italian one.

Restoration or catering and housing activity are an extremely complex component. Restoration must be distinguished from so-called "commercial" and "collective", which concerns mainly: restaurants, hospitals restoration, restoration of prisons, restoration of the military, school canteens, university restaurants, holiday villages, settlements, social restoration. The first restaurant franchise type McDrive opened in Romania in Braşov in 1998, and the only KFC restaurants opened in Bucharest in 1997. Since 1994 works in Bucharest first Pizza Hut unit, other units operating in Constanta and Cluj-Napoca, Timisoara.[243]

Research method and interpretation of data related questionnaire
An inquiry based on a survey questionnaire it was conducted on the situation of the hospitality industry covering tourism accommodation services in Romania in comparison with services in EU countries. It was chosen in random a sample of 30 respondents of different ages.

Following analysis of survey data on tourists who have traveled to Romania, highlights the following:
- All respondents have traveled to other cities in Romania than the residence one until that moment and only 27 of 30 respondents traveled in Europe.
- Highest weight is for visiting relatives or friends 38%, sightseeing (24%), recreation and spending a holiday both with a share of 14% and with 5% are business an treatments.
- On average tourists spent more than 10 days (47%).

Following analysis of survey data on tourists, who have traveled to countries in the European Union, highlights the following:
- A 10% have traveled outside the border, and on the other hand a 90% crossed the borders of Romania in a certain period of time.

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[243]Băbăiţă Carmen – *Cateringul ca afacere*, Editura Mirton, Timişoara, 2010

- At the question that refers to the highest weight for travel, it is visiting friends or relatives 30%.
- Tourist attractions in European countries accounted 23% to 24% for sightseeing in Romania. This means that Romanians still expect changes in tourism, with further opportunities for Romanian tourism. Spending a holiday in European countries has a 20% share compared with 14% against Romania. Consequently, the Romanians still choose to spend their holiday abroad than at home, for various reasons. Other purposes for travel abroad are conferences, school projects or Work and Travel Program with a rate of 17% and business at a rate of 10%.
- Average foreign tourists spent over 10 days.

Agreement/disagreement with several statements about the services in the hotel units in Romania. Note that at the professional competence the highest score was obtained in Agreement - 8 points, followed by neutral category where the score was 6 points. The difference between the two is rather low, which means that respondents are not fully convinced of the competence of workers in tourism and from the hotel units in our country. Employee courtesy is rated equally between agree and neutral with 10 points each. The tourism industry needs people with knowledge in tourism and which are passionate about working with people in this area. They need to have the desire to satisfy all customers requests with courtesy and kindness.

The agreement/disagreement with several statements about the services of the hotel units in Romania. Note that if professional competence achieved the highest score at the Acord Hotel - 8 points, followed by neutral, category which obtained 6 points. The difference between the two is rather low, which means that respondents are not fully convinced by the competence of workers in tourism and hotel units in our country. Employee courtesy is rated equally between agreement and neutral with 10 points each. The tourism industry needs people with background knowledge in tourism and be passionate about working with people in this area. They also need to have the desire to satisfy all customers with courtesy and kindness.

In respect to the employees' seriousness, respondents gave a score of 9 to neutral and 7 points to disagree. This should give thought to those who have major influence on tourism, which should take into account customer feedback in order to avoid losing them. The high standard of services received the highest score in neutral-10, followed by totally disagree with 9 points. Services clearly need improvements and also need valuable people who have certain essential qualities for those in hospitality, in order to have credibility with customers.

The agreement/disagreement in respect to the hotel units in Europe. Professional competence in Europe received 18 points from respondents, meaning that tourists appreciate the professional competence of workers in European housing units, implicitly the managers who deal with their management. In respect to the courtesy most employees received 20 points, as all respondents agree that foreign employees are very friendly and respect the rules of conduct imposed by the hospitality industry, having a professional conduct. The seriousness of employees was awarded 17 points and 10 points in total agreement. The seriousness of the staff is very important for the guests, who spend a holiday in the tourist accommodation units and who need to feel confidence and reliability from those who attend them. Standard services received a score of 19 points in total agreement and 5 points in the agreement, and only 3 of the respondents gave 3 points to neutral.

Data analysis indicates that respondents had to assess service hotel units in Romania and Europe. Thus, solving the problems arising and professional competence was quoted by the mark 3, although it would be situated in the middle of the chart, compared with hotel services in Europe. Almost the same situation applies to the quality of service and culinary products which have all received a 3, as a mark. In respect to the cleanliness of the room, the mark received was 4, close to maximum, which means that those who take care of cleanliness of the rooms are doing their job thoroughly and seriously. Respondents marked with 3 the technical state of the facilities offered by the rooms and the hotel. Hotel managers should pay more attention to the equipment used in hotel, in order to be able to provide the best conditions to those who cross the threshold

and have the confidence to spend a holiday there. The courtesy of the staff was noted with almost the maximum score, i.e. 4 ,which is very beneficial for those working in the reception are, in contrast with waiters, who received a kindly 3. Managers of hotel units should have some a criterion by which staff is elected, in order to avoid certain future issues.

Advantages of hotel services in Romania, as listed by the interviewed people:
- diverse landscape, attractive and different services;
- some hotels offer low-cost accommodation and food packages, meeting a good quality-price ratio;
- other people consider that Romanian hotels have good managers, that show respect for both their business and visitors;
- good food and special dishes, also trying to provide international menus;

Listed disadvantages:
- complaints are perceived as insults, showing lack of professionalism;
- some hotels charge more than they offer for their services, thus the visitors are dissatisfied;
- some hotels are careless in terms of room and hotel cleanness, there are still issues regarding the staff and their daily duties;

Profile of the interviewed people: 57% women, 43% men. Age: the largest percent is made up of people under 30 years old, then people aged between 30-40, 40-50 and only 3% over 50 years old.

Recommendations: Romanian hotels and their managers should take more advantage of our diverse landscape in order to offer flawless services and attract more visitors, offering a proper quality-price ratio. The hotel staff should be trained accordingly and speak at least one foreign language. Room cleanness should be done in accordance with the star classification. Hotel owners should be more polite and provide more facilities and information regarding their services. Most of the answers refer to the professional behaviour of the staff and their availability, the fact that they should have the necessary education in order to do this job, the cleanness in the rooms. More quality services should be provided, according to European standards, at a fair quality-price ratio, as well as more free time activities.

Conclusion

As a consequence of all the facts presented above, one can strongly claim that the hospitality industry, tourism in general, is an important factor in a country's development, from economic, social and cultural standpoint. Tourism can turn an unknown country into a popular, thriving one. In Romania, the hospitality industry is still developing, especially if we consider the fact that Romania has to comply with the EU regulations.

According to our questionnaire, Romanians think that there are differences between the services provided in Romania and Europe, especially regarding the professional skills, availability and professionalism of the employees. In order to reach European level, we have to pay more attention to the staff, because it is the image of a particular hotel and represents indirectly the quality of the services offered.

A person working in the tourist industry should have communicative skills, be able to interact immediately with people, being trustworthy from the first minutes of the conversation. He/she should be able to solve any problem properly and in a nice manner and at the same time be an expert in the services provided.

The quality of the offered services must also be improved, at an excellent quality-price ratio and, as far as entertainment goes, more free time activities should be developed.

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THE BUSINESS PLAN – A PREREQUISITE OF FEMALE ENTREPRENEURIAL SUCCESS IN THE WESTERN PART OF ROMANIA

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It is more and more obvious that a proper planning of various activities/actions is a key of long-term success of a business organization. Writing a well grounded business plan is not easy, but nobody says that. What we can state is the fact that is worth it! Certainly no business plan guarantees success, but at least reduces the risk. And so the vulnerability can and should be reduced and kept under control. My research topic is integrated within the framework of the project called "The Entrepreneurship and the Equality of Opportunities. An Inter-Regional Model of Entrepreneurial School for Women (AntrES)", implemented in 6 counties situated on the Western border of Romania. The main objectives of my paper were to explore the chances for success of the futures business delineated in the business plans and to prove that these business plans represent a resource of the female entrepreneurship in the Western part of Romania.

Keywords: *business plan, correlation coefficients, female entrepreneurial success*

Introduction

Today, the topic on the agenda is the crisis! More or less knowledgeable, but more numerous are those who complain of excessive consumption, lack of entrepreneurial spirit and culture of winning. Romania's entrance in the second project of modernity, the European integration process involves: 1. To break the blockage on periphery condition; Romanians to be otherwise and Romanians to be someone else, to internalize the culture of democracy and entrepreneurship 2. To leave the logic of loss, represented by the fact that modernity has not been treated first organically, the formula for importing institutional recipes was preferred, of change from top to bottom, in the absence of standards regarding consistency and time horizon of transformation[244]. Paradoxically, as the world is economically integrating and as the global economy becomes more and more open, more important are small businesses[245]. Spirit of democratic capitalism, which has led to development was to encourage individuals, based on the understanding that it represents the main source of economic and social power[246]. Learning a new culture of the area located far enough from habitat of forms without substance, focusing on proactive attitude and the direction change from the bottom up, is conditioned in our opinion by the definitely desertion of what the team of researchers led by Polish sociologist Piotr Szompka called the "culture block". It is a cultural background acquired over four decades of socialist regime characterized by: the predominant orientation towards the sphere of private life against the public one, to the detriment of future past, to a rather fatalistic attitude to the detriment of the individual acting power, by utility at the expense of truth[247]. If traditionally men were those in the leadership of a company and dealt with assertiveness, often exclusive, their professional career, in the present context the chances of women to develop a successful career substantially increased, to occupy leadership positions, to set up their own businesses. Of vital importance for a successful business

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[244] Dinu Marin, Globalizarea. Modelul explicativ, a supplement of the journal Economie teoretică şi aplicată, seria Sinteze, p.63, 70
[245] Naisbitt John, Global Paradox, Avon Books, New York, 1995
[246] Novak Michael, The Spirit of Democratic Capitalism, New York: Simon and Schuster, 1982
[247] Cf. C. Mereuţă, L. Pop, C. Vlaicu, L. Pop, Culturi organizaţionale în spaţiul românesc. Valori şi profiluri dominante, Editura Expert, 1998, pp. 31-34

is apart from confidence in your own strengths, a more careful planning and more realistic. An indispensable tool designed to increase chances of success of any entrepreneur is the business plan. Writing a well grounded business plan is not easy, but nobody says that. What we can sustain is the fact that is worth it! Besides rationality, intuition plays an important role for an entrepreneur. Businesses are not built with dreams. But neither without them! It is estimated that women are inclined to a more careful and prudent analysis regarding business risks, which emphasizes the role of the business plan by the effects of an increased clarity and a greater realism. Certainly no business plan guarantees success, but at least reduces the risk. And so the vulnerability can and should be reduced and kept under control. It is crucial to become able to identify and recognize the challenges imposed by new risks for what they really are: opportunities for defining new directions to stimulate renewed activity in the context of our aspirations for growth and social reality[248].

My research topic is integrated in the framework of the project called "The Entrepreneurship and the Equality of Opportunities. An Inter-regional Model of Entrepreneurial School for Women (AntrES)", implemented in the Western border of Romania in the follows counties: Bihor, Timiş, Arad, Maramureş, Caraş-Severin, and Satu-Mare.

My main objectives were to explore the chances for success of the futures business delineated in the business plans and to prove that these Business Plans represent a resource of the female entrepreneurship in the Western part of Romania.

Materials Studied and Methodology Approach

The study was conducted based on two questions: "Why do most business plans developed by students concern the services sector?", "What is the value of their business plans for female entrepreneurship in western Romania?" So have emerged two working hypotheses:

- First case: the services sector is generally dominated economy, the economy in western Romania in particular, as demonstrated by the number of viable SMEs in this sector which is "a guarantee" for female entrepreneurs in western Romania;

- Second case: a lot of business value lies in its founder's mind, and because business plans are drawn up in a very special asset, although you will need to study and learn more about the importance of intellectual capital and on unaudited values.

The Business Plans - 360 were issued during July 1 to December 31, 2009, of the 360 graduates of the Entrepreneurial School organized at the level of 6 Territorial Centers: Bihor, Timis, Arad, Maramures, Caras-Severin, and Satu-Mare (144 female managers, ages 20-66, monthly income – 2611 lei; 144 women wishing to start a business, ages 19-58, monthly income – 1197 lei; 72 women-formators who recently graduated Economics). In the 6 months that were conducted business school courses, the 360 students developed, based on identified business idea and developed gradually over the 6 issues: a business plan for starting a business or for business growth which they already have. Developed business plans include information on: business, products and services, marketing, sales strategy, customers, competitors, location, management, personnel, financial issues.

AntrES general objectives aim on one hand side, the development of entrepreneurial and managerial skills of women in counties located along the western border of Romania (Maramures, Satu Mare, Bihor, Arad, Timis, and Caras-Severin), the improvement of the current performance and their training, the development of the entrepreneurial spirit and the generation of an increasing number of businesses, both rural and urban; on the other hand, the promotion of equal opportunities in entrepreneurship by encouraging women's involvement generally, rural women in particular, the initiation and development of their own businesses in the context of

[248] Giarini Orio, Stahel Walter, Limitele certitudinii. Înfruntând riscurile în noua economie a serviciilor, ediţia a II-a revizuită, Editura Edimpress-Camro, Bucureşti, 1996, pp.110-111

sustainable development of communities in the counties located along the western border of Romania.

The research based on theoretical documentation, analysis of documents prepared in the Territorial Centre 6: Bihor, Timis, Arad, Maramures, Caras-Severin, and Satu Mare and on collecting data from the participants, allowed the analysis of business plans and testing the two working hypotheses.

Results and discussion

Out of the 360 business plans developed by women in the 6 counties located on the western border of Romania, 314 business plans, or 87.23% have a business idea based on the services sector. By counties, the order is: Arad (95%), Caras-Severin (91.66%), Satu Mare (90%), Bihor (86.66%), Timis (83.33%), and Maramures (76.66%).

Business Plans distribution on major sector activities – Western Part of Romania

SECTOR	Business Plans developed BIHOR		Business Plans developed TIMIŞ		Business Plans developed ARAD		Business Plans developed MARA MUREŞ		Business Plans developed CARAŞ-SEVERIN		Business Plans developed SATU-MARE		Business Plans developed in the 6 counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Agriculture, forestry, fishing	5	8.33	3	5	1	1.66	8	13.33	-	-	1	1.66	18	5.00
Industry, energy	3	5	6	10	2	3.33	4	6.66	5	8.33	5	8.33	25	6.94
Construction	-	-	1	1.66	-	-	2	3.33	-	-	-	-	3	0.83
Services	52	86.66	50	83.33	57	95	46	76.66	55	91.66	54	90	314	87.23
TOTAL	60	100	60	100	60	100	60	100	60	100	60	100	360	100

Source: author's calculations based on data provided by partners: Bihor, Timiş, Arad, Maramureş, Caraş-Severin, Satu-Mare

In developing the 360 Business Plans, 60 for each territorial center, the Entrepreneurial School graduates had in mind the opportunities of the area: the favorable geographical location, close to the borders of western markets, economic development top the national average, business friendly environment, skilled labor and business opportunities in areas as services, tourism, trade, agriculture.

Several SMEs are operating in the 6 counties, whose number and distribution sectors are presented below:

Number of active SMEs as the sector in western Romania, 2007

SECTOR	Business Plans developed BIHOR		Business Plans developed TIMIŞ		Business Plans developed ARAD		Business Plans developed MARA MUREŞ		Business Plans developed CARAŞ-SEVERIN		Business Plans developed SATU-MARE		Business Plans developed in the 6 counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%

SECTOR	Business Plans developed BIHOR		Business Plans developed TIMIŞ		Business Plans developed ARAD		Business Plans developed MARA MUREŞ		Business Plans developed CARAŞ-SEVERIN		Business Plans developed SATU-MARE		Business Plans developed in the 6 counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Agriculture, forestry, fishing	518	2.88	718	3.22	698	5.68	504	2.75	349	3.79	342	4.19	3129	3.54
Industry, energy	2082	11.59	2443	10.96	1593	12.97	2314	12.63	1181	12.84	1151	14.11	10764	12.20
Construction	1583	8.81	2236	10.03	1116	9.09	1645	8.98	952	10.35	1241	15.23	8778	9.95
Services	13771	76.72	16883	75.77	8867	72.24	13853	75.64	6709	72.98	5420	66.47	65503	74.28
TOTAL	17954	100	22280	100	12274	100	18316	100	9191	100	8154	100	88174	100

Source: Statistical Yearbook Romania, 2007 and author's calculations based on statistical data: Bihor, Timiş, Arad, Maramureş, Caraş-Severin, Satu-Mare County Directorates of Statistics, 2007.

In the 6 counties researched, the number and structure of employment are as follows:

Primary data on employed population, absolute and per cent values – Western Part of Romania, 2007
thousands of persons

EMPLOYED POPULATION 2007	Employed population in BIHOR		Employed population in TIMIŞ		Employed population in ARAD		Employed population in MARA MUREŞ		Employed population in CARAŞ-SEVERIN		Employed population in SATU-MARE		Employed population in The six counties	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Agriculture, forestry, fishing	87	31.28	74.1	22.09	47.5	22.45	73.28	37.16	42	34.26	56.1	37.25	381	29.34
Industry, energy	71.6	25.75	92.8	27.66	68.6	32.42	46.2	23.26	27.4	22.35	38.6	25.63	345	26.6
Construction	14.5	5.21	20.9	6.23	10	4.71	8.5	4.28	7.1	5.79	7.9	5.25	68.9	5.31
Services	105	37.76	148.2	44.02	85.9	40.51	71.02	35.3	46.5	37.60	51.4	31.87	508.01	38.75
TOTAL	278	100	336	100	212	100	199	100	123	100	154	100	1303	100

Source: Statistical Yearbook Romania, 2007 and author's calculations based on statistical data: Bihor, Timiş, Arad, Maramureş, Caraş-Severin, Satu-Mare County Directorates of Statistics, 2007

Research links (interdependence) between business plans developed by industry sector (y) and the number of active SMEs by sector (x_1) that the number of employed population by sector (x_2) was performed using the Simple correlation coefficient (or statistics), denoted by "**r**"[249]:

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Where:

$x_{1,2}$ - independent factor, x_1 - the number of active SMEs by sector, x_2 - the number of employed population   by   sector

y - dependent factor;

The Simple correlation coefficient "r" can take values belonging to the interval (-1,1). The symbol "r" shows us the meaning of relationship and the value of "r" shows the intensity of the link.

When "r" is positive, between x and y factors, there is a direct link, and when "r" is negative, the link between the two factors is indirect. If:

$r \in$ (0-0,2) there is no connection between the two factors;

$r \in$ (0,2-0,5) between the two factors exists a weak link;

$r \in$ (0,5-0,75) between the two factors exists a link of medium intensity;

$r \in$ (0,75-0,95) between the two factors exists a strong link;

$r \in$ (0,95-1) between the two factors exists a very strong link (deterministic relationship between the two factors).

Correlation Coefficients for the six counties analysed, separate and cumulated – Western part of Romania, 2007

Correlation Coefficient Value (r)	BIHOR	TIMIŞ	ARAD	MARA MUREŞ	CARAŞ-SEVERIN	SATU-MARE	Cumulated (from the 6 counties)
Correlation between y and x_1	0.98	0.99	0.98	0.98	0.98	0.97	0.98
Correlation between y and x_2	0.75	0.85	0.74	0.76	0.70	0.60	0.73

Source: author's calculations based on data provided by partners: Bihor, Timiş, Arad, Maramureş, Caraş-Severin, Satu-Mare

Interpretation of results:

- The positive signs of the two coefficients indicate a direct link between the indicators measured;
- The values of two coefficients shows that there is a strong link between the business plans by sector and the number of active SMEs by sector and a moderate link between the business plans and the number of employed population by branch.

In our opinion, the results show that:

1. in developing business plans for expansion / development of business owned, for starting a business, respectively, the female managers, respectively women who want to start a business have taken into account general trends and examples of success. We can assume

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[249] Ioncică Maria (coord.), Probleme-Proiecte-Teste, Editura Uranus, Bucureşti, 1997

that they have been strongly influenced by the specific examples that they saw nearby: functional service companies, business owners in this domain, "entrepreneurial success stories" etc. There were no differences by county. At this point we can launch the assumption that the 360 graduates of the Entrepreneurial School at local level in western Romania have "carefully weighed their chances of success and have opted for services because it is a sector with potential and can provide some security";

2. the factor, the existence of a skilled workforce was considered to a lesser extent in developing business plans for expansion / development of business owned, respectively for those starting a business by the 360 graduates of the Entrepreneurial School at local level in western Romania. The results are more different by counties, the intensity of the relationship between the two indicators in a decreasing order are as follows: Timis (0.85), Maramures (0.76), Bihor (0.75), Arad (0.74), Cara- Severin (0.70), Satu-Mare (0.60). We state that the majority of the employed population is working in trade, industry dominated by the big players with a large number of workers per commercial unit.

Conclusions

Therefore, the first working hypothesis is verified: the services sector generally dominates the economy, the economy in western Romania in particular, as demonstrated by the number of viable SMEs in the sector and the share of employed population in services, which represents "a guarantee" for the 360 women-manager, respectively women who want to start a business, and have pursued rationally and intuitively to reduce the risk of failure.

Long-term success of a business organization considers Harrington & Harrington[250], is determined by three main categories of factors: 1. proper planning of various activities / actions: 2. proper implementation of various plans / strategies, 3. luck/chance or non-chance in a given context (but the chance never comes to an unprepared mind). Results to confirm this second hypothesis, namely: "a lot of business value lies in its founder's mind, and therefore developed business plans are drawn up in a very special asset although we will need to study and learn more about the importance of intellectual capital and monetary values / unaudited". What entitles us to say this?

First of all, the fact that developing a business plan is a first step towards success in business because in its development, the female-entrepreneur will have to find answers to many different questions that will allow better knowledge of the business. This will receive a shape/form and *anything with shape can be defined and everything that can be defined can be defeated[251]*. Work remains unrewarded because it changes the entrepreneur who: is able to avoid some mistakes because she has already overcome the mind, gains the skills to plan a business and thinks on a long-term, gains confidence in her managerial capacity to initiate and conduct business effectively, develops her skills to be persuasive in presenting ideas on which the business is based. And *running a business is not just something in terms of improved production, improved quality control, improved labor relations, (and) improved management of creative personnel, but it is management that improves the person involved and improves the world[252]*.

Second of all, the business plan becomes a resource. Resources are everything (good, service, idea etc) that can be used in a business. Currently, traditional resources are added to others. The Business Plan presents the characteristics of resources: by its appropriate use we may gain profit, it appears as an expense and therefore has value and price, it can be replaced and supplemented with other resources, and in some ways it can be mobilized (put on moving). The great advantage

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[250] Harrington H.J., Harrington J.S., **Management total**, Editura Teora, Bucureşti, 2001, p.86

[251] Cleary T., The Lost Art of War. Sun Tzu II, Harper Collins Publishers, New York, 1996; translation into Romanian: **Sun Bin – Nobila artă a războiului. Manuscrisul ascuns**, Editura Incitatus, Piteşti, 2004, p. 120

[252] Maslow A. H., **Eupsychian Management**, Richard D. Irwin, Homewood, Illinois, 1965, pp. 1-2

of this resource, other, is the fact that it depends almost exclusively on the female-entrepreneur and can be "certified" in accordance with her own objectives and abilities.

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L`ANALYSE COMPARATIVE DES FUSIONS-ACQUISITIONS AVEC LES AUTRES FORMES DE CROISSANCE DES ENTREPRISES (I- FUSIONS-ACQUISITIONS VS. CROISSANCE INTERNE)

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In order to achieve growth and development strategy, companies can choose between continuous improvement or optimization of operational and financial assets, on one hand, and on the other hand the achievement of mergers and acquisitions, as also strategic partnerships with other companies. The purpose of this paper is to analyze the company's growth and development strategy through mergers and acquisitions by comparison with that of organic growth, while highlighting the advantages and disadvantages of each type of strategy.

Keywords: company, mergers, acquisitions, organic growth

Cod JEL lucrare: L21, L25

1. Introduction

Dans le but de réaliser la stratégie de croissance et développement, les entreprises peuvent choisir entre l'améliorisation et l'optimisation continuelle des actifs opérationnels et financiers d'une part, et la réalisation des fusions et des acquisitions ainsi que des alliances avec d'autres entreprises, d'autre part. Dans le premier cas on parle de croissance interne ou organique tandis que dans le deuxième cas on parle de croissance externe.

Les fusions-acquisitions, le principal instrument de croissance externe, représente actuellement un choix privilégié des entreprises pour se développer d`une manière indépendante. Toutefois, si au début, cette manœuvre a suscité un réel enthousiasme, les résultats s`avèrent être, dans beaucoup de cas, tout à fait décévants. Donc, quand une entreprise desire adopter une stratégie de croissance et développement, il est necessaire d'apprécier les avantages et les inconvénients de cette option par rapport aux autres moyens de croissance alternative, comme la croissance interne ou la réalisation des alliances.

La choix entre ces options différentes se réalise en fonction des caractéristiques de l'entreprise initiatrice de l'opération mais aussi de ses options stratégiques.

La culture organisationnelle de l'entreprise et la politique menée dans le domaine des allocations des ressources et de la gestion des risques, sont aussi des facteurs-clés en ce qui concerne la choix entre les différentes stratégies possibles.

La croissance par fusions-acquisitions constitue un des principaux instruments de la croissance externe et s`oppose, par ses principes, à la politique de croissance interne.

On propose, par la suite une analyse comparative entre la stratégie de croissance par les fusions-acquisitions et la stratégie de croissance interne, en mettant en évidence les avantages et les inconvénients du chaque type de stratégie.

2. La comparaison entre les fusions-acquisitions et la croissance interne

La croissance interne suppose un développement progressif et continu de l'entreprise, fondé sur une croissance des capacités existentes ou la création de nouvelles capacités productives ou commerciales[253].

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[253] Meier, O., Schier, (2006), *Fusions Acquisitions- Strategie, Finance, Management*, Ed. Dunod, Paris, p.10

Une multitude de théories sur les procès et les ressources stratégiques proposent l`explication de la notion de croissance de l`entreprise. Au niveau de l'entreprise, Edith Penrose[254] voyait la croissance comme une fonction des ressources managériales, lorsque ces dirigeants ont des connaissances de specialité, ils connaissent l'entreprise et ils savent comment utiliser d`une manière très efficiente les actifs internes et les compétences. Ensuite, en s`appuyant sur une analyse à fondement plus large, Romer[255] considérait qu`à long terme, la croissance est déterminée par une accumulation et une transmission de connaissances.

Plus tard, les études ont accentué les théories se rapportant aux *routines organisationnelles* que Nelson et Winter[256] les ont défini comme représentant une accumulation de connaissances et d`habilités opérationnelles de l`organisation. Les chercheurs considéraient que ces routines et l`habilité des entreprises à les renouveller, en fonction de la dinamique du marché, détermine la croissance des entreprises.

Dans l'approche de la croissance au niveau de l`entreprise, dans la perspective interne (resource-based view), l`entreprise représente une accumulation de ressources, d`actifs, de connaissances et d`habilités qu`ensemble, lui détermine la croissance et le développement[257].

L`élément central situé à la base du choix d`une stratégie de croissance interne ou croissance externe est réprésenté par la réponse à la question « Ce serait mieux d` acquerir de nouvelles compétences, l`entrée sur un marché, une base de clients, des opportunités de gains, etc. ou attendre de les obtenir par les propres forces ?»[258].

L'opposition croissance interne/croissance externe a pour but la distinction des deux options fondamentales qu`une entreprise a en ce qui concerne la croissance et le développement. Edith Penrose, dans son ouvrage « The theory of the growth of firm » a établi une différence nette entre ces deux moyens de croissance et développement des entreprises. Ainsi, elle a présenté la croissance interne et la croissance externe comme représentant deux options stratégiques différentes que l'entreprise possède à sa disposition. L'idée centrale énonceé par Penrose est celle que les prochaines opportunités de croissance ou ses limites sont générées par les ressources ou les compétences accumulées par une opération antérieure de croissance. Elle souligne le fait que la croissance interne tout comme la croissance externe présente certaines limites et que l'utilisation d'une stratégie de croissance peut avoir des conséquences sur l'utilisation d'une autre stratégie. De cette manière, Penrose considère que la signification d'une fusion (ou acquisition) peut être le mieux évaluée, dans la lumière des effets sur la croissance interne et des limites dans sa réalisation[259].

En effet, dans le but de la croissance et du développement, une entreprise peut opter pour agrandir le capital productif, par croissance interne ou la prise du contrôle sur des actifs appartenant aux autres entreprises, par recours aux fusions-acquisitions.

On distingue deux facètes du concept de croissance de l'entreprise par les propres forces. D'une part, on parle de croissance interne lorsqu'on met l'accent sur l'accumulation de nouveaux actifs

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[254] Penrose Edith, (1959), *The theory of the growth of firm*, Oxford: Blackwell

[255] Romer, P., (1986), *Increasing returns and long-run growth*, *Journal of Political Economy*, 94, pp.1002-1037

[256] Nelson, R.R. et Winter, S.G., (1982), *An evolutionary theory of economic change* dans Guennif, S. et Mangolte, P-A., (2002), *Analysis of Organizational Routines: Proposal for an Analytic Framework Based on Nelson et Winter and Leibenstein*, disponible on-line: http://pagesperso-orange.fr/lepouillou/nwl-odense.pdf, visualisée en 15.03.2010

[257] Amit, R. et Schoemaker, P., (1993), *Strategic assets and organizational rent*, *Strategic Management Journal*, 14(1), pp.33-46

Bharadaj, S., Varadarajan, R. et Fahy, J., (1993), *Sustainable competitive advantage in service inductries: A conceptual model and research propositions*, *Journal of Marketing*, 57(4), pp.83-99

[258] Sherman, A., Hart, M., (2006), *Mergers &Acquisitions from A to Z*, second edition, Ed. Amacom, New York, p. 12

[259] Penrose Edith, *op.cit.,* p.5

productifs et/ou commerciales et d'autre part, on parle de croissance organique lorsque l'accent est mis sur l'évolution du volume de l'activité de l'entreprise ou de ses résultats[260].

La croissance interne suppose l'agrandissement de l'entreprise par des emprunts de capital et le réinvestissement des profits des années précédentes à l'intérieur de la même entreprise. Cela détermine une croissance des capacités productives, une allocation supplémentaire de ressources humaines et une augmentation du chiffre d'affaires[261]. La croissance organique peut représenter un moyen d'évaluation de la qualité de l'utilisation des ressources internes de l'entreprise par les dirigeants de l'entreprise. Lorsqu'elle est positive, elle peut indiquer une augmentation du nombre des clients au détriment des concurrents (croissance de part de marché) mais aussi une augmentation des revenus ou une extention de l'entreprise vers d'autres zones géographiques[262].

L'allocation des ressources financières et humaines dans la réalisation de la stratégie de croissance doit être fondée sur une augmentation de valeur soustenable pour les bénéficiaires de l'entreprise, mais cela peut demander plus de patience pour atteindre ces objectifs et pour conduire à la perte de certaines opportunités. Par l'adoption d'une stratégie de croissance interne, l'entreprise a la possibilité de garder son indépendance économique et financière. Cette stratégie convient mieux, surtout dans le cadre des stratégies de spécialisation, en adoptant une politique de renforcement ou d'augmentation des activités existantes. Ce moyen de croissance atteint pourtant rapidement ses limites, à cause des difficultés de l'entreprise à disposer de ressources internes suffisantes pour continuer à progresser et à innover. L'innovation est considérée un élément clé qui détermine la croissance interne de l'entreprise. L'innovation est vue comme un processus fondamental ou une capacité organisationnelle qui génère des connaissances organisationnelles qui conduisent, ensuite à la création de nouveaux produits et services, à une croissance interne et ultérieurement à une meilleure performance financière[263].

Souvent, parce qu'on désire l'obtention d'importants résultats dans un intervalle de temps assez court, la nécessité d'utiliser, dans le processus de croissance, d'autres instruments en dehors de ceux classiques de la croissance interne, est devenue de plus en plus grande. Les transactions stratégiques deviennent ainsi un moyen par lequel les dirigeants des entreprises réalisent des changements importants à court terme[264].

La croissance par fusions-acquisitions représente un moyen de développement qui permet à l'entreprise de contrôler des actifs déjà productifs sur le marché et détenus au début par d'autres entreprises.

Elle accorde à l'acquereur la possibilité d'accroître rapidement sa capacité de production, déterminant une diminution de la période de maturité d'un investissement productif. Les entreprises qui ont un grand potentiel de croissance représentent souvent les cibles parfaites des opérations de croissance externe. Par contre, les entreprises dont la croissance interne est ralentie, choisissent souvent de s'agrandir en fusionnant ou en acquisitionnant une entreprise dont la croissance est plus rapide[265].

Les fusions-acquisitions, comme option stratégique, sont considérées comme ayant une puissante influence sur la création ou la diminution de la valeur de l'entreprise. Par opposition à la

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[260] Meier, O. et.al, (2009), *Stratégies de croissance*, Ed.Dunot, Paris, p.4

[261] Campbell, D., Stonehouse, G. și Houston, B., (2002), *Business strategy: an introduction*, second edition, Ed. Elsevier, Burlington, p. 214

[262] Meier, O. et.al, (2009), *op.cit.,* p.4

[263] Geroski, P., (1989), *Entry, innovation and productivity growth*, *The Review of Economics and Stat*istics, 45(2), pp.171-189

Stremersch, S. et Tellis, G.J., (2004), *Understanding and managing international growth of new products*, *International Journal of Research in Marketing*, 62(1), pp.2-18

[264] Frankel, M.S., (2007), *Mergers and Acquisitions: Deal Makers*, Ed. John Wiley&Sons, Inc., New Jersey, p. 50

[265] Liodakis, M. et Pang, C., *Searching for value-enhancing acquirers* dans Gregoriou, G.N., et Renneboog, L., (2007), *International Mergers and Aquisitions Activity Since 1990*, Ed. Academic Press, Burlington, USA, p.72

croissance interne, l'allocation de ressources pour la réalisation d'une opération de fusion-acquisition accelera le processus d'atteindre les objectifs de croissance de l'entreprise mais augmentera, en même temps, le niveau du risque si l'opération n'est pas bien structurée ou bien negociée. Généralement, le choix entre ces deux moyens de développement (croissance interne ou fusions-acquisitions) est en étroite dépendance avec le type des entreprises et de la stratégie qu'on envisage. Les variables, qu'une entreprise qui désire adopter une stratégie de croissance et développement, devrait prendre en considération dans le choix d'une stratégie de croissance interne ou d'une fusion-acquisition, incluent[266]:

- la compétitivité, la fragmentation et le rythme du marché et de l'industrie;
- l'accès au capital et le coût du capital;
- les capacités spécifiques de l'équipe des dirigeants;
- la capacité et le potentiel de développement des compétences fondamentales;
- la loyauté des clients;
- le degré d'influence de la modification de conjoncture du marché sur l'entreprise;
- le degré de réglémentation de l'industrie dans le cadre duquel opère l'entreprise.

Si la stratégie de croissance interne avait été une stratégie habituelle pendant la période de début du développement corporatif, actuellement, les grandes entreprises l'utilise en association avec la stratégie de croissance externe afin de consolider leur position sur le marché. La croissance interne présente l'avantage d'un risque réduit, par rapport aux fusions-acquisitions qui représentent l'instrument principal de la croissance externe. Grâce au fait que l'augmentation des capacités reste entièrement sous le contrôle de l'équipe des dirigeants existents, les risques générées par les opérations des fusions-acquisitions des autres entreprises sont évités. De cette manière, les compétences fondamentales peuvent être exploitées et valorisées avec succès. D'autre part, le mécanisme de la croissance interne est plus lent par rapport à celui de la croissance externe. La croissance externe par une fusion-acquisition d'une entreprise, représente un moyen rapide de croissance et développement par rapport à l'augmentation graduelle par des moyens internes[267].

Dans la figure suivante sont présentés, schématiquement, les avantages, les inconvénients ainsi que les types d'entreprises concernées dans le cas des deux moyens de croissance des entreprises.

Figure 1. Les avantages et les inconvénients de la croissance interne et des fusions-acquisitions des entreprises

	Avantages	Inconvénients	Types d'entreprises principalement concernées
Croissance interne	- L'exploitation d'un domaine connu permettant l'emploi de l'expérience et des compétences accumulées; - Le maintien de l'identité de l'entreprise; -Le maintien de l'indépendance; - L'absence de la reorganisation ou de la restructuration.	- La vulnérabilité de l'activité au cas de changement de la conjoncture ou de la maturité du marché; - Des difficultés à atteindre une dimension suffisante.	- Des microentreprises, des entreprises petites et moyennés non-cotés à la bourse; - Des entreprises qui ont choisi la stratégie de spécialisation.
Croissance par fusions-acquisitions	- Accès rapide aux nouveaux domaines d'activités; - Développement au niveau international;	- Besoins élevés de capitaux; - Problèmes de coordination et contrôle des activités regroupées;	➢ Des entreprises grandes, multinationales; ➢ Des entreprises qui ont choisi la stratégie de la

[266] Sherman, A., Hart, M., *op.cit*., p.12
[267] Campbell, D., Stonehouse, G. și Houston, B., *op.cit.,* p. 213

| | L'exploitation des synergies de coûts;
 - La croissance du pouvoir sur le marché de l'entreprise- la diminution de la concurrence. | - Coûts de l'intégration physique des activités (reorganisation);
 - L'impact psychologique de l'opération sur le climat social;
 - La difficulté de l'intégration culturelle et managérielle des entités. | diversification ou de l'intégration verticale. |

Source: Meier, O., Schier, G., (2006), *Fusions Acquisitions- Strategie, Finance, Management*, Ed. Dunod, Paris, p.11

Les atouts et les faiblesses de ces stratégies possibles doivent, par conséquent, être appréciés dans la lumière des objectifs et des contraintes des entreprises concernées. Bien qu'il s'agisse d'une logique différente, on peut souligner le fait que ces deux options ne sont pas incompatibles et sont même assez souvent associées. Les compétences-clés sont considérées être un facteur important de la croissance interne mais représente, en même temps, un fondement dans la réussite des opérations de fusions-acquisitions. Autrement dit, les fusions-acquisitions ont de grandes chances de réussite, plus si l'acquereur maîtrise d'une manière efficiente tous les éléments du mécanisme de la croissance interne et particulièrement[268]:
- la réalisation d'un plan stratégique et d'un plan d'affaires bien structuré;
- l'élaboration des objectifs réalistes;
- l'analyse des propres activités pour identifier les points forts, les points faibles, les opportunités et les menaces qui peuvent apparaître;
- l'évaluation régulière de la valeur de ses propres actifs et de l'impact que les résultas obtenus ont sur le développement de l'entreprise;
- la capacité de réaliser d'une manière continuelle des changements dans le but d'améliorer la compétitivité et l'adaptation aux influences extérieures qui s'exercent sur l'entreprise.

3. Conclusions
Les limites de la croissance interne résident dans la difficulté de disposer des ressources internes nécessaires à un procès continuel de développement, de progrès, d'innovation. Par conséquant, la croissance externe représente une opportunité de croissance rapide en ajoutant simplement les ressources appartenant aux autres entreprises. La perspective de la croissance et de la création de valeur dans un intervalle de temps assez court mênent à l'évidence que les fusions-acquisitions ou les alliances deviennent des moyens privilégiés de plusieurs dirigeants ou actionnaires d'entreprises, souvent au détriment de la croissance interne. Par la suite on peut conclure que trouver l'équilibre entre la croissance interne et la croissance externe d'une part et le respect de l'impératif de la création de valeur d'autre part, fait partie du choix stratégique qui appartient au top management.

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SUB-SECTION: ECONOMIC STATISTICS

CURRENT CRISIS AND ECONOMIC CONVERGENCE IN THE EU

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The paper is intended to be primarily a factual developments illustrate the main economic indicators in the context of Romania's crisis by creating a digital picture to illustrate the main effects of the country. The idea started more from a personal desire to make a passage highlighted "the crisis, where some of it not felt it directly, seem to be amplified in an unduly by the media". Secondly, we proposed the application of an econometric model using as a set of macroeconomic indicators compiled data for Romania for the period 2000 to 2008. This will allow certain scenarios and forecasting developments in the context of model assumptions.

Introduction

In early 1960, Federal Deposit Bank of St. Louis (Bari 2002) developed in an economic analysis model, which stressed the role of monetary aggregates. Initial analysis of economic data was performed using diagrams that after 1960 will be used regression techniques as a tool of analysis. Some of the quantitative research efforts were consolidated in 1970 with publication of what followed is known as "The St. Louis Model"

The model St. Louis

The first theoretical consideration that underlies the development model was the modern quantitative theory of money. The emphasis of the modern quantity theory is the behavior of economic units in response to changes in the stock of money. Moreover, the existing stock of money must be held by someone. As a result, a change in the stock of money will induce a discrepancy between the current owner and interested possession of money that will change because alternate portfolio of assets. Included in this adjustment is a change in spending on goods and services.

The second theoretical issue that has been implicit in the construction of the model, although not explicitly recognized by those who developed the model at the time, was the search and information costs on economic behavior. Information on the equilibrium price is not to gather cost and thus economic units should seek balance in market prices. As a result, prices do not necessarily have been adjusted instantaneously to the new equilibrium level in response to a step change in total spending.

As a result of these theoretical considerations, the relative impact of fiscal and monetary measures requires careful assessment. This assessment includes the differentiation between short and long, and granting special focus methods are to finance government expenditure.

Model *St. Revised Louis "allows* analysis and forecasting economic fundamentals following developments: nominal national income; level of prices; real national income; rate of employment.

The Structure of the Model
Main assumption in developing the model equations is that the evolution of nominal national income depends on the evolution of monetary and budgetary. In other words, changes in national income depend on monetary and fiscal policy. Thus, the merit of this model is that it provides information on developments in the basic macroeconomic variables in different ways of combining measures of monetary and financial policy, which allows the design of monetary policy in line with the overall objectives of economic policy in terms of income national employment and prices.

Equation of nominal national income:

$$\Delta Y_t = f_1\left(\Delta M_t \ldots\ldots\ldots \Delta M_{t-n}, \Delta E_t \ldots\ldots \Delta E_{t-n}\right) \quad (1)$$

Equation of price level:

$$\Delta P_t = f_2\left(D_t \ldots\ldots D_{t-n}, \Delta P_t^A\right) \quad (2)$$

Identity equation:

$$D_t = \Delta Y_t - \left(X_t^F - X_{t-1}\right) \quad (3)$$

Identity equation of total expenditure (nominal national income):

$$\Delta Y_t = \Delta P_t + \Delta X_t \quad (4)$$

Equation of exchange rate:

$$R_t = f_3\left(\Delta M_t, \Delta X_t \ldots \Delta X_{t-n}, \Delta P_t, \Delta P_t^A\right) \quad (5)$$

Equation predicted prices:

$$\Delta P_t^A = f_4\left(\Delta P_{t-1} \ldots P_{t-n}\right) \quad (6)$$

Equation of unemployment rate:

$$U_t = f_5\left(G_t, G_{t-1}\right) \quad (7)$$

Deviation of GDP actually from potential GDP:

$$G_t = \frac{X_t^F - X_t}{X_t^F} \quad (8)$$

The relationship model is a fundamental equation of total expenditure. Total expenditure is determined by the actions of monetary and fiscal (spending financed from taxes or borrowing from the public). Although no details are known is that such actions affect costs. Change in total

revenue is combined with an estimate of potential production that leads to the modification application. An estimate of the anticipated price change is combined with the modification request to determine a change in the price level. To describe the model, its characteristics are summarized in relation to four key assumptions money. They are: 1. monetary actions are the dominant factor contributing to economic fluctuations; 2. Monetary actions have little, if any, lasting effect on real variables, with effects lasting only for nominal variables; 3. Fiscal actions, defined as changes in government spending with a given stock of money, have only a transitory impact on economic activity; 4. The economy is in a private stable inert.

Crisis in Romania

Under the model assumptions can build national income equation in the form of a linear econometric model multi-factorial:

$$I^{PIB} = \alpha_1 I_{t/1}^{ChGuver} + \alpha_2 I_{t/1}^{M} + b \quad (9)$$

Where the indicators used are: real GDP index, index of real monetary, government spending index. Therefore, we interpret the estimated parameters as to an increase of 1% of government expenditure, national income has increased in the review, on average, 0.84211%, respectively an increase of 1% of average monetary income of national increased in the range examined, on average, 0.20644%, which confirm the theoretical results of the influence of fiscal and budgetary policy.

Linear correlation coefficient is defined in the interval [-1, 1], that the value 0.964 obtained indicates a stronger linear correlation between the two variables. Test Fisher - Snedecor shows that the results are significant, with a significance threshold of 5%..

$$F_c = 39,7768 > F_{0,05;2;6} = 10,43$$

So, we can say that the model is good. Checking the significance of default and correlation coefficient of linear correlation is done using the test Fisher - Snedecor:

$$F_c = \left(\frac{n-2-1}{2} \right) \frac{R^2}{1-R^2} = 3 \cdot \frac{0,9298}{0,0702} = 13,24 > F_{0,05;2;6} = 10,43$$

Therefore, the model correctly describes the dependence of the three variables, the independent in explaining the proportion of 93% of total variation in the dependent variable.

The effects of economic crisis - evolutionary scenarios

If the equation of our revenue to perform a forecast for next year after the 2 scenarios: optimistic, and pessimistic.

If we consider the following *scenario optimistic* assumptions: government expenditure will increase in real terms by 3% and average money will increase in real terms by 5%.

For the pessimistic scenario, consider the following assumptions: government spending will decrease in real terms by 3% and average money will remain constant. Substituting the above equation for each scenario in part refrained forecast for the period 2008-2011.

Thus:

− In the optimistic scenario where the pace of growth will be 2.5%.
− If pessimistic scenario was obtained a decrease in growth of 2.5%.

Exchange Rate equation is:

$$R = \alpha_1 IPC + \alpha_2 I^{PIB} + \alpha_3 I^{M} + b \quad (10)$$

Where the indicators used are: interest rate, index of consumer prices, monetary mass average GDP dynamics.

The interest rate is influenced by positive and negative dynamic pricing dynamics of GDP and the monetary. All influences are analyzed in accordance with economic theory. Romanian

economy to the equilibrium interest rate is 10.12%. Influences factors are analyzed as follows: for each percentage increase in the CPI rate increases by 1.73% for a percentage of GDP growth rate falls to 0.0771% for each percentage increase in monetary leads to lower interest rates with 10.73%. The lowest influence has therefore GDP.

Coefficient of linear correlation shows that there is a strong linear correlation between variables (0,9147). Test Fisher - Snedecor shows that the results are significant, with a significance threshold of 5%.

$$F_c = 8,54 > F_{0,05;3;5} = 7,3$$

Significance F = 0.02 <threshold of significance (0.05). Checking the significance of default and correlation coefficient of linear correlation is tested using the Fisher - Snedecor:

$$F_c = \left(\frac{n-3-1}{3} \right) \frac{R^2}{1-R^2} = \frac{5}{3} \cdot \frac{0,8367}{0,17} = 8,2 > F_{0,05;3;5} = 7,3$$

Therefore, the model correctly describes the dependence of the four variables in explaining the independent proportion of 83% of total variation in the dependent variable.

Scenarios development

The interest rate equation in our model build a forecast for next year after the 3 scenarios: optimistic, pessimistic and average. *If* we consider the following *scenario optimistic* assumptions: government expenditure will increase in real terms by 3% and average money will increase in real terms by 5% and a CPI of 4.5%. *For the pessimistic scenario,* consider the following assumptions: government spending will decrease in real terms by 3% and average money will remain constant while the CPI is 3%. Substituting the above equation for each scenario in part refrained forecast for the period 2009-2011. Solutions in the short term trends indicate libratory interest rate. Thus, the optimistic scenario where the interest rate would record a level of 8.87% in case of moderate 10.21% while the pessimistic scenario it will rise to 12.27%.

Convergence sigma and beta

A commonly used indicator for measuring convergence is the variation coefficient on the level of GDP/capita, denoted by σ. This indicator is used to measure Sigma convergence. It can be used to evaluate the real convergence level by measuring the dispersion of GDP/capita over a one year period, using for this purpose cross series (countries and regions). In this case, the relevance of the convergence indicator appears only when making comparisons.

In our study, we have used this indicator to measure and predict the real convergence level for some EU countries, specifically the group of EU 12. Data series refers to the 1998-2007 period. They will be symbolized with UE12 and are: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

Sigma convergence values for this period are: 0,6656; 0,6774; 0,6427; 0,6098; 0,5817; 0,5692; 0,5398; 0,4918; 0,4512; 0,3841.

By analyzing the level and trend of the variation coefficient, we can conclude the following:

- The considered indicator concerning the GDP/capita variation coefficient of the EU countries shows an increase during 1998-1999. This increasing process reveals a divergent growth of the economies inside this group of countries, with the real possibility that every less developed country will strive for higher levels of development;

- During 2000-2007 the evolution of the variation coefficient of GDP / capita is a decreasing one, which indicates the tendency of increasing convergence of the economies of the mentioned countries.

Besides Sigma indicator, expressed by the variation coefficient or standard deviation, there were numerous concerns within econometric research, a significant place being occupied by the Beta parameter estimation and interpretation of growth regression equation.

Beta indicator estimated by using the regression equation, expresses the speed (rate) with which different countries achieves convergence to a steady state. This indicator studies sigma convergence in terms of evolution over time. Beta indicator's values are increasing throughout the period 1999-2007, compared to 1998: they range from 0.06889 to 0.2866. This means that if in 1998 the indicator's GDP / capita would have increased by 1 unit, in 2007 it would have reached values of 0.2866 or higher.

Conclusions

Current economic crisis, burst into the U.S. (Daianu 2008) to quickly propagated globally affecting international economic system. Put on the irresponsible policies of financial institutions, the crisis raises worrying questions about the security. Transmission of the crisis was not only geographically but also in society, the financial plan in the real economy, both social and gradually installed and psychological level. The latter seems to be the most dangerous contaminants, whereas the frozen actions practically blocking economic growth for fear and mistrust. The effects of the crisis are felt in Romania. This is seen primarily at economic indicators, which after a period of growth began to come together with this crisis on a downward trend. Regarding short-term evolution of economy and living standards in Romania, according to evolutionary scenarios outlined in the model St. Louis reviewed the pessimistic scenario (which is most likely in the current context) GDP will decrease by 2.5% and interest rate (real) will be an average of 12.27%.

This paper has reviewed a number of methods and instruments developed for the analysis of economic and/or social inequalities and that can be used for examining disparities among EU12 countries. One objective of the paper was to produce an update analysis of the convergence process among EU countries. Another was to show that instruments vary significantly in terms of their specificities and qualities and that it is therefore important to be aware of their limits when measuring the extent and evolution of countries disparities within the EU.   These results also underline that the analysis of convergence is in fact complex.

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USE OF ECONOMETRIC INSTRUMENTS IN DETERMINING THE FINANCIAL RESOURCES NEEDED FOR PROFESSIONAL SKILLS DEVELOPMENT PROJECTS

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The market shows no signs of sustainable recovery after the crisis that hit the world economy in 2007, and therefore public intervention in the area of professional re-conversion is highly desirable. Public spending on training programs needs to be economically justified and closely monitored. We describe an econometric method to evaluate needed costs for training programs for professional skills development, based on a sample of pair values extracted from training projects implemented between 2008 and 2009. We find that, although the unitary value as resulted after applying the econometric model corresponds to the national available amount, by applying other types of indicators, such hour of training, can determine more efficient (less resources needed), cost-effective and effective (increased number of trained individuals for less costs) values in what regards the process of delivering training programs.

1. Introduction

The Lisbon Strategy is put into practice in Romania through the Sectoral Operational Program for Human Resources Development which has as main objective the development of human capital and increasing competitiveness, by linking education and lifelong learning with the labor market and ensuring increased opportunities for future participation on a modern, flexible and inclusive labor market for 1,650,000 people [1]. This objective is planned to be achieved through activities that can be financed after public auctioning under the SOPHRD priority axes (PA) and key areas of intervention (KAI) [2]. The professional skills development of employees is achieved under Priority Axis (PA) no 3 "Increasing adaptability of workers and enterprises", Key Area of Intervention (KAI) 2 "Training and support for enterprises and employees in order to promote adaptability". This KAI has a series of national indicators, as negotiated by the Romanian Government and the European Commission, which set, on a yearly basis, the targets to be achieved and the financial allocation corresponding to the agreed indicators.

Table 1. Result indicators for KAI 3.2 under SOPHRD

Output indicators	Cumulative proposed targets								
	2007	2008	2009	2010	2011	2012	2013	2014	2015 total
Number of persons trained in the filed of work management and organization	-	1600	3300	5400	7800	10600	13500	15000	15000
Number of persons with updated and improved professional competencies	-	30500	62000	102000	148000	198700	252700	280000	280000
Total		32100	65300	107400	155800	209300	266200	295000	**295000**

The indicators in the *Table 1.Result indicators for KAI 3.2 under SOPHRD*, as presented above, refer to employees that have been trained to update, develop and improve their professional competencies. This KAI finances intensive training courses, up to 120 hours/person. Trainings for qualification or re-qualification, which have between 360 and 1080 hours/person, are financed under KAI 2.3 of the SOPHRD [3]. Within the public policy for human resources development, through the implementation of the SOPHRD, by the end of 2015, at least 295,000 employees of active companies in Romania would have been involved in some type of intensive training. For this objective, the Romanian Government, as agreed with the European Commission, has allocated a total sum of 308,550,609 EURO, of which 229,083,655 EURO from the EU, and 40,431,555 EURO from the national budget, as illustrated in *Table 2*.

Table 2. Financial allocation for KAI 3.2 under SOPHRD

| Year | Total | EU contribution (ESF) | Contribuţia naţională publică | | | | Private contribution |
			State budget	Local budgets	Other public sources	Total	
2007	18.904.046	14.035.325	2.477.130	0	0	2.477.130	2.391.591
2008	29.304.145	21.756.887	3.839.928	0	0	3.839.928	3.707.330
2009	40.172.466	29.826.080	5.264.081	0	0	5.264.081	5.082.305
2010	47.792.232	35.483.382	6.262.552	0	0	6.262.552	6.046.298
2011	52.866.263	39.250.601	6.927.438	0	0	6.927.438	6.688.224
2012	59.164.088	43.926.426	7.752.686	0	0	7.752.686	7.484.976
2013	60.347.369	44.804.954	7.907.740	0	0	7.907.740	7.634.675
Total	**308.550.609**	**229.083.655**	**40.431.555**	0	0	40.431.555	39.035.399

Source: *Government of Romania.* Framework Document for the Implementation of SOP HRD

The decision makers have based financial allocation nor on quantitative and/or qualitative analyses, but rather on quantitative estimation of trained employees which need professional updating and development. Using the total financial allocation (308,550,609 EURO) for this KAI and the proposed indicator (295,000 persons) in a simple calculus, one can extract the median cost value for each trained person: 1,045.93 EUR. The financial mechanism put in place to sustain professional skills development programs is provisioned under EC Regulations no 1083/2006, 1605/2002 and 2342/2002. In brief, this mechanism is based on private and public providers of professional skills development training programs which can apply for financing under this particular KAI of the SOPHRD. Under state aid schemes, enterprises can apply directly for financing and organize their own training programs.
As estimated by the authors of the Regional Plans for Labor Force Employment, during the current programming period (2007-2013), approximately 30,000 individuals in the North West Region need to have their professional skills updated and/or developed and/or improved.

2. Determining the necessary financing in the North West Region by employing a linear econometric model

Professional skills development is achieved generally at the initiative of the enterprise with the purpose to increase productivity and therefore the profit. Nevertheless, a worker's skills determine that employees's wage and sector of activity and, furthermore, high-wage sectors employ high-skill workers and offer high returns to workers' skills [4].
The level of commitment towards the constant updating of professional skills of employees depends largely on the type of organizational culture, the size, business strategy, type of management and economic environment. Nevertheless, the relation between the professional

abilities of staff and productivity (hence, profit) is very direct and widely accepted. Development of general and/or specific professional skills [5], as they are defined in the Commission Regulation (EC) no. 800/2008 (General block exemption Regulation), cover the entire training area. By reporting to these definitions, external financial support for enterprises becomes a matter of public subventions, which, to be possible, needs to comply with the provisions set out in the above mentioned regulation. The Regulation lays down the limits of aid intensity [6], which, depending on the size and type of enterprise, varies between 25% and 70%.

2.1. Model identification and establishment of variables

As a general rule, training providers base their cost estimation whether on the number of hours of the activity or on the number of individuals to be trained. In each of the situations, their offers are in a linear dependency with the base used in the calculus. When determining the program indicators, decision makers have not taken into account the fact that not all types of training programs need the same, or approximately the same, resource engagements. As indicated in *Table 1*, the result indicator for KAI 3.2 under SOPHRD is the number of trained individuals and not the number of hours. Current Romanian legislation regarding professional skills development indicates that qualification training courses are defined on three levels, level 1 – 360 hours, level 2 – 720 hours, and level 3 – 1080 hours, while intensive training for acquiring new competencies may be varying between 20 – 120 hours [7].

Since an official report on the training needs at national, regional or local levels in relation with the types of employers and number of hours has not been conducted, determining the funding requirements for training cannot be carried out unless a low level of significance is accepted. With the current setup, the public policy regarding training of adults may lead to situations varying among: i) unjustified savings – achievement of proposed indicators by delivering common competencies for a sufficient number of individuals through short-term training, but with the disadvantage of leaving uncovered other types of training needs; ii) inefficient use of resources – training projects with over-estimated budgets which provide short term training programs at the costs of long-term training programs; and iii) lack of resources to cover training needs – fail to achieve indicators due to the lack of resources, regional allocation of funds not being carried out based on estimating the necessary hours of training. The list of encouraged competencies/qualifications has not been made available either, which leads to further confusions in what regards prioritization of public funded interventions.

The only indicator which allows a sufficient allocation of resources at regional level and facilitates proper auditing of the performance of the funds is the **hour of training for encouraged competencies**. An important factor in judiciously using the available funds is represented by the pace of allocating financial resources in relation with the prioritized indicators. Thus, one should first establish the profile of the local economy and, consequently, the related necessary competencies as expected by the enterprises. This would further yield in a territorial prioritization of necessary competencies, based on activities and enterprises.

The needed number of training hours can be determined by the use of an econometric model (with multiple variables) within each of the activity and/or enterprise. In this way one can accurately estimate the necessary hours of training in the tourism sector, for SMEs for professions such as cook, waitress, maid etc. The model may support a single variable in the absence of forecasted additional investments – the increase in number of cooks is not related to the increase in number of waitresses, as the intervention is programmed to solve the deficit of competencies of that particular enterprise (with the accepted hypothesis that its condition does not change as result of new capital injection). One can thus generate different settings with different economic consequences which could be taken into consideration when projecting the impact of the political impact in the territory. The method of global utility can be employed to fundament the decision to finance training programs through public funding for certain types of

enterprises, belonging to an economic sector, over other enterprises, belonging to the same or to another economic sector.

Determining the econometric model and optimizing the decision are reflected in the **effectiveness** of public policies; making available affordable resources for training programs results in **cost-effectiveness**, and **efficient** allocation of resources to obtain desired results completes the framework in which the performance of using public funding for professional skills development programs is analyzed. Such approaches, at this time, are very seldom and most of them respond to two of the above-mentioned criteria.

Organizing public calls, where the main criteria of selection is the lowest offered price, is already a reality through the implementation of Section Grants in the Council Regulation (CE) no 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. One can respond to the cost-effectiveness criteria of public funding use by the proper employment of such calls for projects.

In order to achieve the efficiency criteria we proposed to determine the necessary financing for future training in the Region North-West of Romania, by employing a linear econometric model and by using data collected in the previous programming period (pre-accession period).

The professional skills development programs during the years 2006 and 2009 and in the case of employees, have been carried out through financial allocations made available within the Phare Economic and Social Cohesion – Human Resources Development funding lines. In the North-West Region a number of 31 projects have been approved and implemented with the following pairs of values (as reflected in *Table 3. Phare pairs, 2005-2006)*: budget value (endogenous value) and number of trained individuals (exogenous variable).

Table 3. Phare pairs, 2005-2006

No.	Budget	Indicator
1	60,445	60
2	83,140	40
3	90,763	110
4	29,796	44
5	78,460	66
6	43,760	62
7	48,950	62
8	72,435	51
9	60,200	44
10	67,400	87
11	58,910	42
12	48,425	56
13	78,255	104
14	20,852	100
15	86,255	143
16	63,855	133
17	58,761	148
18	85,710	144
19	77,025	35
20	82,887	300
21	44,590	51
22	105,130	76
23	33,900	25
24	110,494	60
25	53,870	46
26	101,085	480
27	79,180	20
28	77,440	56
29	56,256	39
30	69,420	225
31	71,865	56

2.2 Estimation of the econometric model

We estimate the existence of a linear dependency between the project budget and the number of trained individuals, as illustrated by the following formula:

$y_i = a + bx_i + \varepsilon_i, i = \overline{1,n}$, where Y is the endogenous value (project budget), X is the exogenous variable (number of trained individuals) and ε is the random residual variable, which includes the effects on Y of other factors than X, but less significant than X. Taking into consideration the pairs in *Table 3. Phare pairs, 2005-2006* we can estimate the model coefficients. Thus $\hat{\bar{y}} = 67726,26$, and $\hat{\bar{x}} = 95,65$ and $\hat{a} = 59711.87$, respectively $\hat{b} = 83.79$. The linear model of budget dependency on indicators for a project becomes: **Ymed(X)** = 59711.87 + 83.79 **X.**

One can observe that in the considered model the project budget is made of a fix part and of a variable one, the later directly proportional with the number of trained individuals. One way to make the training costs more efficient is to impose lower limits for the number of trained

individuals per project, determining thus, eventually, a decrease in the number of financed projects, which, at its turn, leads to reducing the costs which are not directly related to training costs.

Besides the punctual estimation as shown by the values obtained on the pairs of data, $\hat{a}$ and $\hat{b}$, for the unknown parameters a and b, one can construct confidence intervals such as $P\left(\hat{b} - t_{\alpha/2,n-2}\sqrt{\hat{V}\left(\hat{b}\right)} \le b \le \hat{b} + t_{\alpha/2,n-2}\sqrt{\hat{V}\left(\hat{b}\right)}\right) = 1 - \alpha$, where $\alpha \le 5\%$, is the significance threshold, $t_{\alpha/2,n-2}$, is a table value from the Table of the Student's T Distribution with n-2 degrees of freedom, corresponding to the probability, $\alpha/2$, and $\hat{V}\left(\hat{b}\right)$ is

$$\hat{V}\left(\hat{b}\right) = \frac{\hat{s}^2}{\sum_{i=1}^{n}\left(x_i - \overline{x}\right)^2}, \quad \hat{s}^2$$ being the punctual estimator of the unknown variance of the residual

variable, σ^2, given by the formula, $\hat{s}^2 = \dfrac{\sum_{i=1}^{n}\hat{\varepsilon}_i^2}{n-2} = \dfrac{\sum_{i=1}^{n}\left(y_i - \hat{a} - \hat{b}x_i\right)^2}{n-2} = 13316560.8$.

Based on the values in the sample, after calculating the residuals and the values for $\hat{s}^2$, we obtain for the variance of $\hat{b}$ the estimated value **1578.919**, and for the variance of $\hat{a}$ the estimated value **0,029898.** For $\alpha/2 = 0,025$ and 29 degrees of freedom we find, in the Table of the Student's T Distribution, the constant 2,045. Thus we can determine the numerical limits of the confidence interval both for *a* and for *b*. From here it results that P(2,53 < b < 165.05) = 95% and P(59711,52 < a < 59712,22) = 95%

2.3 Model validation
The model is validated both through the test T of significance for coefficient *b* and through the test F for the linear correlation coefficient. Based on the result obtained on the sample, we can calculate the particular value T calc = 2,108761. As *Tcalc* does not belong to the interval [-2,045, 2,045], we dismiss the null hypothesis and accept the alternative hypothesis. Consequently, $b \ne 0$, which means that *X* stays in the model as factor of major linear influence, for *Y*, the significance threshold being 5%. Based on the data obtained on the sample, we can calculate a particular value (2), *Fcalc* = 4,4468. As 4,4468 does not belong to the interval [0, 4,18], we dismiss the null hypothesis and accept the alternative hypothesis. Consequently, $R_{01} \ne 0$, which means that *Y* is explained in an acceptable manner by a linear model based on *X*, the significance threshold being 5%.

2.4 Estimates based on the model
In the hypothesis that all 30,000 individuals would be trained under one project, by a single training provider, the allocated budget could be determined by using the described linear model, as it follows: average budget for 30,000 individuals to be trained = 59711.87 + 83.79 X 30000 = **2.573.411,87 EUR.** But the model has been constructed for an average indicator of approximately 100 individuals trained per project, which means that between 2009 and 2015, providers of professional skills development programs will have trained 30,000 individuals in approximately 300 projects. This way we will have: average budget for 30,000 individuals to be trained = 300(59711.87 + 83.79 X 100) = **20.427.261 EUR.**

Confidence interval for the forecast: $\hat{V} = \hat{s}^2 \left[1 + \dfrac{1}{n} + \dfrac{\left(x_{n+h} - \hat{\bar{x}}\right)^2}{\sum\limits_{i=1}^{n}\left(x_i - \hat{\bar{x}}\right)^2} \right]$

In the hypothesis of 100 individuals to be trained, the result is: 426159890.1 and the confidence interval for the forecast will become:

$$P\left(\hat{y}_{n+h} - t_{\alpha/2,n-2} \sqrt{\hat{V}} \le y_{n+h} \le \hat{y}_{n+h} + t_{\alpha/2,n-2} \sqrt{\hat{V}} \right) = 1 - \alpha$$

P(68090.87-42216.24 < Y < 68090.87 + 42216.24) = 95%; P(25874.63 < Y < 110307.11) = 95%. We observe that in order to train 30,000 individuals, within 300 projects, with a probability of 95%, the necessary financial resource will amount to 33,092,133 EUR. Based on the tested econometric model, the necessary financing for the North-West Region for training 30,000 individuals is **33,092,133 EUR.**

3. Conclusions

The sample taken into consideration for testing the econometric model is based on recent data, extracted from projects that have been implemented between 2008 and 2009, and therefore we can confidently consider that it offers an accurate image of project based training programs financed through public funding. The unitary value as resulted after applying the econometric model corresponds to the national available amount, 1103 EUR/trained individual vs. 1045.93 EUR/trained individual. Nevertheless, the ambiguity of the result indicators as they are set by the public policy implementer, generates difficulties in assuring an efficient public policy implementation framework, and, as a consequence, affecting the general performance of public funding usage. The model described here in is based on a number of trained individuals, within certain contractual provisions where the volume (result indicators) is assumed by the contract beneficiary. Applying other types of indicators, such hour of training, can normalize the information and determine more efficient (less resources needed), cost-effective and effective (increased number of trained individuals for less costs) values in what regards the process of delivering training programs. This will eventually lead to an increased impact of the public policy. Since the market shows no signs of sustainable recovery after the crisis that hit the world economy in 2007[8], public intervention in the area of professional re-conversion is highly desirable, and therefore public spending on training programs needs to be economically justified.

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GRANGER CAUSALITY AND COINTEGRATION IN ROMANIA'S INFLATIONARY DYNAMICS – AN EMPIRICAL STUDY

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One of the most difficult issues that monetary authorities in many developing economies have to deal with is the management of a stable price environment. Inflation can create uncertainty, a low level of investment, and raise costs in general, thus lowering rates of growth. As a result, there exists a widespread need for understanding inflationary dynamics in any country of interest, especially in developing countries, subject to more significant and volatile price changes. This paper develops a VEC model for the Romanian economy, using CPI index and other macroeconomic data, in order to capture the transmission mechanism of inflation.

Introduction

The primary focus of monetary policy has traditionally been the maintenance of a low and stable rate of aggregate price inflation as defined by commonly accepted measures such as the consumer price index. The underlying justification for this objective is the widespread consensus supported by numerous economic studies, that inflation is costly as it undermines real, wealth enhancing economic activity. This consensus is probably stronger today than it ever has been in the past.

The interest in empirical studies of monetary policy has increased in the last decade, possibly for the following two reasons. First, financial markets have been deregulated and monetary of the monetary policy process in a country with an inflation target may look something like the following. Official central bank inflation forecasts are presented to the public rather infrequently (e.g. in quarterly "inflation reports" as in Romania, Sweden or the U.K.). On these occasions attempts are made to measure and justify the overall stance of monetary policy, considering not only the development of inflation, but also other variables such as interest rates, the nominal exchange rate, indexes of "monetary conditions" (weighted averages of exchange and interest rates), and the "output gap" (the difference between actual and so-called potential GDP).

Forecasts of inflation will represent a key ingredient in designing policies which are geared toward the achievement of price stability. Moreover, such forecasts should be optimal in the sense that they make use of all relevant indicators and weight them correctly according to their reliability as predictors of future price developments.

Literature review

Previously, forecasting and policy analyses have been conducted using structural macroeconomic models developed along the lines of the Cowles Commission approach. These structural models, using hypothesized theoretical relations, show the main linkages in the economy. In the '40s and '50s, this was the traditional approach to econometric modeling of the monetary transmission mechanism, based on the quantitative evaluation of the impact of monetary policy on macroeconomic variables. The Cowless Comission methodology was based on the following three stages: specification and identification of the theoretical model, estimation of relevant parameters and simulation of the effects of monetary policy.

These models thus rely on economic theory, to determine the number of variables and their influence on the inflation. Under the Cowles Commission approach, if a particular structural form or parameterization that is derived from economic theory fails to be identified by the data; the parameter space is then transformed such that each point uniquely represents distinct behavioral patterns.

Two famous critiques were given by Lucas[269] in 1976 and Sims in 1980. Lucas notes that Cowless Comission models do not take into account expectations explicitly and expectational parameters are not stable across different policy regimes, so traditional macro-models are useless for the purpose of policy simulation. Additionally, his critique is related to the fact that this type of model „did not represent the data...did not represent theory ... were ineffective for practical purposes of forecasting and policy evaluation"[270].

Sims'[271] critique is parallel to that of Lucas', but concentrate on the status of exogeneity arbitrarily attributed to some variables to achieve identification within structural Cowles Commission models. He argues however that "having achieved identification in this way, the equations of the model are not products of distinct exercises in economic theory."[272] The fact is that in structural models, to achieve identification, restrictions are often imposed which have no theoretical justification. Further, and more importantly, Sims asserts that such restrictions are not necessary for the intended use of macromodels (i.e. forecasting and policy analysis). He argues that economic interpretation and investigation may not be possible without incorporating nonstatistical a priori information.

Since the seminal work of Sims, structural-VAR and cointegrated VAR's have been applied to economic data to forecast macro time series, study the sources of economic fluctuations, test economic theories. Additionally, the failure of the Cowless Comission approach lead to a series of methods of empirical research such as VAR approach or RBC approach.

The statistical and econometrical modeling has proven itself one of the main ways through which the inflationist phenomenon is analyzed with the purpose of bringing forth the main factors which determine the level and dynamics of inflation, the economic literature dedicated to this inflationist phenomenon in Romania being extremely rich. Some studies deepen the phenomenon analysis from the perspective of the monetary theories, others take into consideration a multitude of factors, forecasting the dynamics of the prices within some models of general equilibrium; a small number study inflation through the institutional factor and/or in correlation with the dynamics of the work market.[273] In some models the shocks on the side of the offer are taken into

[269] Lucas, R., *Econometric Policy Evaluation: A Critique,* Carnegie-Rochester Conference Series on Public Policy, 1, 1976, p.36.
[270] Pesaran, M. H., Smith, R., *Estimating long-run relationships from dynamic heterogeneous panels*, Journal of Econometrics, Elsevier, 1995, vol. 68(1), p. 95.
[271] Sims, C., A., *Macroeconomics and Reality,* Econometrica, issue 1, vol. 48,1980, p. 2.
[272] Idem, p. 2.
[273]Ciutacu, C., Ciumara, M., *Inflaţia în România. Modelarea fenomenului inflaţionist*, Editura Expert, Bucureşti, 2004, p. 23.

consideration, some authors have included the world price of petrol as explanatory variable of inflation.[274]

In the models built on the basis of monetary theory of inflation, the authors include as variable the monetary supply (considered in the large sense through the M2 component), the output (represented either by the gross domestic product, or the industrial production) and the opportunity post, usually through the introduction the monetary exchange, all these start from the affirmation made by M. Friedman which argues that the inflation is exclusively tied to the currency demand, namely "the excessive growth of the monetary mass is the main and the only cause of inflation."[275]

One of the most well-known models referring to the inflation in Romania is the Dobrescu model, that was developed throughout 1996-2000 and which includes between the main relations, also the ones referring to the forecasting of certain prices (expressed through the deflator of the gross domestic product, the consumer prices index and the gross capital formation prices index). For this model, the inflation calculation is done through the consumer product prices index. This was determined based on different econometrical relations in the 3 versions of the model. In the first version, this was determined by having as explanatory variable the deflator of the gross domestic product; in the model versions from 1997 and 1998, the previous level of the dependent variable was added as explanatory variable, and in the last versions the deflator of the gross domestic product and the monetary offer was used as explanatory variable.[276]*The inflation calculation through the consumer product prices index finds its theoretical support in the monetary theory of Friedman and others, if the explanatory variable included in the model is the monetary one.*

In what follows some models of inflation will be presented with scientific support in the monetary theory from different perspectives. Nina Budina and her collaborators build a model of inflation forecasting for Romania, starting from the function of real demand of currency from the Cagan formulation.[277] They reached the conclusion that in the analyzed period (1992-2000) as well as in the periods of price liberalization, the inflation was a monetary phenomenon. The monthly modifications of the inflation rate are explained in the study through the correction of errors mechanism in which the imbalance between the currency demand and supply plays an essential part, the changes of the exchange rate and of the controlled prices through administrative regulation being considered as having transitory effects on the evolution of the monthly rate of inflation.[278]

Cezar Boțel in his article "Cauzele inflației în România" analyzed the inflation in Romania by utilizing the technique of the structural autoregressive vector (SARV) and the cointegration technique. The results of his analysis have been obtained as the form of the response function to shock, of the decomposition of the variable and the tests for the detection of the Granger causality. The most important conclusion made based on this study is that the higher inflation in Romania is the result of the late reformation of the banking and real sectors, compared with other countries which are in transition.[279]

Florin Ovidiu Bîlbîie used the Granger cauzality tests, the variation decomposition and the econometrical models based on the techniques of the non-structural and unrestrictioned autoregressive vectors in order to point out the relevant indicators that influence the inflation. The obtained results show that the most significant indicators that influence the inflation are the

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[274] Pelinescu, Elena, Dospinescu, A., *Modelarea ratei inflaţiei*, Revista Oeconomica, 2006, nr. 1, p. 126-127.

[275] Friedman, M., Friedman, Rose, *Liber să alegi*, Editura All, Bucureşti, 1998, p.219.

[276] Dobrescu, E., *Tranzacţia în România. Abordări econometrice,* Editura Economică, Bucureşti, 2002, p.81.

[277] Budina, Nina, Maliszewski, W. , De Menil, G., Ţurlea, Geomina, *Money, Inflation and Output in Romania, 1992-2000*, Working Paper, 2002-15, DELTA, octombrie 2002, p. 10.

[278] Idem, p. 20.

[279] Boţel, C., *Cauzele inflaţiei în România, iunie 1997-august 2001. Analiză bazată pe vectorul autoregresiv structural*, Caiete de studii, nr. 11, iunie 2002, p. 45.

exchange rate and the real nongovernmental credit, followed by the monetary aggregates and the interest rate practiced by the commercial banks.[280]

David Moore, IMF expert, studied the empirical relationship between the inflation rate, the unitary cost of the work force and the exchange rate utilizing a model of autoregressive vector (ARV). The conclusion that the author had reached is that in Romania, the inflation was determined mainly by the wage increase in the context of a low productivity, the channel of transmission used was the financial lack of discipline and the low budgetary constraint.[281]

Starting from another ARV model, Elena Pelinescu, in her article "Modelarea inflației în România", reaches the conclusion that the factors whose modification influences inflation the most are the exchange rate and monetary supply.[282] Using the models based on the method of the smallest squares or the conintegration techniques of the un-restrictioned autoregressive vector (UARV), Mugur Isărescu, Cornel Târhoacă and Lucian Croitoru, argued in their study the influence of certain factors on inflation, such as monetary supply, the dynamic of industrial production, the unemployment rate, the exchange rate, the real interest, lastly, underlining a strong negative correlation between inflation and unemployment.

In the study "Țintirea directă a inflației: o nouă strategie politică monetară. Cazul României" a wide rage of different econometrical models are presented that have as purpose the realization of a forecast by the specialists of the National Bank of Romania in the context of a regime of aiming at the inflation. The authors consider that the forecast of inflation in Romania through econometrical models "is premature, given the frailty of the connections between the variables with characteristics of *leading indicators* and the inflation (measured through IPC, CORE1, CORE2). Together with the stabilization of the inflation on the palier of a single number and the consolidation of the macroeconomical equilibriums, the amelioration of these relations is predictable and, it follows, the possibility of utilizing the macroeconomic instrument for the realization of viable forecasts on medium turn."[283]

Methodology and data

Our model is based on monthly data for inflation rate (measured by CPI), unemployment rate (UR), broad money (BM2), real interest rate on deposits (IR), nominal exchange rate (EUR/RON– EREUR) for Romania between January 1997 and February 2010[284]. Unemployment rate represents the structural influences on inflation, broad money as well as real interest rate on deposits captures the monetary stance, nominal exchange rate is used in order to represent imported inflation. Data were computed in Eviews.

The data were tested for stationarity, using the ADF and the Phillips and Peron method. All series have one unit root I(1). The above mentioned tests confirmed that the first difference series were stationary. The Johansen cointegration without deterministic trend test was then conducted. The Unrestricted Cointegration Rank Test (Trace) indicated three cointegrating equations at 0,05 level.

Given the results, a VECM Vector Correction Model with 3 cointegrating equations was estimated. Restrictions were placed on the coefficients of each cointegrating relation as well as on the adjustment coefficients, using the normalized cointegrating coefficients and adjustment coefficients. The VEC Granger causality /block exogeneity Wald test showed that the variables

[280]Ciutacu, C., Ciumara, M., Op. Cit., p. 28.
[281]Bell, G., Cosse, S., Wang, T., Moore, D., Brown, W., *Romania: Selected Issues and Statistical Appendix*, International Monetary Fund – Country Report, ianuarie 2001, p. 11.
[282] Pelinescu, E., Dospinescu, A., *Modelarea ratei inflației*, Revista Oeconomica, 2006, nr. 1, p 140.
[283] Popa, Cristina (coord), *Țintirea directă a inflației: o nouă strategie politică monetară. Cazul României,* Caiete de studii, nr. 10, aprilie 2002, p. 34.
[284] BNR Monthly Bulletins, avaliable at http://www.bnr.ro/PublicationDocuments.aspx?icid=1182 accesed at 30.03.2009 and INSSE Tempo Online series available at https://statistici.insse.ro/shop/ accesed at 30.03.2009.

with significant impact on the evolution of CPI were EUR exchange rate, the interest rate and broad money M2. We conducted once again the Johansen cointegration without deterministic trend test. The Unrestricted Cointegration Rank Test (Trace) as well as the Unrestricted Cointegration Rank Test (Maximum eigenvalue) indicated two cointegrating equations at 0,05 level.

The VECM Vector Correction Model with two cointegrating equations, 6 lags and deterministic trend in CE, no trend in VEC proved to be the one that captures the best the behaviour of selected variables. The diagnostic tests for the VECM equation confirmed its coefficient stability, the Jarque-Bera test did not reject the null hypothesis of a normal distribution of the residuals (at 5 percent significance level) and the Portmanteau test as well as the correlogram of squared residuals did not show any autocorrelation or ARCH in the residuals.

Graph 1. Impulse response functions between CPI inflation rate and selected variables
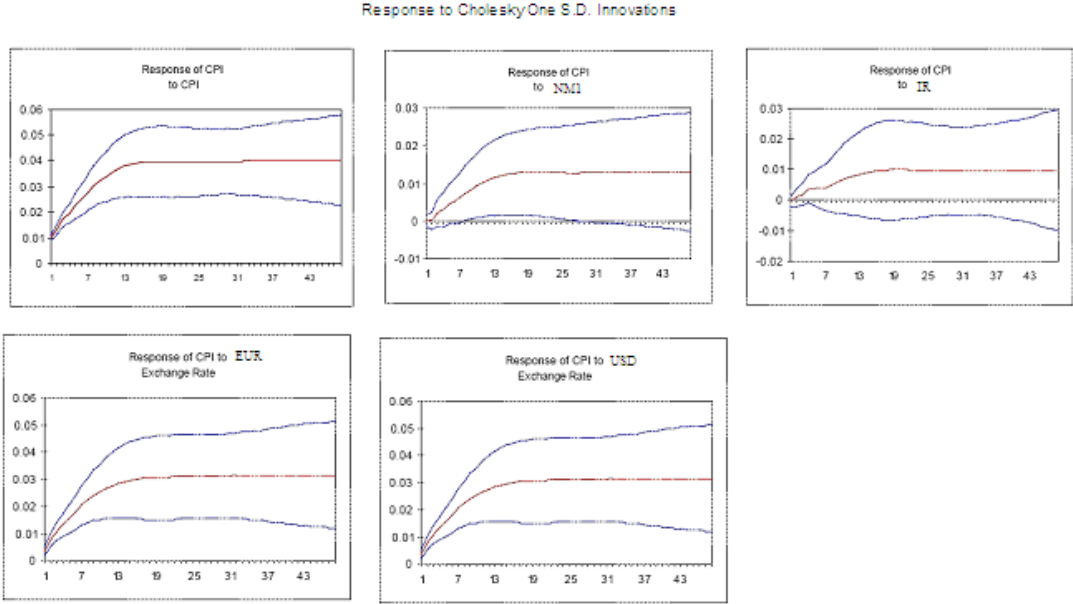
Source: authors' calculations

The dynamic property of the model is tested using variance decomposition and impulse response functions. Graph 1 shows the response of the inflation rate measured by CPI to a one unit shock to the exchange rate, narrow money, interest rate, net average wage. The x axis gives the time horizon or the duration of the shock whilst the y-axis gives the direction and intensity of the impulse or the percent variation in the dependent variable away from its base line level. This model confirms the existence of statistically significant links between the inflation rate and the selected macroeconomic variables. The reaction of CPI index is consistent with the macroeconomic data. The impulse responses meet a priori expectations in terms of the direction of impact. The graphs show that a positive shock to monetary variables or expansionary monetary policy, has a significant expansionary effect on inflation. The effect of a unit shock to base money on the cpi, occurs after approximately the first one to two months and reaching its peak between ten to twelve months.

Thereafter the cumulative effects of base money stabilize with the monthly CPI increasing by approximately one percent of its baseline level. The impact of the exchange rate is rather immediate and long lasting. A unit shock to the exchange rate causes the cpi in the first period to

deviate by approximately 0.5 percent from its base level. The inflation rate accelerates rather rapidly in the first ten to twelve months as the CPI tends to a new equilibrium level. Increases in the interest rates tend to have a contractionary effect on prices. The more significant impact however manifests itself after five months with the response function trending away from zero.

Graph 2. Variance decomposition – percent of CPI variance due to
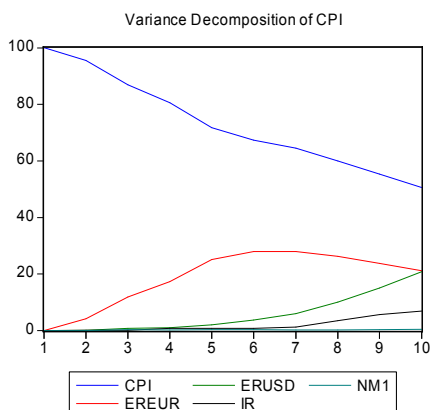
Source: author's calculations

The variance decomposition is presented in Graph 2. The statistics indicate the percentage contribution of innovations in each of the variables in the system to the variance of the CPI. The results show that shocks to the CPI itself and the exchange rate accounts for most of the variability in the CPI over all horizons. Not much can be attributed to base money, although over longer horizons its relative contribution increases.

Conclusion

In the process of conducting monetary policy analysis, central bank economists are faced with a number of empirical questions. Does the nominal exchange rate help to predict inflation? Does the nominal exchange rate adjust in response to the difference between domestic and foreign inflation, to restore some equilibrium level of the real exchange rate? How useful are various measures of the output gap and of monetary conditions? How fast do changes in monetary policy affect output and inflation? These questions concern complex relations between variables which are all endogenously and simultaneously determined in the economic system. We do certainly not expect that there is any single model that can provide the best possible answers to all relevant questions in the analysis of monetary policy, or that it yields exactly the same answers when estimated for different time periods.

While many previously used inflation forecasting models depend on exogenous variables, the VAR approach endogenously determines all the variables which make up the system. Our VECM model has proven that that the basic transmission mechanism runs from base money (via interest rates which affect the relative return on financial assets) to the exchange rate and then to prices.

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BUSINESS SURVEYS – EVALUATION INSTRUMENT OF THE EUROPEAN ECONOMIC CLIMATE

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Business surveys or conjuncture surveys are specific statistical researches, but complementary to traditional, official statistics. While official statistics provide quantitive information regarding the level, structure and evolution of varied economic processes and phenomena, business surveys offer quality information, essential to the short term evolutional analysis of economic indicators: the diagnosis of the current situation, the timely detection of inflexion points within the economic cycle and the rapid estimation of short term tendencies of the main macroeconomic indicators (the dynamics of the gross domestic product, the index of industrial production, etc.).

1. What are business surveys?

Comparatively to official statistics – of which's utility is undeniable, but are usually available after a certain period of time (weeks, months) – business surveys present two essential qualities:
- periodicity , usually monthly;
- operativity, the results dissemination time often being very fast, usually, a few days after the
  reference period.
Business surveys are quality surveys, that are addressed to managers of the companies included in the sample. They must answer a series of questions regarding the current and future situation of the unit they lead and about the economic climate in which they conduct their activity.
The primary characteristic of business surveys is that instead of exact numbers, the answer to the question is an "appreciation", an "estimation", an "opinion" about different aspects of the company's activity (production, contracts, production capacity, employees, prices, stocks, etc.), in the form of ordinal scales, in most cases, with three options:
- for questions regarding an indicator's level the answers can be:
  "above normal / normal / below normal";
- for questions regarding the evolution in time of a phenomenon, the answers can be:
  "has risen / is stable / has dropped" or "will rise / will remain stable / will drop";
Through a calculation and aggregation procedure (presented in paragraph three of the paper), the quality information provided by companies' managers is transformed in statistical indicators with a special power to reflect present reality and anticipate future short term evolutions.
So, the business surveys provide reliable and fast information, published regularly, in the form of new indicators used for describing the economic situation in the European Union and the Member States. Presently, these indicators present a growing interest, especially after the finalization of the European Union's growth process and in the condition of the present financial crisis. The Central European Bank, the Governments of the Member States, the central banks and financial institutions, the business environment and the research institutes currently use the results of business surveys for detecting and analyzing the economic conjunctural diagnostic and the estimation of the main macroeconomic indicators at a national and community level.

In this context, the existence of a conjuncture survey system at a European level has been imposed, that allows the comparison of national economies, different as development level and etherogenic from economic structures' point of view.

2. How are the business surveys in the European Union harmonized?

The business surveys are planned and take place in an organized environment (The Joint Harmonized EU Programme of Business and Consumer Surveys), so such that their results can be used for monitoring economic development, both at the Member States' level and the entire European Union and the Euro Area's level.

The mentioned programme, coordinated by DG ECFIN (Directorate General for Economic and Financial Affairs), although was launched by the decision of the European Committee all the way since 1961, has recorded a continuous rise in development, revisal and harmonization, in at least two directions:

- sectorial coverage, as activity domains in which the surveys took place and, implicitly, the

  results have been published (industry – 1961, construction and investment in industry – 1966, consumption in farms – 1972, retail trade – 1984, services – 1996 and more recently

  in the financial sector);
- the geographic coverage that numbers three countries that have participated in the

  programme; beginning in January 2007, the programme contains the 27 States. Members of the European Union and a candidate country (Croatia); another candidate country (Turkey) have integrated themselves into the programme in May 2007.

The harmonization's objective is the production and publication of comparable data for all the Member States in such a way that it permits conducting comparisons between the business cycles of different countries as well as the aggregated calculus of composition indicators, for the European Union and at the Euro Area's level.

The harmonization is based on two principles:

- the use of harmonized questionnaires that contain the same standardized questions, in number and form, by all the Member States; still, depending on the economic specific and the   analyzed sector, the questionnaires can include additional questions, conforming to the   necessities of the respective country;
- the statistical researches and the transmition of results to the European Commission (DG

  ECFIN) is realized in periods and on common terms.

Business surveys have been implemented gradually in Romania, at the National Institute of Statistics, following the initiation in 1991 of the Centre of Cooperation with Economics in Transition's (CCET) programme within the Organization of Economic Cooperation and Development (OECD) and the European Commission (DG ECFIN – Bruxelles).

Business surveys have been realized at the National Institute of Statistics, first trimestrially, beginning with June 1991 for the manufacturing industry, October 1993 for construction and January 1994 for retail trade.

Following development and revision, the "European Union's business survey harmonizing Program", approved by the European Commission in November 2000, beginning with June 2002, has passed on to the National Institute of Statistics for the monthly existing business surveys' conductance, as well as the implementation of monthly surveys in services and biannual for investment and industry.

Presently, Romanian statistics provides all the necessary information following the community's requirements. As such, the obtained results are intensely used – alongside the ones from

traditional statistics – by the responsible nationals and Europeans, by the business environment and, last but not least, by the specialized mass-media.

Currently, five current surveys with monthly frequency are being organized and conducted by all the Member States of the European Union, in the following activity sectors: manufacturing industry, construction, farms' consumers, retail trade and services.

The questionnaires contain standardized questions specific to every activity sector, regarding:

- the appreciation of the actual situation overlooking:
  - the level of production, goods sales, services demands, construction works;
  - the level of underway contracts and orders;
  - the level of stocks of finished products and stocks of goods.
- the estimation of evolution in the next three months, for a series of indicators such as:
  - the evolution of production, the physical volume of product sales, service demands,
    construction works;
  - the evolution of production and sales prices;
  - the evolution of the number of employees.

Mostly, the questionnaires have a qualitative character, the main questions referring to appreciations, estimations and opinions from the managers and consumers.

To record the information in the research questionnaire, a large range of methods are used:

- the method of the interview, direct or by phone (done by the operators at the County's
  Statistical Offices);
- the method of autoregistration, in which companies' managers complete the questionnaire
  on paper or electronically.

3. The calculation and interpretation of indicators

Answers of a qualititative nature, obtained from research (by collecting primary data) are transformed, through a hierarchic aggregation algorithm, in two categories of quantitive indicators: conjunctural balances and composite indicators.

Conjunctural balances(CB) or short term balances are determined for every question, for every sector (manufacturing industry, construction, consumption, retail trade, services), for every class of activity within the respective sector, as well as in groups depending on the size of the companies.

The conjunctural balance (CB) for every question, at the level of each stratum of the sample is determined based on the companies answers that can be one of the three options: rise (R), stability (S), decrease (D), where R + S + D = 100%.

The conjunctural balance is calculated as the procentual difference between the alternative extremes:

$CB_{stratum} = $ %Rise - %Loss $= R_{stratum} - L_{stratum}$

$R_{stratum}$ = the percentage of those who have chosen the positive option of the phenomenon;

$L_{stratum}$ = the percentage of those who have chosen the negative option of the phenomenon.

To obtain representative results and considering the quality assurance of the sample, the proportions R and L are not calculated directly, based on the number of answers (positive and negative) for the questions in the questionnaire, but considering the weight of the companies that have chosen the respective alternative in the volume of activity of the stratum in the sample, so the importance of every company from one relevant indicator's point of view (turnover or the number of employees). In this way, a greater importance is attributed to larger companies in evaluating the current economic situation and previewing future evolutions.

As a result, the conjunctural balance at each stratum's level represents the difference between the percentage of companies that have answered positively and the weight that have answered negatively:
- regarding the surveys in the manufacturing industry and construction, the weight of the
n
   number of employees is considered;
- regarding the surveys in retail trade and services the weight of the turnover is used.

The conjunctural balance for each question, at each of the activity classes' level and at the entire sector's level is calculated based on a plan of processing answers using – based on the situation – the weight of the number of employees of the weight of the turnover (g):

$$CB_{class} = \sum R_{stratum} \cdot g_{stratum} - \sum L_{stratum} \cdot g_{stratum} = R_{class} - L_{class}$$

$$CB_{\sec tor} = \sum R_{class} \cdot g_{class} - \sum L_{class} \cdot g_{class} = R_{\sec tor} - L_{\sec tor}$$

If the answer to a question is given five options: intense rise (RR), light rise (R), stability (S), light decrease (D), heavy decrease (DD), then the conjunctural balance is calculated based on the next formula:

$$CB = \left(RR + \frac{1}{2} R \right) - \left(\frac{1}{2} D + DD \right)$$

RR + R + S + D + DD = 100%

It's obvious that the conjunctural balance can become values in the [-100%, +100%] interval:
- if the majority of answers are negative (D), then CB < 0; when all the answers are negative
  CB = -100%;
- if the positive answers (R) are compensated by the negative answers (D), then SC ≈ 0;
- if the majority of answers are positive (R), then CB > 0, when all the answers are positive,
   CB = +100%.

Consequently, the conjunctural balance indicates the perception of the repondents on the tendencies manifested in the present and future evolution of a phenomenon, but must not be confused with the intensity of rises and decreases of a statistical indicator (that are quantified with the help of indexes and rise/decrease rhythms).

Based on the analysis of historical data, the specialists have convened upon the next milestones for interpreting conjunctural balances (CB):

CB ≤ - 41%	severe decrease
- 40% < CB < - 16%	decrease
- 15% < CB < - 6%	moderate decrease
- 5% < CB < +5%	relative stability
+ 6% < CB < + 15%	moderate rise
+ 16%< CB < + 40%	rise
CB ≥ + 41%	severe rise

Composite indicators are synthetic indicators calculated at the level of the European Commission, based on the conjunctural balances sent to the national institutes of statistics. So, through specific aggregations, a series of composite indicators are determined, that quantify the reflected situation in the business surveys for every Member State, at the level of the European Union as well as the Euro Area.

The confidence indicator (CI) for every sector (manufacturing industry, construction, consumer, retail trade, services) and for every Member State is calculated as a simple arithmetic average of the answers (conjunctural balances) for a part of the questions. The selected questions are appreciated as being the most representative from the point of view of the correlation with the evolution of a statistical reference indicator (the analysis of the main components).

To exemplify, the confidence indicator in the manufacturing industry – which best adjusts the movements of industrial production index (IPI – considered reference indicator) – has conjunctural balances for the following three components in view: the estimation of production (CB_p), the appreciation of the contracts and demands portfolio (CB_c) and the appreciation of stocks of finite products (CB_s), these being taken from the calculation formula with a changed calculus sign; the explanation is the fact that a positive response to this indicator reflects a negative aspect.

Consequently, the industry confidence indicator (ICI) is:

$$ICI = \frac{CB_p + CB_c + \left(-CB_s\right)}{3}$$

The confidence indicators synthetically reflect perception, estimations and expectations at each sector's level (industry - ICI, construction - ICCT, consumer - ICCS, retail trade - ICRT and services - ICS).

The Economic Sentiment Indicator (ESI) is an aggregate of confidence indicators from all the five sectors (business surveys), being considered a true barometer of the national and community economic climate. It anticipates the future tendencies of the gross domestic product in each of the Member States in the European Union and in the Euro Area, following the movements of the economy as a whole.

The Economic Sentiment Indicator is determined as a ponderated arithmetic average of confidence indicators calculated at the level of each sector:

ESI = a · ICI + b · ICT + c · ICCS + d · ICRT + e · ICS

a,b,c,d,e = the allocated percentage of each sector based on the sector's representativity and the performance registered in following (adjusting) the reference variable.

The next percentage system is currently used: industry (a = 40%), construction (b = 5%), consumption (c = 20%;), retail trade: (d = 5%), services (e = 30%).

The percentages are not directly applied to the five confidence indicators. These (the latter) have been calculated based on the fifteen conjunctural balances, very different as dynamics and level. In these conditions, components with a relatively high amplitude of the characteristic would dominate the evolution of the composite indicator (ESI), while other important influences, but less visible in confidence indicators, would have an insignificant impact over the ESI.

As a result, to eliminate this inconvenience and to ensure the comparability between the time cycles of conjunctural balances for all the fifteen main components, a method of standardization (normalization) is applied, that runs through the next steps:

- Each chronological series of conjunctural balances coresponding to each component transforms into a centered variable (through the difference to the average) and reduced (through comparison to the standard deviation of the series). As a result, all the initial chronological series with the property that the average is null and the standard deviation is equal to the unit;

- The conjunctural balance of each country is determined, for each period, through the
  aggregation of all the components and, implicitly, of all the five conjuncture surveys'
  results. This result is a correct estimator of economic sentiment;
- Still, for providing analysis and interpreting data, the economic sentiment indicator (ESI) is
  determined through the rescale of the previously determined balance, through a variable
  characterized by a long term average of 100 and a standard deviation of 10.
  This transformation permits the more practical interpretation of the indicator:
- If ESI > 100 the reflected economic sentiment is greater than the long term average;
- If ESI < 100 the reflected economic sentiment is lower than the long term average.

The Economic Sentiment Indicator, through its construction, synthesizes information contained within conjunctural balances and provides a measure of the business climate, as it is perceived by a large number of managers. The indicator aggregates attitudes, judgments, behaviors of economic actors in the entire economy, offering precious information about the macroeconomic conjuncture and the short term perspectives of the evolution of the gross domestic product.

The level and tendency of the ESI suggests that the evolution of the gross domestic product.

Also identified are the business cycles and the perception of the european economic climate, with a minimum point reached in march 2009 when ESI was 68 points.

After ten months of uninterrupted improvement of the ESI's level (March 2009 – January 2010), a period of recoil appears in February 2010 manifested through a stagnation at the European Union's level (only +0.2 points compared to January) and even a reduction (-0.1 points) in the Euro Area.

Still, the fact that the highlighted tendency in the last year has lead to recording an ESI level very close to the long term average must be marked(97.4 points).

At the Member States' level, in february 2010, there can be identified at least four groups of countries based on the values of the ESI:
- The group of countries with the ESI level that is over 100 points, so the economic sentiment
  is over the long term average (that contains the 1990-2009 period). Here we have the nordic
  states: Sweden (108.2 points), Denmark (105.7 points) and Finland (102.8 points), the most
  optimistic countries as far as evaluation and anticipation of the business climate are
  concerned. In January 2010, this level has been reached by Italy and Poland also – but – has
  not been able to maintain it in February 2010.
- The group of countries with the ESI varying between 90 and 100 points, under the level of
  the long term average, but near it. Here we have fifteen Member States: from Italy (99.7
  points) to Spain (90.1 points), including France (98.4 points), Great Britain (98.3 points)
  and Germany (97.0 points). The presence of the biggest economies in this group explains
  the general tendency at the entire European Union's level.
- The group of countries with the ESI's level between 80 and 90 points is characterized
  through evaluation and anticipation still moderate in the as far as the business climate is
  concerned and a withheld economic sentiment, even if it is rising. Here we have six

countries: from Lithuania (89.9 points), to Romania (80.9 points) and Cyprus (80.8 points).

   In this group we also find Latvia, Hungary and Bulgaria.
- Finally, in the last group we have Greece, with the lowest level of economic sentiment (72.4
   points), still far from the national long term average and the levels recorded by the other
   Member States also.
The analysis of the data permits us to point out other interesting conclusions:
- The majority of the Member States have recorded increases in the ESI in the last year: the
   fastest increase being in Denmark (+37.4 points, from 68.3 to 105.7), while in Romania, the
   economic sentiment has risen with only 3.1 points (from 77.8 to 80.9);
- The only country where the ESI has decreased in the last year is Bulgaria (-2.3 points, from
   88.7 to 86.4); Bulgaria's position is explained through the fact that in the reference month
   (March 2009) the ESI's level was the the highest in the whole European Union, reflecting
   an exaggerated optimism.

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   industry.

SECTION: FINANCES, BANKING AND ACCOUNTING

SUB-SECTION: FINANCES

MODERN APPROACHES REGARDING THE ASSESSMENT OF THE COMPANY'S OVERALL PERFORMANCES

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The importance of this research can be supported by ambitious goals that are attributed to performance measurement / assessment of a company such as: improving company performance, optimization of company's management and motivating staff. In the current context of sustainable development, the performance definition, measurement and maximizing system of companies becomes a complex one. The modern business environment demands a multi-goal orientation. Profit theory is no longer a valid measure of organizational performance and neither are other approaches that only take the interests of shareholders (owners) of a company into account. Today's business environment is characterized by the increasing importance and strength of various stakeholder groups. This paper captures the current mutations brought on the line of developing a modern system of assessment of company's performance.

Keywords: sustainable development, global performance, financial indicators, non-financial indicators.

Jel Classification: M10 , M14, M21

1.Introduction

In a world of competition, which has gained increased dynamism, as a result of environmental change and increased financial risk once with increased financial and economic turmoil and with the internationalization of trade regarding goods and money, achieving **"excellence"** in business is the way of survival and development for any business in a competitive economy.

One of the ways to achieve excellence, is performance, currently is increasingly talking about **overall (global) performance**. This new approach to performance is now known as sustainable development, which has three objectives: increasing economic and financial performance of the company, development of effective environment and encouraging social development. Thus we can say that overall performance is the sum of financial and economic, ecological (environmental) and social performance.

In the current conditions of globalization of world economy, a performing company is the "enterprise that creates added value for its shareholders, satisfies customers demand, takes account of employee opinion and protects the environment. Thus, ownership is satisfied that the company achieved the desired return, customers trust the company and the quality of future products and services, employees are proud of the company where they work and the society benefits through policy adopted by the company regarding environmental protection (Jianu, 2006).

Measuring performance has been and is a constant concern of management because it represents are an essential criterion for companies' survival. Current economic circumstances justify the

need for renewal and improvement of performance measurement techniques and tools and selecting appropriate indicators in the steps to maximize target performance.

2. Triple Bottom Line approach on company's overall performance. Literature review.
In the current context of sustainable development, the accent regarding the issue of maximizing overall performance of the entity is put on the fact that this should happen only in the conditions in which it maximize (optimize) in the same time the performances for all participants in economic life of a company (stakeholders) and not just those of shareholders. In this sense, the key to driving adoption of company policies should start from the approach "Triple Bottom Line" that is maintaining a balance between the three pillars, namely:
- *Maximize economic performances* meaning maximizing performance for shareholders. This goal can be achieved based on traditional accounting financial criteria, (based on income, profitability, cash flow) or criteria derived from the theory of value creation for shareholders (Economic Value Added, Market Value Added).
- *Maximize social performance* which requires maximizing performance for all participants in economic life (stakeholders) this means from employees to the community, from suppliers to customers and from investors and creditors to state, from managers and corporate governance and maintaining the center attention of the shareholders.
- *Maximize environmental performance* which implies an activity that does not affect the surrounding community and environment, thus developing the best environmental performance in relation to the environment
Triple Bottom Line (TBL) concept developed by John Elkington in 1997, advocates the idea that a company's overall performance should be measured by its contribution to triple economic prosperity, environmental quality and social capital. Subsequently, this idea began to be widely supported by a large mass of writers, recalling only a few outstanding authors: Philip Kotler and Nancy Lee (2005), David Vogel (2005), William B. Werther, Jr. and David Chandler (2006), William C. Frederick (2006).
In Romania, there were also concerns in the direction of approaching performance from a global perspective, especially in the context of national economic approaches on the line of EU integration. We recall in this regard concerns of authors such as Niculescu M. (2003), Stancu A. &, Orzan M. (2006), Ciobanu (2004, 2005, 2006), Mironiuc M. (2009), Tabara et al (2007), Siminica M. (2008).
In the current context of sustainable development, financial performance is not sufficient to assess the activity of an enterprise. This notion was extended to take into account social responsibility and societal responsibility of the company towards stakeholders, which includes environmental issues.
The concern regarding the modalities of adopting social responsibility at the company's level in the current context of sustainable development, raised concerns about their reporting in various forms, among with financial and accounting reporting. The most advanced initiative towards a credible reporting system of sustainable development is the Global Reporting Initiative (GRI). This report should provide sufficiently detailed and balanced representation of sustainability performance of organizations, including the impacts both positive and negative ones generated by it. Performance indicators developed by the GRI are divided into: ***Economic performance indicators, Environmental performance indicator and Social performance indicators.***

3. Selecting performance indicators representative for the company's global performance
In literature, there is very differentiated approachs in terms of choosing the most representative indicators of overall company's performance. Meyer (2002) identified a total of 117 top-level measures that include 17 financial measures, 17 measures related to customer, 19 internal processes related measures, 35 measures on renewal and development and 26 measures related to

human resources. This supports the allegations according to which " we measure everything that walks and moves, but nothing that matters" (Neely, Austin, 2002).

3.1 Selecting performance indicators representative for the company's economical performance

Making references to economic performance, the synthetic forms of representation of a company's economic performance is around traditional concepts of profit and profitability and the modern approach, yet extremely artificial, the increase of the value of a company. Regarding synthetic performance reflected by increasing the value of a company representative indicators for the increase of the value are addressed differently in the literature as follows:

- Halpern P, Weston F & Brigham E. (1998) refers to a company's growth measured by growth rates that are designed to indicate the firm's ability to maintain its market share when the economy and industry are in a period of expansion. Most representative indicators that reflect a company's growth would be, in the authors' view the following: turnover, net profit, earnings per share and dividend yield.

- Greuning H.V (2005: 27), making some interpretation about International Financial reporting Standards (IFRS), considers that the increase of a firm would be given by "the rate at which an entity can achieve growth, as it is determined by the retain (undistributed) of the profit and by the profitability measure with the help of return on equity (ROE)."

- Colasse B (2009:54) defines the state of "company's growth" as "the company's capability to increase its size; it can be measured by using several criteria such as: turnover, production, value added, fixed assets, total assets'.

 -Cabinet consultancy Stern Stewart (1991) proposed as indicators able to measure de performance of a company *the economic value added (EVA)* to which they added *the market value added (MVA)*, *the Future Growth Value (FGV)* and *the Current Operations Value* (COV) (http://www. sternstewart.com).

- Boston Consulting Group and HOLT Value Associates from Chicago have promoted *Total Shareholder Return (TSR), Cash Flow Return on Investment (CFROI).*

- Applied Finance Group (AFG) have promoted the *Economic Margin (EM))* as a representative indicator for measuring the value of an entity that comes to correct distortions created by the traditional financial analysis based on accounting documents. The Economic Margin Framework is more than just a performance metric, as it encompasses a valuation system that explicitly addresses the four main value drivers of enterprise value: profitability, competition, growth, and cost of capital. Unlike traditional valuation approaches that utilize highly sensitive perpetuity assumptions, AFG's approach incorporates company specific competitive advantage periods which identify companies that may lose excess returns over time faster than their competitors.

Based on the literature review presented above, we conclude that if we use only the classic indicators (of **profitability and return**), we can find companies which gain performances but do not create value, instead they consume an existing one. Therefore, to gain profit and, going further, to work efficiently (the increase of the effects to overcome the increase of the efforts involved), is not sufficient to lead the company to maximize their global performance. In addition, it is necessary for society to succeed in creating the new value (value added). The modern main indicators that reflect the value creation for shareholders, separated on the basis of literature covered, would be: ***Economic Value Added –EVA, Market Value added –MVA, Cash Value Added- CVA, Total Shareholders Return- TSR, Cash Flow Return on Investment – CFROI.*** These indicators complement successfully indicators such as **profit (net profit, Eearning per share-EPS), Profitability (ROE, ROA, ROI)** and **cash flow** in making synthetic images of company's economic performance.

3.2. Selecting performance indicators representative to reflect performance involved by corporate social responsibility adoption: social and environmental performance
There are many important non-financial aspects of performance regarding the social responsibility corporate. Identifying and analyzing non-financial performance indicators may have as object: monitoring firm performance, purchase / sale of business (business), make reports to shareholders, guiding the allocation of resources to invest, identified intangible assets held by company that impact on its performance, interest managers in the value they create for shareholders. As a result, the selection of non-financial indicators, most often, it takes into account the perspective from which business performance analysis is made. For example, for making reports to shareholders generally are elected those indicators identified as relevant to capital market investors, while the selection of non-financial indicators for assessing managers' bonuses consider the strategy adopted by the company.

Given the large number of studies on this subject we consider appropriate, to present proposed indicators for reporting on global performance by the Global Reporting Initiative (GRI) in the context of sustainable development of an organization.

A. In what follows we will focus on the **social performance indicators.** According to GRI, these social performances indicators could be:
− performance indicators on *practices and working conditions:* the appearance of employment, occupational health and safety issue, issue education and training;
− *human rights performance* indicators: nondiscrimination appearance, freedom of association issue, the issue of child labor, rights of indigenous peoples;
− indicators of *performance* **on society**: corporate issue, political contributions issue, conformity aspect;
− performance indicators on *product responsibility:* consumer health and safety issue, the issue relating to labeling, marketing communication aspect, conformity aspect (Mironiuc, 2008).

B.Regarding the **environmental performance indicators,** GRI select the following indicators:
− *raw material* aspect: the raw materials used per unit of product, amount of weight in the total amount of recyclable materials;
− *energy* aspect: direct and indirect energy consumption, on primary energy sources, energy savings achieved by preserving and increasing its efficiency, products and initiatives to achieve low energy services, initiatives to reduce indirect energy consumption;
− **water** issue: total consumption of water by sources, significant water sources, the percentage of reused and recycled water;
− aspect of *biodiversity:* area of owned, leased or managed land in protected areas, describing the major impacts of activities, products, services on protected areas, protected habitats, strategies for managing protected areas, the number of protected species that have habitat in protected areas of the organization;
− aspect regarding *emissions,* waste: direct and indirect total emissions of greenhouse gas per unit of product, initiatives to reduce emissions of greenhouse gas and the results achieved, emissions of harmful substances per unit of product, nitrogen dioxide, sulfur and other air emissions per unit of product, wastewater and reuse methods (recycling), ratio of hazardous waste to be imported, exported, transported, treated, fauna, flora and aquatic habitats significant destroyed by sewage and emissions from the organization;
− *appearance of products and services:* initiatives to mitigate environmental impacts exerted by products / services of the company, the ratio of products sold and the amount of packaging / materials recycled and reused, by category;
− *compliance* aspect: value of significant fines and the number of non-monetary sanctions for failure regarding environmental regulations;

− *transport* issue: a significant environmental impact caused by transportation of goods / materials used in each activity of the company and every movement of personnel;

−*general appearance*: Environmental expenditure and investments, by type.

Many important non-financial aspects of performance can't be measured. So, they remain outside the formal performance measurement Contrary to financial performance measures, non-financial performance measures are less appropriate for decomposition, which results in the fact that they are unique to specific business units, whereas financial ones are common to many units.

4. Current mutations in the importance of indicators that comprise the overall company's performance

The value of non-financial metrics becomes more important than just a few years ago. A number of studies realized over the years by consulting firm Ernst & Young (Ittner, 1998) revealed that indicators measuring customer satisfaction is of increasing importance in corporate strategic planning. In 1988, 54% of businesses considered highly value these indicators, their share reaching 80% in 1991.

Another study conducted by Mavrinac for the same consulting company Ernst & Young - Center for Business Innovation, shows that only one third of investors and financial analysts propose mandatory publication, widely reported by companies, of non- financial information. In the same study was carried out and a hierarchy of key financial and non-financial indicators underlying investment decision making (see Table 1).

Table 1. Hierarchy of performance indicators

Financial analysts	Rank	Portfolio managers
Profit	1	Market growth
Cash-flow	2	Profit
Market growth	3	Cash-flow
Average performance of the segment (sector)	4	Company's ability to develop new products and services
Market share	5	Costs
Investments	6	Market share
Cost	7	Investments
Investment in research & development	8	Average performance of the segment (sector)
Strategy success	9	Investment in research & development
Company's ability to develop new products and services	10	Productivity of R & D expenditure

Source: Mavrinac S, Siesfeld G. A, 1999

Highest importance that portfolios managers attach of non-financial information may be the result of their concern to capture real-time changes taking place in different sectors, meaning the companies that operate within them. Unlike financial information reflects past performance of the business, non-financial information may be indicative of current and future profitability of the company.

More companies are including non-financial data in their annual reports or their shareholder briefings, and compensation structures continue to involve non-financial targets. According to another study conducted by *Business Systems News* & *Analysis* for Finance and IT (FSN) in 2007, more than a third of the respondents (37 percent) say that a company's performance is determined more by intangible assets and capabilities than by hard assets. As companies gain experience with non-financial metrics, they discover a wide range of predictive, forward-looking managerial tools. Fifty-four percent say forward-looking information is of greater value to management and the board than historical information. Customer satisfaction, innovation and employee commitment are identified as key drivers of performance among the companies Deloitte interviewed.

If the case of Romanian companies, the study realized by Ciobanu (2006) on a sample of 60 companies from different industries showed that 62.7% of managers used in the same extent non-financial indicators and financial ones for business performance measurement, giving them 13.6% of non-financial indicators even greater importance.

5. Conclusions

One cannot evaluate organizational performances without taking organizational goals into consideration. The modern business environment demands a multi-goal orientation. Profit theory is no longer a valid measure of organizational performance and neither are other approaches that only take the interests of shareholders (owners) of a company into account. Today's business environment is characterized by the increasing importance and strength of various stakeholder groups. Recognition of the optimum combination of financial and non-financial indicators which best measure performance, or is capable of explaining or predicting future levels of performance remains an area of current concern.

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CONSIDERATIONS REGARDING TO THE LAW OF FISCAL-BUDGETARY RESPONSIBILITY

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A law of fiscal-budgetary responsibility which is firmly based and structured can outline the general parameters which can constitute the basis of creation of some decisions in sustainable fiscal politics through stipulating fiscal principles, rules concerning with budgetary incomes, public debts, deficits, expenses and risk management.

Fiscal responsibility is essential to creating a better, stronger, more prosperous nation for the next generation. The choices we make today will determine our children's future.

It is known the fact that the main goal of the fiscal politics is concerned with reaching credibility and stability of the public finances, though this cannot be reached only through the followings:

> -continuation of fiscal consolidation in the direction to accomplish the target deficit of 3% from the gross domestic product (GDP) to structural measures which assure sustainability for a medium[285];

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[285] We must take into consideration the fact that the Economic and Financial Affairs Council (ECOFIN) edited recommendations for Romania regarding to the measures which will be taken to correct the excessive public deficit, reevaluating in the same time the established calendar to reduce it under 3% from the gross domestic product (GDP), which is the reference value established by the EU Treaty. Practically the Economic and Financial Affairs Council (ECOFIN) extended the correction period of the deficit, taking into consideration the damage in the economy of the country, more sever than the level which was foreseen, beginning with July 2009, when it was initialized the procedure of excessive deficit, and the Council edited their initial recommendations.

The Council urged Romania to reduce its deficit to 3% from the gross domestic product until year 2012 instead of 2011, presenting a strategy to reduce the deficit and establishing the date of 16 August 2010 as limit term to apply these corrective measures.

The excessive deficit procedure is governed by the Article 126 of the Treaty and the Council Regulation regarding the acceleration and clarification of the excessive deficit procedure implementation. The excessive deficit procedure sets down the criteria and the deadlines for the European Council (ECOFIN) to adopt a decision regarding the existence of an excessive deficit. The excessive deficit Procedure is initiated when the actual or forecasted deficit exceeds the 3% of GDP ceiling, except the situation when the deviation is of an exceptional and temporary nature outside of the control area of the respective member state and has a major impact on the fiscal position, or due to a major contraction of the economic activity – http://discutii.mfinante.ro/statistic - 26.04.2010 /15.00

-promotion of an anti-cyclical fiscal politics which can offer sustainability for the process of economic increase;

-efficiency of control and increase of the responsibility of the units which are outside the central administration (local authorities, auto-financing institutions and companies of the state) even to reduce the arrears of the state;

-reform of fiscal administration;

-increase of the efficiency of the fiscal-budgetary politics and the improvement of its predictability taking into consideration the fact that stability and predictability of the fiscal-budgetary system represents directive principles for a viable economy.

The institution of the frame-politics which assure sustainability[286] and fiscal predictability for long term presumes the promotion and the adoption of the Law of fiscal responsibility, taking into consideration the fact that the fiscal-budgetary politics promoted in the last years had demonstrated the evident fragility of the institutional frame and the lack of some adequate rules which could diminish the discretional fiscal space.

The Law of fiscal responsibility outlines the principles by which the fiscal-budgetary politics will be guided to respect the long-term objectives of the European Union and the standards which must be fulfilled to create an added value for stability and economical increase.

The necessity of adopting the Law of fiscal responsibility[287] is related to the requested conditions for closing the loan adjustment with the International Monetary Fund[288], but it is an important moment for Romania because through this normative document are established some „normal things" which were not respected, becoming exceptions.

At the other hand even the harmonization of the fiscal-budgetary politics of the member states of the European Union urges the implementation, with continual and permanent character, of a severe and unconditional fiscal-budgetary discipline, realized practically through the adoption of this law. The Law of fiscal-budgetary responsibility aims to assure predictability in spending the public money.

At the same time Law no. 69/2010 has as regulation object the establishment of a legal frame which allows to assure and maintain a strict, clearly defined financial-budgetary discipline, which being respected offers the opportunity that the public finances could be efficiently managed.

The legal foresights created this way are applicable[289] for authorities, institutions and public entities foreseen by *art. 2 point 30 of Law no. 500/2002* regarding to public finances (like The Parliament, the Presidential Administration, the Ministries, the other organs of specialty in public administration, other public authorities, the autonomous public institutions, like the institutions coordinated by these and financed either integrally by the budget of state, by the social insurance budget of the state, by budget of special funds; or by own income and subventions offered by the budget of state, the budget of social insurance of the state, the budget of special funds; or

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[286] For realizing the sustainability of public finances through fiscal sustainability it must be applied some measures which imply the reduction of expenses, without influencing the vulnerable groups, avoidance of the increase of taxes (which would have a negative impact upon the employment of the labor and upon investments).

[287] Law no. 69 from 16 April 2010 of fiscal budgetary responsibility, published in the Official Monitor of Romania No. 252 from 20 April 2010.

[288] Together with the Law of unique salary of the budgetary personal (respectively Law no. 330 from 5 November 2009 regarding to the unitary salary of the employees paid from public funds, published in the Official Monitor of Romania no. 762 from 9 November 2009) and Law of the reform of the system of pensions.

[289] Art. 2 of Law no. 69/2010.

integrally by own incomes) respectively by *art. 2 point 39 of Law no. 273/2006* regarding to local public finances (the general name of local public institutions, including villages, cities, towns, the sectors of Bucharest, districts, the city of Bucharest, institutions and public services under the control of these, with judicial person, financed either integrally by the local budget, or by own incomes) *like to other entities* finances in proportion of over 50% by public funds, established according to European norms.

For the exact conceptual clarification of some notions the legislator tried to define some notions like fiscal-budgetary strategy, the general consolidated budget[290], primary expenses of the general consolidated budget, economic cycle, expenses with employees etc.

The legal principles of the fiscal-budgetary politics are the following:

-*the principle of transparence* regarding to the establishment of fiscal-budgetary objectives and the application of the fiscal and budgetary politics, the Government and the authorities being obliged to publish and maintain in debate for a reasonable period of time all the necessary information which allow to evaluate the implementation method of the fiscal and budgetary politics, the results of these and the situation of the central public finances and that of the local one;

-the principle of stability;

-the principle of fiscal responsibility;

-the principle of equity;

-the principle of efficiency[291];

-the principle of the efficient management of the employment expenses paid by public funds.

In the content of art. 5 of Law no. 69/2010 there are also treated the objectives of the fiscal-budgetary politics, respectively:

-to maintain the public depts. At a sustainable level for a medium or long-term[292];

-realizing of a sold of budget generally consolidated near to zero for the period of economic cycle, in the same time with assuring the competitivity of the country;

-the prudent management of the resources and of the entered obligations of the public sector and of the fiscal-budgetary risks;

-maintaining and adequate level of the budgetary resources for the payment of service of public dept;

-assuring the predictability of the quota and of the basis of taxation level.

The efficiency and the positive evolution of the fiscal-budgetary politics will be assured also by respecting some established fiscal rules in the matter of the sold of the general consolidated

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[290] We must mention that in form of project, the Law of fiscal-budgetary responsibility defined at art. 3 point 2 the notion of general consolidated budget as being „the ensemble of the component budgets of the aggregated and consolidated budgetary system to create an unitary thing: the budget of state, the budget of social insurance of state, the budgets of special funds , **local budgets**...” but the Commission for budget, finances and banks of the Parliament of Romania considered opportune to substitute the notion of local budgets with the notion of central budget of the administrative-territorial units, and invoked as reason in this sense the necessity for clearer definitions in the sphere of the general consolidated budget and the possibility to review these in conformity with the European norms and with the evolutions in the administration of the public funds.

[291]To include all the non-repayable funds offered for Romania, including the communitarian and other programs, whose donators of non-repayable funds are not member of the European Union, the Commission for budget, finances and banks of the Parliament of Romania had changed the definition of the content of *the principle of efficiency*, replacing paragraph „financed by funds offered by the European Union” with the text „financed by **non-repayable** funds offered by the European Union or by other **donators”**

[292] The establishment of a medium/long term for the maintenance of the public dept at a sustainable level must be done because a strategy must foresee a longer period.

budget, the total expenses of the general consolidated budget (including the annual rate of growth of these) etc.

In the matter of employment costs, the Government, the credit accountants and any authority with attributions of elaborating politics and payment agreements from the public sector must assure itself that all these politics are in concordance with the principles of fiscal responsibility, with fiscal rules, as with the objectives and limits of the fiscal-budgetary strategy.

Also trough Law no. 69/2010 are promoted essential rules in the matter of budgetary rectifications and to solve the problem of the excessive expenses and that of the overrating of incomes, there must be elaborated and implemented a credible *fiscal-budgetary strategy* for 3 years, which must include macroeconomic[293] frame, fiscal-budgetary frame, a frame of expenses for a medium term and a declaration of responsibility[294].

The fiscal-budgetary strategy must be a key document of politics which must offer information and objectives allowing a better process of taking decision in the annual budgetary process even for a medium period, which can be elaborated by the Government and approved by the Parliament. Compliance towards the fiscal strategy will be followed through reports of semester and annual progress which must deliver the feed-back for the Government upon any adjustment which could be proven to be necessary to respect the aims and the limits. The reports and controls done by the Ministry of Public Finances and by the Government contributes to the promotion and increasing of the transparence of the fiscal-budgetary politics (in this sense we can mention as example: the obligation of the Ministry of Public Finances to publish a semester report referring to the economic and budgetary situation, a report about the final budgetary execution, the obligation of the Government to publish a report about the economic and budgetary situation at the end of their mandate etc).

The law foresees also the creation of a Fiscal Council compound by 5 members[295] nominated by the decision of the Parliament at the proposal of the National Bank of Romania, the Romanian

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[293] According to law (art. 19 of Law no. 69/2010) the macroeconomic frame contains information about:
-situation of macro economy and prognoses: for the actual budgetary year and for 3 ulterior years, the concrete results of the last 2 budgetary years, referring to: the gross domestic product and its components; indicators of consume prices and deflation of the gross domestic product; unemployment and labor; the position of current account of the balance of payments; premises which create the basis of the prognoses; a declaration regarding to the concordance or differences towards the prognoses of the European Commission;
-macroeconomic prognoses for a medium term which influence fiscal politics.
[294] The responsibility declaration will contain a declaration signed by the Prime Minister and by the Minister of Public Finances, where it is certified the correctness and integrity of information about the fiscal-budgetary strategy and its conformity with the law, the aims and limits of the fiscal rules and the respect of the principles of fiscal responsibility.
[295] Their mandate lasts 9 years, and they cannot be elected once again at the end of this period. The conditions which must be fulfilled to become a member of the Fiscal Council are the following:
-the person must have clean judicial and fiscal criminal report;
-the person must have Romanian citizenship and right to vote;
-the person must be graduate of university studies in economic domain;
-the person must have good reputation and professional experience in the domain of economic, budgetary or financial politics;
-minimum 10 year professional experience.
The membership of the Fiscal Council is over in the following situations:
-at the expiration of the mandate;
-through resignation;
-through the appeal of the Parliamentary plenum in the following situations: by the establishment of incompatibility according to the foresights of Law no. 69/2010; in case when a penal conviction with punishment of privative freedom towards a member of the Council was pronounces, being definitive;

Academy, the Academy of Economic Studies, the Romanian Bank Institute and the Romanian Association of Banks, which must assure their support to assure the quality of the macroeconomic and budgetary prognosis and the fact that the budgetary politics are in accordance with the principles of fiscal responsibility.

The sanctions introduced in case of breaking some foresights of Law no. 69/2010 are represented by contravention amendments, but by art. 52 it is shown that „the breaking of the legal foresights by the members of the Government implied the joint political responsibility of the other members of Government, according to the foresights of the Romanian Constitution, republished and to Law no. 115/1999 regarding to the ministerial responsibility, republished with the ulterior modifications"[296].

In conclusion, we show that reaching some smaller budgetary deficits assumes the considerable modification of the budgetary process, and also reforms of the income and expenses politics, and the essential component of the medium-term strategy is represented by the law of fiscal-budgetary responsibility which:

-established better elaboration procedures of the multi-annual budgets;

-establishes limits regarding to the budgetary rectifications done during the year;

-foresees fiscal rules regarding to total expenses, employment expenses and budgetary deficit;

-creates a Fiscal Council which assures an independent and professional analysis of the macroeconomic and budgetary prognosis;

-creates an emission and management frame of the guarantees and obligations.

References:
1.***, Law no.69/2010;
2.***, Law no. 500/2002;
3.***, Romania, Ministry of Public Finances – www.mfinante.ro;

-through substitution, in case of definitive impossibility of exercising the mandate. It is considered to be definitive impossibility of exercising the mandate any situation which creates an unavailability longer than 90 calendar days;

 -through decease.

[296] This way, the supreme sanction for the Governmental members is the joint political responsibility, a sanction whose content is not very clear outlined.

THE IT ANNUAL REPORTS USED IN THE FINANCIAL ANALYSIS

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In the paper the authors presented the importance of financial reporting system used in financial analysis of IT firms. Thus were presented balance sheet, income statement and cash flows.

1. Background Information

Finance is the application of economic principles and concepts to business decision-making and problem solving. The field of finance can be considered to comprise three broad categories: financial management, investments, and financial institutions.

(i) *Financial management*. Sometimes called corporate finance or business finance, this area of finance is concerned primarily with financial decision-making within a business entity. Financial management decisions include maintaining cash balances, extending credit, acquiring other firms, borrowing from banks, and issuing stocks and bonds.

(ii) *Investments*. This area of finance focuses on the behavior of financial markets and the pricing of securities. An investment manager's tasks, for example, may include valuing common stocks, selecting securities for a pension fund, or measuring a portfolio's performance.

(iii) *Financial institutions*. This area of finance deals with banks and other firms that specialize in bringing the suppliers of funds together with the users of funds. For example, a manager of a bank may make decisions regarding granting loans, managing cash balances, setting interest rates on loans, and dealing with government regulations.

No matter the particular category of finance, business situations that call for the application of the theories and tools of finance generally involve either investing (using funds) or financing (raising funds). Managers who work in any of these three areas rely on the same basic knowledge of finance.

Financial analysis is "a tool of financial management. It consists of the evaluation of the financial condition and operating performance of a business firm, an industry, or even the economy, and the forecasting of its future condition and performance. It is, in other words, a means for

examining risk and expected return."[297] Data for financial analysis may come from other areas within the firm, such as marketing and production departments, from the firm's own accounting data, or from financial information vendors such as "Moody's Investors Service" and "Standard & Poor's Corporation". Financial publications such as "Business Week", "Forbes", "Fortune", and the "Wall Street Journal" also publish financial data (concerning individual firms) and economic data (concerning industries, markets, and economies), much of which is now also available on the Internet.

The financial/economic analysis sponsored and used by the economic manager can be viewed within a broad hierarchy of decision-making needs. The diagram in Figure 1.1 shows four key areas in the typical business where financial/economic analysis is a necessary ingredient. This conceptual pyramid rests on the broadest area: day-to-day decisions and operational planning. It successively rises via strategy development, investment analysis and capital structure planning, on to performance assessment and incentives, and finally to valuation and investor communication. Each of these areas contains challenges and issues in the practice of analysis and decision-making that the economic manager must address.

Figure 1.1 Area for Financial/Economic Analysis

(Source: Erich A. Helfert, Financial Analysis: Tools and Techniques, McGraw-Hill, 2001, p. 10)

Despite the great variety of issues faced every day by managers of different businesses, management tasks are so similar in principle that we can effectively group all business decisions into three basic areas: the investment of resources; the operation of the business using these resources; the proper mix of financing that fund these resources. Figure 2 reflects the continuous interrelationship of these three areas.

Figure 2 The Three Basic Business Decisions

(Source: Erich A. Helfert, Financial Analysis: Tools and Techniques, McGraw-Hill, 2001, p 24)

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[297] Frank J. Fabozzi, Pamela P. Peterson, **Financial Management and Analysis**, Second Edition, John Wiley & Sons, Inc., Hoboken, New Jersey, 2003, p. 5

2. Financial Statements in IT Enterprises

In the process of financial/economic analysis, a variety of formal or informal data are normally reviewed and tested for their relevance to the specific purpose of the analysis. The most common form in which basic financial information is available publicly, unless a company is privately held, is the set of financial statements issued under guidelines of the Financial Accounting Standards Board (FASB) in the case of USA, or issued under guidelines of the International Accounting Standards Board (IASB) for the countries of the European Union and other countries like for example Hong Kong, Australia, Russia, and Singapore. Such a set of statements usually contains balance sheets as of given dates, income statements for given periods, and cash flow statements for the same periods. A special statement highlighting changes in owners' equity on the balance sheet is commonly provided as well.

Financial statements are summaries of the operating, financing, and investment activities of a business. Financial statements should provide information useful to both investors and creditors in making credit, investment, and other business decisions. And this usefulness means that investors and creditors can use these statements to predict, compare, and evaluate the amount, timing, and uncertainty of potential cash flows. In other words, financial statements provide the information needed to assess a company's future earnings and therefore the cash flows expected to result from those earnings. In Figure 3 there is a depiction of the financial statements and of its most important elements.

Figure 3 Elements of Financial Statements
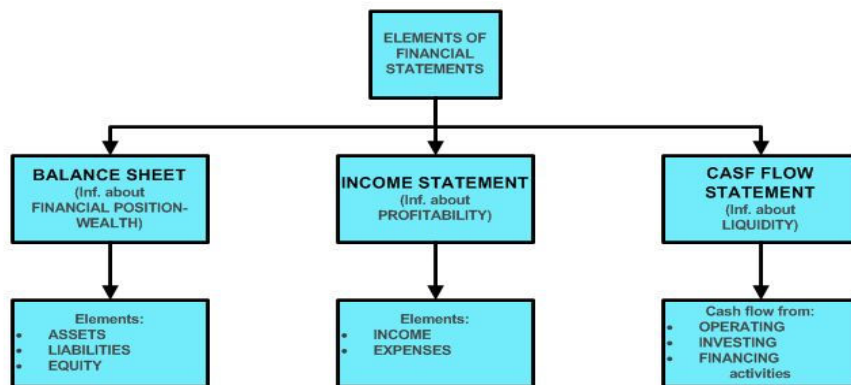
2.1. The Balance Sheet Source of Information for Financial Position Analysis

The balance sheet, prepared as of a specific date, records the categories and amounts of assets employed by the business (the resources committed) and the offsetting liabilities incurred to lenders and owners (the funds obtained). Also called the "statement of financial condition" or "statement of financial position", it must always balance. By definition, "the recorded value of the total assets invested in the business at any point in time must be matched precisely by the recorded liabilities and owners' equity supporting these assets."[298] Liabilities are specific obligations that represent claims against the assets of the business, ranking ahead of the owners in repayment priority. In contrast, the recorded shareholders' equity in effect represents a residual claim of the owners on the remaining assets after all liabilities have been subtracted.

The major categories of assets, or resources committed, are[299]:

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[298] Erich A. Helfert, **Financial Analysis: Tools and Techniques**, McGraw-Hill, 2001, p 38

[299] *ACCA-F7 Financial Reporting (Int), Cromwell Press Trowbridge Wiltshire, 2008, p. A 1.4*

(i) *Current assets* (items that turn over in the normal course of business within a relatively short period of time, such as cash, marketable securities, accounts receivable, and inventories).

(ii) *Fixed assets* (such as land, mineral resources, buildings, equipment, machinery, and vehicles), all of which are used over a longer time frame.

(iii) *Other assets*, such as deposits, patents, and various intangibles, including goodwill that arose from an acquisition.

Major sources of the funds obtained are:

(i) *Current liabilities*, which are obligations to vendors, tax authorities, employees, and lenders due within one year or less.

(ii) *Long-term liabilities*, which are a variety of debt instruments repayable beyond one year, such as bonds, loans, and mortgages.

(iii) *Owners' (shareholders')* equity, which represents the recorded net amount of funds contributed by various classes of owners of the business as well as the accumulated earnings retained in the business after payment of dividends.

Balance sheets are static in that, like snapshots, they reflect conditions on the date of their preparation. They're also cumulative because they represent the effects of all decisions and transactions that have taken place since the inception of the business and have been accounted for up to the date of preparation.

2.2. The Income Statement and the Financial Performance Analysis of the IT Enterprises

The income statement[300] reflects the effect of management's operating decisions on business performance and the resulting accounting profit or loss for the owners of the business over a specified period of time. The profit or loss calculated in the statement increases or decreases owners' equity on the balance sheet. Thus, the income statement is a necessary adjunct to the balance sheet in explaining this major component of change in owners' equity, and it provides a variety of performance assessment information. The income statement also referred to as the "operating statement", "earnings statement", or "profit and loss statement", displays the revenues recognized for a specific period, and the costs and expenses charged against these revenues, including write-offs (depreciation and amortization of various assets) and taxes. Revenues and costs involve elements such as: sales for cash or credit; purchases of goods for resale or manufacture, or cost of services provided; general and administrative expenses; sales and marketing expenses; research and development costs.

The income statement represents the best effort of the firm's accountants to match the relevant items of revenue with the relevant items of cost and expense for the period, a process which involves accrual accounting and extensive use of allocation of prior and future revenues and costs. Among the judgmental areas involving costs are: recognizing the incidence of revenues received in advance or delayed in time; depreciation of assets being used over more periods than the current reporting period; cost of goods purchased or manufactured in previous periods; proper allocation of general expenses to a specific period.

2.3. The Cash Flow Statement Used in the Changes in Financial Position Analysis

Because we are interested in the combined effects of investment, operating, and financing decisions, analyzing both the income statement for the period and the balance sheets at the beginning and the end of the period together provides more basic insights than either statement alone. Management decisions not only affect the profit for the period, but cause accompanying changes in most assets and liabilities, particularly in the accounts making up working capital, such as cash, receivables, inventories, and current payables. The statement that captures both the

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[300] *: ACCA-F7* **Financial Reporting (Int),** *Cromwell Press Trowbridge Wiltshire, 2008,p. A 1.4*

current operating results and the accompanying changes in the balance sheet is the "cash flow statement", "statement of cash flows", or "funds flow statement". It gives us a dynamic picture of the ultimate changes in cash resulting from the combined decisions made during a given period.

The cash flow statement thus offers a ready overview of the combined cash impact of all management decisions during the period. The user can judge both the magnitude and the relationships of these cash movements, such as the company's ability to fund investment needs from operational results, the magnitude and appropriateness of financing changes, and disproportional movements in working capital needs. Observing the cash flow patterns can stimulate questions about the effectiveness of management strategies as well as the quality of operational decisions. The amount of detail can vary widely, depending on the nature of the business and the different types of movements emphasized.

3. Conclusions

As we saw above financial reporting system IT firms do not differ from annual financial reporting system provided by IFRS. Such system is based on three pillars namely the balance sheet, income statement and cash flows.

Information provided by balance are static information while the information provided by profit and loss and cash flows are dynamic information.

Data from annual financial reports are used in financial analysis of IT companies, using methods and techniques among which the most important is the method rates.

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INSURANCE OF BANKING OPERATIONAL RISK

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The current financial crisis is not a singular event in the history of crisis episodes. The essential difference between past episodes of financial turmoil and the actual crisis is the unprecedented severity, the pace of contagion and its global size. Financial markets have been seriously disturbed, threatening the robustness of financial institutions and their ability to meet current needs to properly manage the risk. One such risk is operational risk, which has become an important source of loss for credit institutions. In this context, the main purpose of this study is to present the best techniques and methods of managing this risk, less addressed problem in the literature from our country.

1. Insurnce as means of protection against operational risk

The Basel Agreement on required minimal capital acknowledges the role insurance can play in diminishing the financial impact of the operational losses of a bank. In a more and more competitive environment, as that of the bank industry, the transfer of risk to an insurer can contribute to the bettering of performance indicators and of cash flows, preventing crisis situations. Moreover, the insurance proper can be accompanied by connected services of risk management, which would allow a bank to more properly define its own risk profile.

In the consulting document on operational risk, promoted by the Basel Committee in 2001, it is acknowledged that insurance can be seen as a tool of diminishing the financial impact of operational risks of banks. In the acceptation of this document, the diminishing of the financial impact refers to the fact that concluding a specific insurance against operational risks can lead to a lower level of necessary minimal capital allocated to this risk category.

Still, it is pointed out that the market of insurance against operational risks itself passes through a stage in its development and maturation, so that banks can find themselves in the situation of replacing the operational risk by a counterparty risk.

2. Products of insurance against operational risks

Although they occur in a standardized form, these policies undergo several adaptations - depending on the demands of the insured customer – in that some clauses get eliminated and several supplementary ones are introduced, all with specific reflection in the price level.

- *Employment Practices Liability* (employer's liability) - covers compensation to be paid by the insured because of violation of labour law (discrimination, breach of employment contract etc.).

- *Non-Financial Property* - covers the usual risks that can affect the goods in the property of the insured (fire, earthquake etc.).

- *Unauthorized Trading* (unauthorized transactions) - provides unauthorized transactions that may constitute fraud by computer or fraudulent registrations;

- *General and Other Liability* (general liability and other liabilities).

3. Advantages of operational risk insurances

In essence, the role of insurance is to transfer the financial impact of a risk or a combination of risks from one entity to another. Strictly speaking, to transfer risk is not a way to control risk (control includes avoiding, preventing or reducing risk events). By insurance, the financial impact of a risk event is simply transferred to another entity, under the established terms. Concluding insurance against a particular risk, the bank relies on the ability of the insurer to provide compensation according to agreed conditions, so that risk transfer decision can be considered a financing decision.

Insurance as a risk reduction tool, helps the bank to avoid or mitigate the loss (financial or of any other nature) generated by the production of a risk. Theoretically, the benefits that a bank can obtain from contracting insurance against risks are related, on one hand, to the occurrence of a predictable cash flow and, on the other hand, to the avoidance of catastrophic losses.

Large and unpredictable operational losses can dramatically reduce the liquidity of a bank, to exhausting the capital allocated.

By buying a policy of insurance against operational risks, the bank pays an insurance premium in exchange to which it is granted compensation in case of production of a certain risk. This means that insurance against operational risks enables a bank to eliminate or reduce large fluctuations in cash flow caused by high and unpredictable operational losses.

A decrease of cash flow fluctuations also generates other benefits for the bank in that it improves incomes and then increases the bank's market value.

Another advantage refers to avoiding catastrophic situations, by the fact that insurance covers large operational losses that would lead to insolvability.

Although some banks (especially large international ones) have developed their own systems for operational risk management, the practice shows that an insurer has more resources and expertise in this field, acquired as a consequence of administrating a large portfolio of risks taken from clients in various sectors of activity.

By contracting an insurance policy against operational risks, banks transfer the risk to insurers and benefit, on one hand, from effective services and, on the other hand, from a qualified monitoring.

The first aspect is based on the object of activity of an insurer, namely evaluation, control and financing of the risks. Thus, large insurance companies have an advantage over banks from data available, experience and the size of the portfolios of the risks administrated. For banks, it may be more efficient in terms of cost to outsource certain elements of the risk management program to insurance companiesInsurers provide services of damage assessment and coverage, besides legal consulting and administration services (such as the collection of compensation).

The second aspect refers to the fact that, in some cases, shareholders may request the bank management to invest in risk management activities more than the latter would be willing to spend. Therefore, it is difficult for shareholders to monitor management behaviour and make sure it fulfils its tasks. In this case, one possible solution lies in an insurance contract, so that monitoring tasks would be in the insurer's duty.

The monitoring activity performed by the insurer supports, in fact, the manifestation of market forces. The risk must be regarded as any other commodity and it can be traded. Problems arise when individuals or groups interested in the activity of a bank (e.g. certain shareholders or the management itself) take advantage from the position they hold and expose the others to risks improperly remunerated.

4. Factors influencing the decision of insurance against operational risks

The decision of a bank to conclude a contract of insurance against operational risks depends on many factors that influence both the potential benefits it will obtain and the size of insurable risks. Synthetically, these factors regard:

- The size of bank - has a major influence on the decision of insurance against operational risks. There are differences of approach between a large bank and a small one, both in terms of potential benefits, and in terms of the insurable risks. It is difficult to judge whether the advantages of the insurance are bigger for one category or for another.

In general, smaller banks have lower equity and free cash flow and, consequently, are more vulnerable to losses from operational risks. Often they have neither a dispersion of risks, nor the funds necessary to develop their own risk management systems to such a degree of complexity that it could equal the monitoring performed under the terms of the insurance contract.

At contrast, large banks have the resources to perform a proper management of operational risks themselves. However, large banks often opt for the insurance solution to protect their income against losses from operational risks, especially when they affect investors' confidence or would lead to the overtaking of that bank.

Putting together and managing large or unusual operational risks of several banks by one insurer is almost always more beneficial than individual administration of those risks within one bank. It is also cheaper for a large bank to transfer the daily administration of relatively common and low-impact risks to an insurer, especially if the market of the insurance for that risk is competitive.

The bank's risk profile - the new Basel II agreement states that the level and types of risk identified in various business segments vary. It is possible that these differences affect the nature of the insurability of the risks associated to a business segment (e.g. in default of data and sizes of the losses). Besides determining the size of the minimum capital required, the bank's risk profile also influences its ability to contract itself a good quality and cost advantageous insurance against operational risks.

- Time horizon for the management / shareholders. The benefits of insurance require a certain while to become perceptible. If a bank renounces at an insurance contract, it may see a short-term advantage because it saves the insurance premium.

The extent to which a bank can cover the immediate expense of the insurance premium, in exchange for a benefit that may materialize only in the long term, depends on the time horizon the management or the shareholders aim. Those implied on a long term are, generally, more in favour to the solution offered by insurance than those who have immediate interests.

- The interested parties' attitude towards risk. The more the groups interested in the activity and the results of a bank (management, shareholders, etc.) show a bigger aversion to risk, the more appealing the solution of the insurance will be to them. The empirical results show that the attitudes toward risks of the groups interested in the bank's activity influence the entire strategy of risk management.

- Bank rating. The better the rating, the lower the refinancing cost the bank will support. In such circumstances, banks with very good rating can opt to finance losses by contracting credits rather than insurance. This aspect, though, needs further detailing, as the bank can be immediately demoted when it incurs a considerable loss that was not subject of insurance and, consequently, its access to financing becomes more restrictive.

5. The new Basel II agreement - the role of insurances in the management of operational risk and the impact of the required capital of the bank
5.1. impact of insurances upon required minimum capital
Regarding the new Basel II agreement, two acceptations have developed among bankers, related to the impact of insurances on the required minimum capital.

The first implies that any effort to improve the risk management should be viewed independently from the request of capital. Consequently, insurance should not affect the required minimum capital.

The second acceptation implies that, on the contrary, banks have to be provided incentives in order to improve risk management own systems. Consequently, insurance has to be considered

when reckoning the required minimum capital. Many bankers and insurers believe that insurance should be treated as an instrument of reducing the required minimum capital and, in this case, the problem boils down to establishing how much of the insured amount will be deducted from the level of the required capital.

Given the complexity of Basel II, resulting from the recognition of the three criteria for determining the minimum capital level within Pillar I (basic approach, standard approach and the one based on its own system of risk measurement), we need to define, first, the notion of "minimum capital".

Secondly, it should be clarified if a number of instruments, namely insurance contracts concluded by banks, can contribute to the reduction of this required minimum capital.

The second pillar of the Basel II Agreement allows regulators to increase the required capital. Yet, from this perspective, banks should be permitted to rely on the insurances contracted for lowering their capital charge.

The third pillar covers the issue of transparency and control through market forces. Given the benefits of risk monitoring and control, insurance could play a relevant role in the management of banking risks.

Banks with an efficient management could resort to complex insurances of the cart type by which they could assure a higher level of protection and their reporting would improve their rating, driving to the reduction of the cost of the capital raised.

Currently, the market of insurances against operational risks undergoes a process of development and adaptation, so that we can eliminate the disadvantages and maximize the benefits brought to banks. For example, new cart type insurance products provide protection against more risks and solve a part of the problems related to gaps and redundancies arising from the use of traditional insurance.

Basel II agreement needs to provide a flexible framework that allows banks to use insurance as an effective tool for operational risk management.

The new agreement will have to regulate if and to what extent insurance against operational risks is compulsory. For example, the fidelity insurance that cover all risks - operational and non-operational - is mandatory in the U.S.A. and in several other countries (including Britain), which do have reduced schemes of depositors' protection.

From the perspective of the risk management, Basel II agreement should contribute to the production of a competitive environment where market forces could act efficiently and effectively. For this, the regulators should provide regulatory infrastructure and leave the task of monitoring the method of applying regulations to insurance companies and to risk rating agencies.

Insurance companies are very interested to support banks in their bettering of risk prevention and reduction activities. Incidentally, the rating agencies already provide independent external evaluations.

Regulators will be able to direct their limited resources on those banks that have problems from the point of view of the insurers and the risk rating agencies.

One of the objectives of Basel II agreement, that of assuring more transparency to financial environment, could be achieved by publishing the risk rating awarded to banks for the policies of insurance against operational risk, as well as the rating of debt securities. These require, though, a closer cooperation between regulators and the risk rating agencies because, unlike these agencies, public authorities do not publish the awarded ratings.

The regulatory and supervisory authorities collect data on operational risks to determine the required minimum capital and it would be useful that, as far as possible, data should be disseminated to be further useful when concluding insurance contracts and for standardization. This would grant that relevant and properly classified data are considered which would demand a

more rigorous calculation of insurance premiums, fewer exclusion clauses and higher compensation limits.

Basel II Agreement also puts forward the risks associated to outsourced activities such as communication systems and those for payment and settlement301.

The traditional approach used in insurances, the one of covering known risks, generates a series of complaints from banks, because, in the circumstance of alert creation of new products and services, it appears to be essentially reactive. Nevertheless, this reactive attitude allows the emergence of unforeseen gaps in covering operational risks due to changes in technology, knowledge and economic environment situation.

Although a series of renowned international insurers have adopted a pro-active attitude in what the offer of operational risks insurance is regarded, the level of demand for such products is neither known nor easy to estimate. Previously, the insurance companies have created the insurance against fraudulent transactions - considering that it is useful to banks - and found that the demand was virtually non-existent. To avoid situations like those mentioned, you need a constructive dialogue between representatives of banks, insurers and regulatory authorities, in order to clearly identify the products that the market requires and is willing to pay.

At the level of the insurance market, there is a more and more obvious manifestation of the necessity to standardize the documentation for damage in case of losses from operational risk. This would diminish the possibility of disputes and would be a guarantee (for regulators and banks) of the fact that the losses proven will be covered in accordance to the insurance contracted.

This would also help to develop alternative products for protection against risk, because standard products could be traded on the capital market and offered to a much larger public, by means of securitization.

However, a cautious approach is necessary, because an excessive standardization may suppress the development of product and affect the efficient functioning of the market. În plus, schimbarea continua a cererii clientilor face dificila crearea unor polite de asigurare pe deplin standardizate.In addition, the continuous change in the customers' demand makes it difficult to create fully standardized insurance policies.

5.2. The attitude of the banks towards the solution of insurance

When contracting an insurance against operational risks, a bank has to first see to what extent this contributes to the increase of its value on the market and look beyond costs.

Concluding an insurance contract can increase the market value (most frequently measured on the basis of the market price of the actions) by predictability of the cash flow, preventing a financial catastrophe, assistance in monitoring and controlling risks and use of a management instrument of effective risk in what price is regarded.

It is relevant to point out that the simple contracting of an insurance for reducing the required minimum capital does not automatically lead to an increase in the market value of the bank, especially when the opportunity is lower. Contracting an insurance must be justified by the fact that it brings benefits and services the bank cannot develop by itself, under the condition of cost efficiency.

The management of the bank should plead in front of the shareholders for the necessity of concluding insurances against the operational risks, insisting on the fact that these represent an efficient instrument of monitoring and controlling.

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[301] Dedu V., Nechif R., "*Banking Risk Management in the Light of Basel II*", Theoretical and Applied Economics - 2 / 2010 (543), p.114

The use of specific insurance policies is in itself a credible signal of undertaking proper management of risks.

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SOME CONCLUSIONS REGARDING THE HISTORICAL EVOLUTION OF FINANCE IN THE PRESENT TERITORY OF ROMANIA

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In the present article the authors are debating the historical evolution of finance from its beggining untill its present. The importance of the theme is given by the fact that the appearence of finance was due to the appearence of the state, when the state treasury was confused with the welfare of the Lord, and when taxes are introduced for the first time.

1. Introduction
If elements of economic and commercial nature, existed in the current romanian space of time removed, resulting - after developing the state and money - the emergence of the first elements of finance, about their financial relationships - we speak - with reference to our territory inhabited by the romanian people - just as when mainstream form of cash contributions, which chronologically puts us on the mid-nineteenth century, since the modern era[302].

Therefore, the changes in the elements of finance – from the beginning of the first millennium - to **finance / financial relations** - equipped with a **real tax system** - in the mid-nineteenth century - is a long and complex process, influenced by the concrete conditions of society, the changes in social systems - economic, ideological and political trend.

The tax system contains all the financial funds in place, bounded on an economic level and links between these movements constituted financial resources generated by operations (also called financial flows). Fiscal relations ensures the funds, but their orientation, so fiscality is evident in the distribution process, by mobilizing the various channels of resources available to state, representing a part of the finance functions namely the allocation.

2. The historical evolution of finances in the present teritory of Romania
2.1. The medieval period
In a work entitled, „History of the Romanian public economy", National Culture Publishing House, Bucharest, 1924, the author, George N. Leon says (page 11), „Financial History of Romania can not be studied only by the foundation of the principalities, because the Romanian people lived before them, with an organization determined by the conditions of existence of time. Whether we lived freely in some parts, whether they lived in dependence of other nations, he experienced a tax debt for us is a great interest to investigate the Romanian people with household public relations, whatever the latter was.

In the same work quoted by Professor George N. Leon, we have an overview of the obligations which it imposes the **Tatars** oppressed peoples of Eastern area, „he came from Russia .... a comissar to charge of regulation. He took the first of three children, one from the three carried it

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[302] Idem, page 12.

with him puting to slavery all unmarried people, men or women and all those who did not had how to gain life or pay the **capitation**. The remaining population was counted: small and great, rich and poor, old and young had to pay the same capitation of five skins: a white bearskin, a marten skin, the skin of a beaver and a ferret skin .... Mongolian officials came in, to change the tribute settlement and administration. They put one man to ten contributors, over one hundred one centurion, over one thousand and one mias who steals responsible for fulfillment of the capitation. Exception were only priests, monks and nuns".

„A document from 1222 tells us that Andrew II, king of Hungary, nodded the Teutonic Knights the right to bring salt on ships on the Olt and Mureș River, saving them from the tax they pay to pass through Romania (per terra Balcanum). This proves that the romanians, since the first half of XIII century, had organized a country economically, collecting customs duties which of course served to cover collective needs. It is beyond any doubt that in this period the needs of the princes is confused with the needs of the state"[303]

2.2. The Principalities period
Public expenditure were made to society, but were almost exclusively expenditure made by the Lord that was required to ensure the rule of law and ensure peace. He repress sight and force arbitrary, paid employment related to services for the Princely Court, supporting the Chuch and social establishments. Revenues are restricted areas consist mainly of its operation, the taxes mentioned above, changed from year to year or repeated in the same year with the change of the Lord. The Lord is the master and all his goods were between public property and private possessions of the prince no distinction confusing the state treasury.

Most people were peasants and lived in country villages as differentiated by the fall: the royal villages, monastery villages - donated by the Lord to the monasteries, with all obligations – the villages of Noblemen - donated noblemen, and free villages composed of free men, named „**Moșneni**" in Valahia and „ **Răze**și" in Moldova.

The people who were not free were called „**rumâni**" or „**neighbors**" and were tied to the land, the estate or gentleman.

The „**rumâni**" have to his master, three kinds of tasks: the „bucket", giveing and labor[304].

The „**buckets**" represent some of the products made by „rumâni" on the land of the noblemen due to grain for hay and live with different names: from wine yards, cowing etc.. The „buckets" were **paid** by free people, in size and structure, thanks to tithe for all products of the earth.

The **giveing** is an obligation that was due only to beehives, sheep and pigs.

The **labor** is required to work without pay in farming, transport, to live, to repairing houses of the noblemen.

Outside sharecrop basis, free men were also forced to perform work on the estates of noblemen / prince / monastery, twelve days a year, and by the seventeenth century, this requirement had to perform a twenty four days a year.

In addition to free people, there were other categories of people, such as **courtiers**, „**călăra**și", „**hânsarii**", „**darabanii**", „**plăieşii**" and **hunting men**, they were royal retainers. Plăieşii were exploiting forests in exchange for the duty to guard the borders, darabanii lived and fed on royal seats in exchange for warlike service. In general, the various royal servants were various services in exchange for lowering taxes to the ruler and the noblemens.

Valahia and Moldavia were the grain yards of Turkey, hence feeding the Sublime Gate with grain, sheep and beef and other food providing the empire.

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[303] George N. Leon - „ The history of politic economy at romanians", National Culture Publishing House, Bucharest, 1924, page 17.
[304] I. Vlădeanu - „About pays and taxes. The tax.", „Cartea Românească" Publishing House, Bucharest, 1925.

When the Ottoman Empire was at war, the principalities were obliged to send people to certain services, transport, building bridges and various other labor.

,,The Hungarian entry into the country, conquered land was divided between different Hungarian families, making their joint property. But besides these owners are in the country a free people, native, who lived under her own organization, to enjoy various privileges and engaged in the cultivation of land (Romania), trade and crafts (chassis) and, finally, the crowd Slavs who lived to the owners and worked for the benefit of the master."[305]

The current Romanian territory, but also in other areas / regions where Romanian living, social relations were feudal. Financial structures were rudimentary, characterized by arbitrary distribution of tax burden based on the principle of distribution of step in step, to family, without any economic justification. There is no regular collection or a real financial device, sound, financial structure of the relationship marked by the nobility, the church, clergy, by rule or royalty.

2.3. The Middle Ages

Given the fact that Constantin Mavrocordat was a gentleman who depended on the Phanariot ,,goodwill" of the Great Gate, ,,goodwill" that was ensured by substantial amount and because the Lord himself, certainly not during his reign, but while he hold his lordship, exploit the situation to increase his own wealth; it happened that the Lord himself violate some provisions of the reform, raising the toll of five to six times a year instead of four and even ahead of schedule.

To increase revenue, Constantine Mavrocordat was worried about the increase in the number of taxpayers, by abolishing in Valahia (at 7.VIII.1746) and Moldavia (in 6.IV.1749) the serbs, not by releaseing them, but to give fresh land release, which was they remain in a state close dependence on the noblemen.

From the russian withdrawal from Moldavia (in 1812) and annexation of half of the territory, in conditions of generalized poverty, there was a number of significant migration of population: 400.000 inhabitants took refuge in Russia, 300.000 in Serbia and 75.000 in Bulgaria, so number of taxpayers is reduced drastically, leading the Valahian country with approx. 800.000 inhabitants, and Moldavia about 500.000 inhabitants.

In thise conditions, the Valahian government ensured attracting new resources to the budget, after the Revolution of 1821, will resort to **loans**. Thus, Valahia is forced **to resort to loans from monasteries**, with interest of five thalers to bag a month, ensuring in this way, attracting the amount of 23.550 thalers (equal to 70,650 ROL). The Moldavia resorted to **loans from the noblemen**[306] .

2.4. To the modern period

By the introduction of the Organic Laws it took the first steps towards a modern tax system rests on the base. Thus, it was done to fix the state spending each year, they set the taxes and revenues to meet expenses, they established rules of collecting tribute and rules after the Treasury was to realize its activities.

The draft regulation is initially introduced some regulations on land tax (for the first time), as a direct release of land, and some tax regulations like stamp tax, which is pursuing two objectives on the one hand increase state revenues, and secondly, reduce the number of lawsuits pending.

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[305] George N. Leon, op.cit., page 40.

[306] Drept exemplu se poate da cazul căminarului Constantin Boteanu, care a împrumutat statul, conform unei chitanțe, cu suma de ,,150 lei, adică una sută cincizeci lei [….], în trebuința cheltuielilor țării, cu vadĕ de doi ani și cu dobânda legiuită și la împlinirea vadelei să i se plătească atât capetele cât și dobânda" (Enciclopedia României, 1936, pag.737)

These provisions - **the land tax and stamp duty** - will be adopted in the final text of the Regulations, due to the opposition of the noblemen.

2.5. The modern period

The change of regime in Russia by the end of 1917, Romania has asked the allies for collective security vaults by Moscow, guarantee granted to February 21, 1918. Despite this guarantee, Romania failed even to this day to recover than a tiny part of those values.

In this respect, the main aspects that characterize this period are:

In 1921, the government Averescu having as Finance Minister Nicolae Titulescu (between June 13, 1920 and December 16, 1921) will launch a series of laws (even a program), aimed at reforming public finances in Romania and unify systems imposition. Thus, the proposed reform of Nicolae Titulescu, passed by the Romanian Parliament in July 1921, contained several laws namely:

- **The direct contributions law**, **by the creation of progressive taxation on income**, it had an modern economic content, aiming to ensure some fiscal and social equity, based on a set of principles, such as requiring actual income made in the declaration taxpayer, progressive and proportional taxation, the introduction of the minimum taxable.

- **The progressive tax on wealth and enrichment of the war**. This tax should be levied on net wealth companies and apply the text of the law provisions, which were there any kind of joint stock companies, cooperative societies and companies limited by shares, including foreign companies limited by shares with branches in Romania.

By this measure, proposed by Titulescu nationalization policy with tax authorities, a policy of nationalization of the country's resources and private capital for the benefit of the community.

Also, this tax would affect the assets acquired during the war, those who have benefited from significant increases in their wealth or have achieved great wealth during the war, should contribute to state revenue with some of them. By law, revenues derived from the application of this tax was intended to liquidate damages of war and internal debt amortization. **This tax**, although acquired parliamentary approval **was not applied in practice.**

- **The luxury tax and turnover**, which is - at that time - new to the Romanian tax system.

In fact, it is a tax on gross turnover, including its base and other taxes hidden costs. The tax charge is based on the idea of a commodity, whenever it passes - by selling a hand to another (taxation, in cascade "or" snowball "," tax on tax ").

- **The progressive inheritance tax** is a tax placed on the transfer of wealth will affect the gradual concession and property, according to its size.

In 1923, the Finance Minister function was occupied by Vintilă Brătianu, by adopting **the law direct taxes on income tax proportion** is achieved true unification of direct contributions. The new system of direct taxes was based on the idea of imposing real incomes made by individuals or companies. Tax effort largest banks way back, then trade and agriculture, and finally, the last position, with the lowest tax burden, industry.

Brief overview of major tax and specific postwar period and the totalitarian state (socialist state)

The highest yield tax is the tax on income population, which, according to the taxable base is divided into: income tax amounts and tax on non-agricultural income agricultural sources.

- Tax on non-agricultural sources is initially perceived, from workers, officials, scientists, letters and art, self-employed, artisans, merchants and owners of workshops. Imposition was personal, the tax for each person in the party who obtained income. For owners of workshops provide a global tax with progressive rates, to discourage and make them give up these activities. From 1972 to appeal the imposition of those paying distinguished by progressive rates. Some craftsmen who practiced walking activities the quarter due to a flat tax.

- Tax on income earned from agricultural activities was placed on the income of the cooperative, with remuneration of Agricultural Production Cooperatives and on their personal income households and households income on individual producers of the hills and mountains that was noncollective property. At first the imposition of rules is based on income so-called „middle-income" per square, livestock, differentiated the five groups of districts, depending on climatic and soil conditions. In setting take into account middle income category of land use: arable land, irrigated gardens, orchards, vineyards, meadows, forests, swamps.

Between 1969 - 1971, imposing income from farms has undergone many changes, the orientation of fiscal policy in this area is to descurage land tenure.

- Income tax on collectivist cooperative organizations

Handicraft cooperatives, consumer cooperatives and agricultural production cooperatives due to the state budget, a progressive tax, the installments, depending on the size of the income benefit base is actually made.

- The tax on collective farms land was charged in the period 1955 - 1968 and calculate the fixed amount per square of land, divided into five groups according to their quality. Since 1969 this tax was dropped, and replaced with a tax on the income of members.

- Tax benefit of joint ventures, much like commercial tax profit and dividend of enterprises established after 1995. The base tax benefit of joint ventures is determined by the difference between revenues and expenses, then to be taken is deducted from the reserve fund (5% of the benefit each year and 25% of capital invested). Annual taxable benefit so calculated was required to share 30%, and that was transferred abroad, there was a 10% tax.

- The tax on buildings is set for all types of buildings: houses, business buildings, commercial premises, institutions, etc.. and is supported by individuals and units of various forms of socialist, tax rates differ according to purpose buildings (0.45% - 1.50% of the building). The tax is paid in two equal half-yearly installments.

- Urban land tax is levied on land built and Non-built cities, belonging to individuals and legal persons. Tax is calculated in fixed amounts per square meter of land, depending on location and the use of the land. Budgetary institutions were exempt from this tax.

- Tax on land belonging to the state was about exclusive for state ownership of land.

- Tax on vehicles and animals was collected for individuals having mechanical or animal traction vehicles. The fee was determined based on engine capacity, the number of animals for traction and by the characteristics of the vehicles.

- Flat fees for use of public places are paid by individuals who sell goods, products or objects, in fairs or public spaces.

- Stamp duty fees are charged for natural persons and legal entities that use the services of the state, through its institutions: state arbitration, the State Notary, judges, etc..

- Tax on goods movement is an indirect tax placed on prices of goods of any kind, although the communist period is not recognized the quality of consumption tax. In fact, it was a tax on gross turnover with its known disadvantage, is applied in a single stage of making the goods, usually the manufacturer, the single tax type. He, however rise to the phenomenon of tax to tax because some materials, some parts, included in the cost of the new product to the purchase price which included the tax on the movement of goods. It applies to the wholesale price and vary according to industry types, from 0.50% to 22.50% aiming at an adjustment of yield on branches of national economy.

The tax on movements of goods are received from the cooperative organizations, during the recovery of agricultural products by units of the food industry. These products are bought at different prices depending on the source of supply, but prices were delivering unique manufacturing enterprises. The difference is paid to the state budget as thise tax was not - necessary for export goods and investment. The tax is due monthly, but paid decade, wages, or sometimes daily.

-   Tax adjustment was introduced in 1970 aimed at removing excessive profitability, its economic content is the same as the tax on movements, but is charged in all cases to domestic production.
-   Collection of net production by the company is a tax introduced in 1978, sat on the added value to the price of goods, which are calculated based on net production and other indicators of physical production and value, to encourage and stimulate a higher return businesses, without taking into account the economic base. Although it was recognized as an indirect tax levies to the company net production was a net turnover tax calculated by the analytical method, by adding added value features are redemption amount, asimilate their wages and benefits, taxes and other items Net income. The tax being another tax on gross turnover - that the tax on movements.
-   Duties were imposed on imports and exports, in accordance with international agreements and conventions concluded by Romania as a country member of the Monetary Union and other countries were presented to the Customs Code.

3. Conclusions

The financial economy is an economy feudal regalian type field, in which state power is broken in pieces of many fiefdoms.

In the Middle Ages, the legal sovereignty and financial sovereignty - tax are charged by private individuals. In many medieval taxes there are **categories of taxes**. So there were: **the rights of lords for property** (tithe, quinquagesima); **and workers to individuals rights on people** (military service, labor, etc..); **the rights on acts of civil life** (on any property tranfer on inheritance, marriage, etc..); **the rights on the acts of trade and craft** (customs duties, taxes on guilds, etc.); **mint mark rights** and other rights of lords, the clergy and royalty.

All these rights, outside of military service, were not public but were private, particularly for the benefit of feudalism. As these requirements are only partly served the community and is paid mostly in kind and in labor, so they were not a tax but being as a **financial rights over the subjects**.

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CHAOS OR TURBULENCE ON THE VOLATILITY OF PUBLIC REVENUES

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In an intuitive attempt to define financial distress in the public sector, it can be represented by the turbulence over the normal rhythm of indicators' evolution in the public revenues, due to the influence of exogenous factors coming from the real economy, the behavior of taxpayers as well as to other influencing factors. This way of defining financial distress makes it possible to measuring its composing elements, such as: the turbulence and the influence of exogenous factors. The application of financial distress tests for the public budgetary indicators and the notification of its existence can be of real use for the central and local governments, taxation policy.

1. Introduction:

The central governments but also the local ones are presently interested to identify the best solutions for successfully dealing with the global economical crisis, which deteriorated the public budgets, financially contaminating them with the virus of chronic budgetary deficits.

Having this reality, the global economical crisis, the central governments put in practice budgetary policies oriented most of the times towards constraints applied to the operational costs of the governmental device and called for momentary solutions, to solve the crisis of budgetary deficits through public loans[307].

But the problem of public loans is easy to explain when these, in crisis times, assure the financing of public investments; on the other hand, the same loans are very controversial when they assure the financing of consumption costs. A budgetary policy of covering the budgetary deficits through public loans destined for consumption costs (pensions, the salaries of those working for the state) make the experts shiver, having serious consequences on long term on the macro-economical balance of a country.

In fact, the classic and modern economical theories show that for crisis periods, the immediate solutions at hand for the central governments is to support the public investments with implications regarding the jobs increasing and indirect support of the investments in the business sector. The essence of public investments is that through the development of public utilities infrastructure the business investments are to be supported so that the *automated propelling*

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[307] Boloş Marcel, (2006), *Bugetul şi contabilitatea comunităţilor locale – între starea actuală şi posibilităţile de îmbunătăţire,*, Ed. Economică, p.40

stimulus for the increase of budgetary revenues is generated. The multiplier of the public investments cannot lead to multiplying the budgetary revenues unless through investments in the business sector[308].

In this period of global economical crisis some conclusions are to be learned, written on paper along the time as a matter of fact by the experts in public finances, briefly as follows:

-the budgetary revenues are connected to the real economy, having as main communication channels the percepts and taxes;

-a turbulence generated in the companies' activity on the goods and services markets leads to a turbulence in the public budget expressed most often as budgetary deficits;

-the central governments, during crisis times put in operation budgetary policies which aimed at constraints applied to the operational costs, and naturally supported the investments in the public sector[309];

-by accident but as a real fact, some central governments, lacking other solutions for the moment, to avoid the financial collapse appealed to public loans to support the consumption costs (pensions and/or the salaries of those working for the state)[310].

When the momentary solutions, to avoid the financial collapse, were to support the consumption costs from the public loans, was nothing else that the clear fact of weakened economies, not able to produce public revenues to support the consumption public costs. This uncontestable reality leads to the idea that a characterization of the national economies can be done through the situations resulted from comparing the public revenues (percepts and taxes from the business sector) with the public consumption costs (operational) which can be expressed as follows:

-percepts and taxes collected from the business environment / the public consumption costs (operational) the national economies have the capacity to generate public revenues, the central governments can develop and support the public investments as an essential condition for keeping a living standard accepted by the population;

-percepts and taxes collected from the business environment / the public consumption costs (operational), the central governments are in the critical point indicating the imminence of starting a crisis, whose causes can be the uncontrolled increase of the public costs or on the contrary a decrease of the economical growth rhythm registered at local level;

-percepts and taxes collected from the business environment / the public consumption costs (operational) indicate the existence of a crisis, regardless of its nature (financial or global economic) or can be the result of uncontrolled policy of growing the public costs.

The third situation is the subject of our research to indicate the conditions of financial distress existent on the market and its influence on public revenues, with immediate consequences as is already known on budgetary deficits of central governments.

The experience demonstrated that during the periods without crisis, the local and central governments appealed most of the times to the necessary tools to support the economical development as a solution for the budgetary deficits sometimes hard to control. Moreover, to respond to the existent needs in the public sector, the governments, especially in pre-electoral periods, supported the salaries increase for the persons working in the public sector, which on long term added consumption costs and an unreasonable support of the budgetary deficits.

All economic theories, regardless it is about the classic or modern theories were elaborated for the situations existent at that time. Therefore during the economic boom periods the crisis

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[308] Cowell Frank A., (2004), *Microeconomics, Principles and Analysis, Sticerd and Department of Economics,* London School of Economics, p.134

[309] Moşteanu, Tatiana, coord. (2004) *Budgetary policies and techniques.* published in University House, Bucharest, pp.23-34.

[310] Tulai Constantin, (2003), *Finanţele publice şi fiscalitatea,* Ed. Casa Cărţii de Ştiinţă, Cluj Napoca, pp. 15-20.

situations were not taken into account, as well as the inverse situation is also valid. We know only by intuition if during economic boom times the prudential reserves would have been good to stock, even if in currency, for the governments to intervene in crisis situations. We don not know if during crisis times some anti-crisis measures have to be taken and not protection measures against the crisis. There are questions, answers, dilemmas which experts in economical sciences should solve even if to adapt the results of their research to the economical reality.

2. What is financial distress and how we measure it?

It is obvious that any interested reader, in the simplest terms would define the distress as a discomfort situation generated by the existence of undesired events, which negatively influence the people's behavior and sometimes their welfare. The distress was conscious for the people in Eastern Europe mostly in the same time with reaching the market economy, when the lack of jobs, unemployment danger, the decrease of the purchase power led to a stressful situation which on long term influenced the welfare of people and generally of the whole population.

How the population protects itself from the forms of stress? The most frequent protection forms against stress is to economize (to make reserves) which offer the individuals a mental comfort that in any situation *"the money can help them"*. But forming the reserves is only possible when the economies register situations of economical growths, except the fact that the individuals, during economical boom, have a bigger tendency towards consumption. In crisis times, avoiding stress is almost impossible mostly by the individuals lacking reserves or financial investments. They cannot fight against the stress, being practically condemned to support the negative consequences of crisis manifestations.

It is interesting to study the companies' behavior during economic boom but also during crisis times. The reality showed that during economic boom, in the lack of a solid business, the business people in Eastern Europe were attracted by the short-term gains, being caught in the whirlpool of *speculative businesses*[311]. For example, the most frequent expression forms of speculative businesses were the businesses in the construction field but also those resulted from the currency exchange speculations. The speculative businesses worked, true on short term, but most of the times the investors endured, afterwards, the negative consequences of crises and of disappearance of speculative businesses from the market. The behavior of the business environment, in the lack of the speculative businesses, for the boom economic times can be characterized through an emphasized inclination towards investments, and not for making reserves, as we would be tempted to say about a future prudential-pessimist investor[312]. In fact if the market would be dominated by the pessimist investors, than the progress, economical growth, welfare would be only theoretical concepts forgotten in the dusty drawers of science. Can we talk about a stress of the business environment during economic boom? The answer is yes only it is a positive form of stress caused by the desire of reaching the development rhythm expected by the investors.

During crisis times, the same business environment in Eastern Europe, in the lack of an alarming culture but also protection against the unwanted impact of crisis, adopts different forms of sheltering against the devastating effects of crisis. Slowing down of the business growth rhythm and the operation at the damage limit is the most frequent type of behavior met among the investors. The recent global economical crisis made the proof of this type of behavior which eventually led to cutting off jobs, the growth of the unemployment level, reducing the volume of the business, etc. Moreover, in the same crisis times the companies, which during economical

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[311] Fabozzi J. Frank, Peterson Pamela, (2003), *Financial Management and Analysis*, 2nd ed., John Wiley & Sons, Inc, USA, pp.35-134.
[312] Gibbons Robert, (1992*), Game Theory for Applied Economists,* Princeton University Press, New Jersey, pp.45-60.

boom speculatively made businesses, rapidly gave up in the fight with the crisis, closing their doors. The result is that the number of companies going bankrupt rose exponentially. We would be tempted to say that the crisis times are useful for the business sector as it cleans off the "sick companies". The financial contagiousness of crisis leads even partially to the health condition of the business sector. Is the stress present during crisis times at the level of the business sector? The answer is again yes. Stress has now a negative component, the investors being worried by the protection form they should implement to successfully cope with the unwanted effects of crisis.

But the public economy functions connected to the real economy. Any shock in the real economy is inducted into the public one the same as any economic boom in the real economy leads to a boom, if not so intense, in the public economy. It is a vital connection for the public sector whose financial resources are rooted in the real economy[313].

The complex mechanisms of the public services cannot function without a real feeding with percepts and taxes at the necessary level for these services to work. But so as the behavior of the business sector and population is different during crisis times, so as the governments' behavior is different. During crisis times the governments' concern is to control the operational costs of the governmental system and support the public investments. But all these budgetary policies are translated eventually in almost chaotic budgetary deficits, which according to economical theories must finance public investments having only one alternative accepted by specialists to be covered and that is to contract public loans.

In economic boom periods, the same governments, legitimately, are tempted to support the public investments with a double aim: to improve the living standards of the population and to indirectly support, through public utilities infrastructure, the business sector. It is also true that in the same economical boom periods the central governments to gain popularity exceed of generosity and increase the pensions and salaries of those working fro the state, but this type of measures must be accompanied by a constant growth of economy to avoid the financial collapse in the public sector. The state of financial distress, as we would be tempted to appreciate only intuitively is also present during economical boom and respectively crisis. This state of financial distress can be understood in a first stage, without considering scientific arguments, as being a malfunction of the normal rhythm of evolution regarding the indicators in the public sector.

This way of defining the financial distress makes that this to have two base defining elements, in our approach and that are: the turbulence and the influence of exogenous factors.

Measuring the financial distress in the public sector and the study of the exogenous factors which determined it help the central governments mostly to adopt anti-crisis measures which could stop the decline of the studied indicator and could lead to its re-launching, with an impact on the macro-economical balance. To prove scientifically the measuring technique of the financial distress the *revenue tax* was considered as indicator in the public sector. As already known the revenue tax is used both for measuring the economical growth at the level of a region/ state and for deducting it between budgets with the help of shared taxes. The study of this indicator's evolution, permanently leads to obtaining information related to the dynamics of employed people but also to information related to the evolution of the salary gains of the employed people at the level of a locality.

Consequently for measuring the financial distress the following stages were taken into account:
-the revenue tax is calculated by the companies and is transferred to the state budget after which by deduction, with the help of shared taxes, is transferred, based on some deducted quotas, to the state budget and to the local budgets;

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[313] Baker, (2003), *Notes for Mathematics, Groups, symmetry and fractals*, Department of Mathematics, University of Glasgow, p.60

-each budget where was transferred registers a certain level of the collection noted with (I_{impv}),
for each period of calculation($t_0, t_1, \ldots t_n$); usually in the case of revenue tax the period of calculation is equal to the calendar month;

-for the series of data constituted the simple arithmetical mean was determined, to identify the average level of the encashment from the revenue tax, using the formula: $\overline{I_{impv}} = \sum_{i=1}^{12} \frac{I_{impvi}}{i}$;

-based on the data series and the arithmetical mean the mean square deviation was established $\sigma^2 = \frac{1}{n}(I_{impvi} - \overline{I_{impv}})^2$ and the mean deviation ($\sigma = \sqrt{\sigma^2}$) with the aim of establishing the deviation of encashment as to the mean, in normal conditions, without financial distress[314];

-for each budget type (state or local) which collects revenue tax at least two influence factors are important: the evolution of the number of employed people and the average revenue they make;

-*the scenarios of financial distress* were simulated, by subtracting the number of employed people and the average revenue, respecting the constraint according to which the wage cannot be lower under the average national wage, so that the mean square deviation resulted from the modification of the two indicators, respectively the number of the employed people and the average revenue per person, to embrace consecutively values of $\pm 2\sigma, \pm 3\sigma$; For these variations of the two indicators in the conditions of the modification of mean deviation with values of $\pm 2\sigma$, $\pm 3\sigma$, different levels of encashment were registered.[315]

The following results were obtained which were validated by the results of the research and that are:

-the financial distress is a phenomenon that characterizes the turbulence of the indicators in the public sector as to the normal evolution rhythm which can be measured with the help of mean square deviation (σ_{Ib}) and intervene for the values between ($I_b \pm 2\sigma$);

-the financial distress is determined usually by the influence exogenous factors of the budgetary indicator and is the result of continuous modifications registered by the exogenous factors in the conditions of registering turbulences in the activity of companies or taxpayers;

-the presence of financial distress for a certain budgetary indicator allows the public authorities to adopt policies of avoiding the risk or to diminish or even remove the risk involved by the negative impact caused by turbulence on the normal evolution of the studied public indicator.

3. Measuring the value of budgetary indicators in conditions of financial stress

For each budgetary indicator studied in conditions of financial stress is interested to analyze its value registered when subjected to the stress test.

Why is the stress test necessary? The stress test can indicate the values of the budgetary indicator beyond which, the values registered by the indicator, can lead to the registration of some budgetary deficits that could often be beyond control and for which the volume of public loans to be contracted leads to the substantial growth of the public debt level.

In the case of revenue tax for example, the value of this indicator in financial distress conditions implies knowing the limits for which the encashment of the revenue tax reach the stress limit. Respecting the research methodology for measuring the financial distress such a limit of financial distress is reached when the encashment of the revenue tax register values of the mean square

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[314] Kolmogorov N., Fomin S., (1970), Introductory real analysis, Dover Publications, New York, p. 45
[315] Greene William, (2003), Econometric Analsysis, 5th Ed., Prentice Hall, USA, pp.23-45.

deviation over ±2σ according to the formula:

$$N_s \times S_l \times \%p \operatorname{Im} pv(1 - g_i) = 2(\sqrt{\frac{\sum_{i=1}^{n}(\operatorname{Im} p_i - \overline{\operatorname{Im} p})^2}{n}} \qquad (1)$$

Raising to second power and considering the level of encashment 100% the equation indicating the maximum level of revenue tax encashment can be obtained, after which the financial distress conditions are registered, leading to very serious turbulences of the macro-economical balance.

$$N_s^{\,2} \times S_l^{\,2} \times 0{,}16^2 = 2\left(\frac{(\operatorname{Im} pi - \overline{\operatorname{Im} p})^2 + ... + (\operatorname{Im} pi - \overline{\operatorname{Im} p})^2}{n}\right) \qquad (2)$$

By re-arranging the terms of the quadratic equation of above we obtain the value of revenue tax in conditions of financial distress whose solutions are the following:

$$\operatorname{Im} p_i = \frac{4 \operatorname{Im} p \pm \sqrt{16 \operatorname{Im} p^2 - 8(\operatorname{Im} p^2 - N_s^{\,2} \times S_l^{\,2} \times 0{,}16)}}{4} \qquad (3)$$

The results of applying the research methodology are presented in the case below. If we note the values of the revenue tax indicator in financial distress conditions with ($\operatorname{Im} p_{sf}$) and its mean

values with $(\overline{\operatorname{Im} p})$ the conclusion is that the values between ($\operatorname{Im} p \pm \operatorname{Im} p_{sf}$) are securing values which are not affected by the action of influence exogenous factors of the budgetary indicator in condition of financial distress.

Figure 1.Variation of Ns
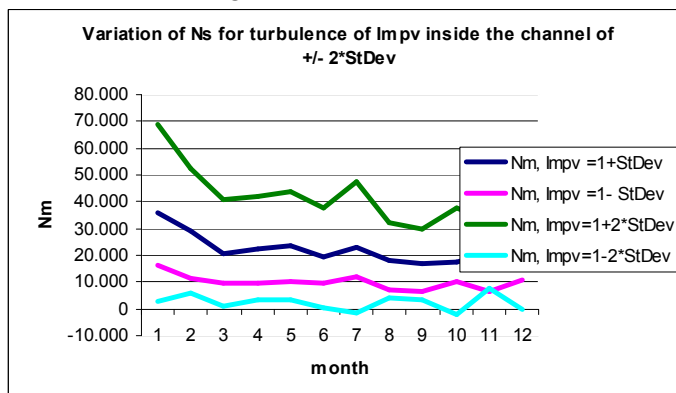
Figure 2. Variation of Sl
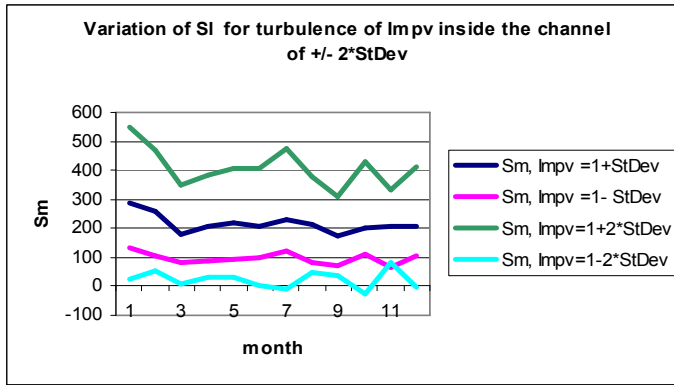
Figure 3. Turbulence of Impv
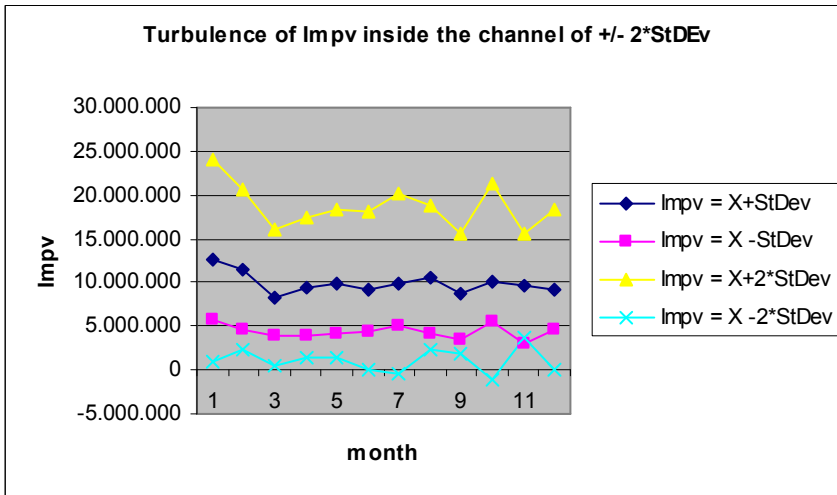
Source: authors simulation (for the three figures)

4. Conclusions

The existence of financial distress for any studied budgetary indicators is a reality that cannot be contested. Essentially the financial distress of any budgetary indicator indicates that state of turbulence registered by the indicator as to its normal rhythm of evolution, caused most often by the existence of exogenous factors.

Measuring the financial distress can be done for any budgetary indicator with the help of mean square deviation, and the determination of the distress condition can take place by simulating the modification of the influence exogenous factors of the budgetary indicator. By repetitive simulations of the influence factors we reached the conclusion that a condition of financial distress for a budgetary indicator intervenes when the values of the mean square deviation registered are equal to ±2σ. These values of the mean square deviation are registered when the studied exogenous influence factors of the budgetary indicator are modified. Any exceed of these

values of the mean square deviation can lead to the study of other phenomena such as turbulences and chaos.

Each of the studied budgetary indicators register certain limit values for the existence of financial distress beyond which other phenomena occur, and that can be researched with the help of tools offered by the science of statistics or econometrics. These values of budgetary indicators noted with (I_{sf}) offer information related to the safety channels, inside which the budgetary indicators are not affected by the existence of financial distress. The safety channels have values comprised between $(I_b \pm I_{sf})$, and outside the range of these values the budgetary indicators can signal the existence of turbulences or even chaos with devastating effects on the budgetary balances.

Financial distress testst are used for measuring the existence of influence exogenous factors can be detected which on long term can lead to deterioration of the financial condition of the countries or regions of a country. The anti-crisis measures can be identified in due time to diminish as possible the devastating effects of the global economical crisis.

However the financial distress tests have some limits. They can detect the presence of the financial virus established, it is true, through research as present when the budgetary indicators register certain values, but these do not identify the exogenous factors that determine the existence of distress nor the intensity or the level of the influence of exogenous factors on financial distress.

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A SHORT ANALYSIS ON THE SENSITIVITY OF TAX REVENUES IN ROMANIA DURING 2000 - 2009

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From a temporal perspective, the collected tax revenues for the public budget know a number of changes in terms of flow and collection rates due to changes in factors of influence. The most used method to measure the response, the sensitivity of tax revenue to any changes of a variable is elasticity. This paper seeks to briefly examine the sensitivity of tax revenues to changes occurring in terms of gross domestic product and tax burden in Romania during 2000 to 2009. After analysis, we believe that a pattern regarding the sensitivity of tax revenues to the modification of a factor can not be created, tax elasticity developments and alternations of elasticity / inelasticity are not based on a uniform rule, they differ from country to country, and even in the same country from one period to another.

1. Introduction
Taxes generate the biggest part of public resources and that is not a novelty. Currently, both theorists and practitioners` concerns are increasingly focusing on the question of the relative sizing of tax compared to its base of calculation and also compared to the source of taxes, source which is ultimately reduced and expressed in the purchasing power of taxpayers. Taxpayers are more interested in the net incomes and the extent to which these are affected by taxes. Tax burden indicates the degree of taxation, meaning the extent to which taxpayers as a whole, society, economy supports a range of taxes, such as compulsory levies, imposed and charged by the state through legal compulsion. Tax burden and the degree of taxation is a way of sizing the tax incidence.

2. Sensitivity of tax revenues based on GDP
From a time perspective (short or long), tax revenues collected by the national public budget know a number of changes in terms of flow and collection rates due to changes of factors of influence. The analysis of the impact of changes in the factors of influence can be made by studying their magnitude. The most frequently used method of measuring the response, the sensitivity of tax revenue to the change of a variable, is elasticity. It can be measured by a coefficient of elasticity of tax revenues based on GDP and the tax rate, considering other factors unchanged (caeteris paribus).
The elasticity of tax revenues based on GDP is the response or reaction of tax revenues to the movement or fluctuation in GDP. A null value of tax elasticity indicates that a variation towards infinity of GDP will determine an incomplete collecting of tax revenues as a result of the self-defense reaction of the taxpayer in front of taxes. Tax elasticity indicates the ratio of relative change in tax revenue and relative change in GDP for a particular country. It expresses the sensitivity of direct and indirect tax levies to changes of GDP or other conditions of public revenues (tax rate). The issue of quantify the degree of tax elasticity was questioned by other

authors: Singer (1968), Chand and Wolf (1973), Khan (1973), Artus (1974) or Ehdaie Jaber (1990), each one developing an econometric model of measurement.

The coefficient of elasticity of tax revenues ($E_{f/PIB}$) indicates the degree, fraction or percentage of changes in compulsory levies based on the changes in GDP or other conditions of tax revenues (eg. tax rate). The general form of the coefficient of tax elasticity based on GDP is as follows:

Where: Vf – tax revenues
PIB – GDP (gross domestic product)

$$E_{f/PIB} = \frac{\Delta\% Vf}{\Delta\% PIB} = \frac{\dfrac{\Delta Vf}{Vf0} \times 100}{\dfrac{\Delta PIB}{PIB0} \times 100} = \frac{\Delta Vf}{Vf0} \div \frac{\Delta PIB}{PIB0} = \frac{\Delta Vf}{\Delta PIB} \times \frac{PIB0}{Vf0}$$

Tax elasticity based on GDP calculates how strongly tax revenues collected fot the national public budget reacts to a change of one percentage of the GDP, tax revenues being characterized by elasticity or inelasticity, depending on the result of the calculated coefficient of elasticity. It may tend to infinity, may be higher, lower or equal to 1 or may tend to zero causing the framing tax revenue in a particular category of elasticity.

Let's consider the following table where budget executions in matter of public revenues in Romania during 2006 – 2009 are centralized. Data was collected from the General Consolidated Budget, which is why the heading "tax income" does not include contributions owed by taxpayers for state social security, health or unemployment, but only taxes levied by the state budget or local budgets. Considering that the taxpayer, individual or legal person, has to burden of not only levies in the form of taxes, bur also social contributions, we will analyze tax elasticity based on GDP, differentiated by tax levies in the form of taxes and by total tax levies, including social contributions.

Table no.1 Evolution of budgetary indicators of the General Consolidated Budget
of Romania 2006-2009

								Million RON
Year	Tax revenues GCB	GDP	Direct taxes	Indirect taxes	Social contributions	Total tax levy (GCB)	$E_{f/PIB}$ [316]	$E_{f/PIB}$ [317]
2009	88324.3	50550 3.0	35207.6	53116.7	47872.0	136196.3	**3.72**	**2.69**
2008	94044.4	51390 4.0	36283.0	57761.6	48419.8	142464.2	**0.73**	**0.75**
2007	76365.8	39080 0.0	26319.0	46061.2	38843.0	115208.8	**1.21**	**1.17**
2006	63792.4	33590 0.0	19105.2	39448.0	32981.4	96773.8	**-**	**-**

Source: http://www.mfinante.ro/execbug.html, Romanian Ministry of Finance
Provisional Execution of Consolidated General Budget

The analysis of the sensitivity of tax revenues to changes of 1% of GDP in 2006-2009 showed an elasticity coefficient with a positive sign, regardless of the the considered amounts included in the numerator, which reflects a directly proportional relationship between GDP and compulsory levies. In other words, the two indicators moved in the same direction but not in the same rhythm.

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[316] Elasticity coefficient of tax revenue (excluding social contributions) based on GDP.
[317] Elasticity coefficient of tax revenue (including social contributions) based on GDP.

A positive economic growth is followed by the same effect of tax levies, while decreasing the amount of GDP resulted in a decrease in the amount of tax liabilities collected by the state.

The type of tax elasticity is not monotonous, but it varies from year to year, alternating phases in which tax revenues are elastic or inelastic in relation to GDP. In 2008-2009 tax liabilities collected by public authorities are characterized by elasticity, with a coefficient of elasticity above the figure 1, of 2,69. This indicates that the decrease of GDP in 2009 compared to 2008, of 1,63 percent, generated an even wider change, also negative, of tax liabilities (taxes, fees, contributions) collected at the aggregate level, of 4,4 percent. In 2007-2008 the calculations show a subunit coefficient of tax elasticity based on GDP, of 0,75, therefore mandatory levies are inelastic, an increase of 31.5% of GDP generated a smaller increase of fiscal public revenues, of 23,66%. The period 2007-2006 is characterized by an almost monotonous tax elasticity, the two indicators evolved at about the same pace, but in the same direction.

Differentiated analysis of tax elasticity, including or excluding social contributions, determines us to say that taxes have a higher degree of flexibility, they are more sensitive to changes in GDP. The coefficient of elasticity in 2008-2009 of 3,72, indicates that a decrease of 1.7% of GDP generated in 2009 a deeper reduction of the amounts collected as taxes by 7.1%, ie 4 times higher. The deficiency of statistical public information regarding Romania's General Consolidated Budget in the last 10 years, but especially their delayed publication, determines us to analyze tax sensitivity based on tax levies made by the three components of the National Public Budgets.

Table no. 2 Evolution of tax revenue from National Public Budget and tax elasticity
in Romania between 2000 and 2009

million RON

Year	State budget	State social security budget	Local budgets	Total tax revenues	GDP	$E_{f/PIB}$
2009	49405.0	32919.9	36708.8	119033.7	505503.0	**2.79**
2008	54980.0	32159.5	37585.9	124725.4	513904.0	**1.04**
2007	44824.2	24397.3	30108.9	99330.4	412761.3	**0.97**
2006	37900.2	20185.9	25236.8	83322.9	344650.6	**2.77**
2005	34531.2	17394.8	2414.5	54340.5	288954.6	**0.98**
2004	30252.7	14249.2	2177.2	46679.1	247368.0	**1.07**
2003	23602.3	11305.9	1825.9	36734.1	197427.6	**1.20**
2002	16775.3	9075.0	1184.2	27034.5	152017.0	**0.87**
2001	13727.7	6828.9	839.5	21396.1	116768.7	**0.61**
2000	11439.4	4696.9	614.3	16750.6	80377.3	-

Source: Statistical Yearbook of Romania from 2001-2008 and Provisional Execution of Consolidated Budget for 2008 and 2009, Ministry of Finance and own calculations

As can be seen in the table above, tax obligations in Romania are characterized by the predominance of unitary tax elasticity (2008, 2007, 2005, 2004), but there are years with high sensitivity to tax (2009, 2006, 2003) and years with inelastic tax obligations(2007, 2002, 2001). Highest degree of elasticity in the last 10 years in Romania was registered in 2009 compared to 2008, recession brought with it a more rapid decrease of tax levies for the National Public Budget compared with that of gross domestic product in the same period. Highest degree of tax inelasticity occurred in 2001, of 0,61, a 45,2% increase in GDP generated an increase of only 27,7% of compulsory levies made on behalf of the National Public Budget.

Static or dynamic analysis of tax elasticity in Romania has no relevance without addressing certain issues of comparison at international levels, European level to be exact. From this point of view we are interested to compare the degree of tax elasticity in Romania with the

average recorded in the 27 member states of the European Union. The average tax elasticity of tax liability based on GDP in the EU-27 was 0,17 during 2008/2007, ie we face inelasticity. The positive sign of the tax sensitivity coefficient indicates a trend in the same sense of aggregate GDP in the European community and of taxes and contributions owed by all taxpayers, individuals or legal people, community residents. The increase of GDP of the European Union in 2008 with 1% to 12.506.778,5 million EURO, generated a positive development of tax levies of only 0,2% to 5.026.047 million EURO. From a structural point of view we can see a strong inelasticity in the case of direct taxes, which tend to zero in 2008 (0,15). A change in the GDP of the EU-27 generates an evolution in the same direction, but much smaller, of levies from direct taxes. EU-27 is characterized by a high degree of sensitivity between GDP and social security taxes collected by member countries, namely between GDP and indirect taxes. A change of 1% of GDP generally results of the European Union countries to collect with more than 1% of social contributions in their social security system. Noteworthy is the negative sign of the coefficient of tax elasticity of indirect taxes, which means that the increase of GDP by 1% resulted in the reduction of consumption taxes by 2,4%.

Romania presents a situation opposite to the European Union average in 2007-2008. In the of our country indirect taxes are the most sensitive to GDP changes, recording a unitary elasticity (1,01). Instead, tax inelasticity is specific for indirect taxes, the people being tempted to make long-term savings, than to consume.

3. Sensitivity of tax revenues based on fiscal pressure

Tax elasticity can also pe approached in terms of the relationship of tax revenues – tax burden. The coefficient of elasticity of tax revenue based on tax rate ($E_{f/RF}$) is calculated as a ratio between the percentage of changes in direct and indirect tax revenues and the percentage of changes in tax rate, while the other factors that influence tax revenues remain unchanged (caeteris paribus).

Where: Vf- tax revenues
RF – tax rate (tax burden)

$$E_{f/RF} = \frac{\Delta\%Vf}{\Delta\%RF} = \frac{\frac{\Delta Vf}{Vf0} \times 100}{\frac{\Delta RF}{RF0} \times 100} = \frac{\Delta Vf}{Vf0} \div \frac{\Delta RF}{RF0} = \frac{\Delta Vf}{\Delta RF} \times \frac{RF0}{Vf0}$$

It should be noted that the tax elasticity measures the change in percentages, not absolute value (monetary unit), which allows comparisons across time and space. To determine the tax elasticity we need to know the evolution in time of the amounts collected by the public budget as taxes and contributions. During 2000-2007 all European Union member states have experienced an upward trend of compulsory levies on taxpayers. Is this due to the increase of tax burden?

Table no. 3 Structural tax burden in Romania 2000-2007

Year	2000	2001	2002	2003	2004	2005	2006	2007
Tax burden (Including social contributions)	30.4	28.9	28.1	27.7	27.3	27.9	28.6	29.4
Tax burden (Excluding social contributions)	19.3	17.8	17.4	18.2	18.1	18.2	18.8	19.5
Indirect tax burden	12.2	11.4	11.6	12.3	11.7	12.9	12.7	12.8
Direct tax burden	7.9	6.4	5.8	6.0	6.4	5.3	6.1	6.8
Social contributions` burden	11.2	11.1	10.7	9.5	9.2	9.7	9.8	9.9

Source: European Commission, Taxation Trends 2009

After analyzing the relationship between tax burden and the dynamic of tax revenues (including social contributions) in the EU-27 and Romania, we find that there may be a double correlation between the two indicators: a direct relationship - increase of tax burden is followed by the

increase of the amount of collected tax revenues, which corresponds to the economic zone of the Laffer Curve (since 2003 for the EU-27 and in Romania after 2005), indirect relationship - increasing the tax burden creates a self defense reaction of taxpayers who are no longer willing to pay tax obligations and restrict their activities, thus revenues collected by authorities decrease, which corresponds to the non-economic area of the Laffer Curve, (EU-27 in 2001-2002, Romania in 2001-2004).

In the 27 European Union member states, during 2005-2007, there were recorded coefficients of elasticity higher than one and with a positive sign, indicating a directly proportional evolution of tax burden and tax liabilities collected on average by the 27 member states, a change of 1,4% of the first indicator causes a broader change of the second one, of over 5%. The most striking development was recorded in 2006 compared with 2005, when an increase in the tax burden of 0,3% from 36,9% in 2005 to 37% in 2006, was accompanied by an increase in tax revenue of 6,93%.

The evolution of tax revenue elasticity based on tax burden in Romania has achieved the same trend with the EU average, the years 2001-2004 were characterized by reductions in tax burdens that have resulted in additional sums to the public budget, while during 2005 - 2007 we witnessed an evolution in the same sense of tax burden and the amounts collected. It should be noted that Romania recordes very high values of elasticity coefficients when compared with the average of the EU-27, which leads us to say that compulsory levies in Romania are extremely sensitive to changes of tax burden, much more sensitive than in other cases, the Romanian taxpayer quickly reacting to any change of the tax burden he has to bear. The period of inversely proportional relationship of the two indicators in Romania, between2001-2004, stands out through a spectacular evolution in 2003, and 2004, when the gradual reductions with a few percents of the tax burden were accompanied by increases of the amounts collected to the budget of over 20%. In 2003, for example, a reduction of tax burden by 1,4% resulted in a positive response of taxpayers, they payed with 28,21% more tax liability to the public budget than the previous year, a situation favorable to Romania. These developments can be explained by the fact that in the same period Romania saw a record number of newly established companies on the fund of the law of microenterprises. We must also note tax elasticity after 2005 when, although tax burden started to rise, Romanians continued to bear it. In this case we deal with a high sensitivity to changes in two indicators (coefficients with values above one), but slightly lower than in the previous cases of reverse evolution of the two indicators. For example, in 2007, an increase of Romanians' tax burden of 2,8% generated a positive reaction of the amounts levied by the state of 22,31%, 8 times more sensitive.

To summarize the ideas above, we can not create patterns regarding the sensitivity of tax revenues to the modification rates of tax burden , developments of elasticity coefficients and alternations of elasticity / inelasticity are not based on a uniform rule, they differ from country to country, and even in the same country from one period to another. Compared to Europeans who react favorably to a tightening tax burden rather than tax relaxation, Romanians react favorably to tax relaxation rather than a tighten one.

4. Conclusions

Knowing the form of tax elasticity is important in the process of decision making about a country's fiscal policy because it allows the determination of the development of total tax revenues collected by the central authorities. Besides the two variables studied above, we can identify a number of other factors that positively or negatively influence tax elasticity, such as the level and nature of tax rates, the sensitivity of tax matter, tax facilities and penalties, the administration of tax claims, the level of fiscal education of tax payers, tax information in all economic and social policies.

Tax burden may be regarded as the part of income that taxpayers surrender to the State as mandatory levies. Looking at tax burden as a mathematical expression of the ratio between tax and aggregate economic indicators is in fact designed to express tax return. The increase of taxes above certain limits incentives not work, investments and savings, but prelongs a crisis, already installed. Also, the increase of tax burden is a prerequisite for conflict and doens't generate motivation to work. Most tax liability encourages illegal employment and tax evasion. Reduced tax burden can be obtained on the basis of tax reforms which should aim at increasing the tax base while reducing tax rates without depriving the state budget of the revenues it needs.

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THE EFFECTS OF FINANCING SOURCES COSTS OVER THE FINANCIAL AND OPERATIONAL RISK

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The selection of the financing sources of an enterprise constitutes a major problem for the managerial finance field with influences over the economic-financial performances. The theoretical and practical studies did not provide to the scientific research field the proper identification of the representative models for managing the capital structure and to evaluate the real costs for the financing sources.

The liquidity crisis by which are confronted the Romanian companies nowadays, relevant situation for the actual period, imposes the need for correlation and optimization of the capital structure and identification of the financial and operational risks at the level of the enterprises and at the level of the representative responsibility centres in order to valorise at a maximum level the existing financial potential..

The main criteria for selection of the financial sources, according to the financial theory and practice are: **cost of capital, financial profitability and the exceeding of the liquidity flow**. Accurate estimation of the capital cost is important for maximizing the market value of the company and for implementation of the investment decisions, leasing, buy back of the own stocks, adoption of a circulating funds policy.

Depending on the level on which is applied, is realized a distinction between the *opportunity cost of the capital,* defined at the level of the investment projects and the weighted average cost of capital, at the level of the company.

Also depending the initial hypothesis and the proposed goal, to the cost of capital are attributed several interpretations. Thus, starting from the *net present value* criteria, the cost of the capital was considered for a long time to be the rate of interest and was used in the capital flow discounting techniques. The actualization rate was defined as the long term interest rate exiting on the market. This explanation was used because the financial studies were realized considering a perfect financial market.

Just later was outlined the dependency of the discount rate by the interest rate of the low risk investments, existed on the financial market and by the risk represented by the company or by the project. The evaluation of the risk premium can be realized taking into consideration the influence of the financial structure.

Existence of two decision centres within the company: the managers on one side, and the shareholders, on the other sides, parties which don't have the same motivation, are leading to the distinction of two *cost of capital categories: explicit,* the effective costs sustained by the company and *implicit*, such as the minimum profitability rate required by the shareholders in order to justify the investment of their capital.

The capital investors and creditors are pursuing the remuneration of the capital at a higher profitability, over the average one offered by the financial market, in order to increase their wealth. The managers are acting in the interest of the capital investors, in order to grow the total value of the company, by reduction of the own and borrowed capital costs. One of the ways for reduction is to increase the proportion of the investors which require low remuneration of the

capital, which can lead to the increase of the debt, the loans being obtained at a lower cost than the capital of the shareholders.

In these conditions the **financial risk is increasing the operational risk**, so the total risk of the shareholders' capital is increasing, which endows them to request a higher remuneration rate. Is imposed the determination of the global cost of the capital as a weighted average of the costs attributed to all sources of capital.

The global cost of capital (own internal and external and also borrowed) is not an historic cost, but an expectation for remuneration of capital investors, with its help being expressed the market value of the company.

Weighted average cost of capital represents the total amount of own and borrowed capital, corrected with their proportion in the total capital of the company before taxation:

Are considered two main groups of financial sources:

- **Own capital: internal**, obtained thorough auto-financing on the bases of reinvesting a part of the net profit and **external**, received through emission of new shares or by increasing the value of existing ones.

- **Borrowed capital**, such as bank loans, commercial loans offered by the business partners (if are obtained as grants and are not taken into consideration when counting the debts within the weighted average cost of capital formula), discounting loans based on bearer securities, collateral loans, leasing.

The fiscal asymmetry between the interest (deductible) and profit which belongs to the shareholders (un-deductible), **determines fiscal economies at the indebted company**, proportionate with the size of the interests and with the profit taxation rate: (Dob x τ), average cost of the capital, being calculated based on the following formula:

$$k_{ec} = k_e \times \frac{CPR}{CPR + DAT} + k_d \times (1-\tau) \times \frac{DAT}{CPR + DAT}$$

Where:

k_{ec} = weighted average cost of capital;

k_e = cost of own capital(equity), which is the profitability awaited by the shareholders;

k_d = cost of borrowed capital.

τ = profit taxation rate

For the enterprises which are quoted on the stock market is recommended **to be used market values both for estimation of the value of debts and also for estimation of the value of their own capital on capitalization basis**, which confers an objective and close to reality expression of the opportunity cost of the capital.

The cost of the capital, being an indicator which cannot be calculated objectively and coherently, being based on forecasts with high level of uncertainty, is considered an opportunity cost, which expresses simultaneously the situation of the company through the financial market as a result of its financial policy and of the pursued investment policy and it depends by two important factors:

- **financial structure** (share of owned and borrowed capital in total capital), reflecting the proportion of participating funding sources into the total capital of the company. Distinguished as **permanent capital** (long-term CPR and DAT) used to fund the investment cycle and **short-term capital**, proposed particularly for financing the operating cycle;

- **Specific costs of various components of capital**, especially distinguishing between equity and borrowed capital, the cost of which varies significantly and influence each other

The literature is addressing separately the four major components of capital: **loan, preference shares, reinvested or accumulated earnings and issuance of ordinary shares**.

On determining the marginal cost of each funding source, the composite cost of capital is essentially a marginal cost. **Self-financing is the most reliable source in terms of profitability**, involving also some costs.

Accumulated profits are a component of equity and have a profitability ratio approximately equal to that of external capital, some authors consider that there are only **three major sources of capital**: credit component, preferred shares and ordinary shares. The formula for calculating the average cost of capital is:

$$k_{ec} = k_d \times (1 - \tau) \frac{D}{C} + k_p \times \frac{P}{C} + k_e \times \frac{E}{C}$$

where:

D = market value of nonconvertible debt;

P = market value of nonconvertible preferred shares;

E = Equity market value;

k_d = interest rate on loans (loan capital);

k_p = the cost of preference shares component;

k_e = opportunity cost of owned capital;

$C = D + P + E$, total value of the capital;

$k_d \times (1 - \tau)$ = cost of the credit component after payment of the tax.

Other possible sources may be taken into consideration according to a specific combination of funding sources of the company: **leasing (operating or capital), convertible debt, convertible preferred shares, warrants or shares held by employees or managers, as stock programs - options**.

Capital cost estimation problems have contributed to the formulation of widely accepted views of scholars and practitioners. The most important are listed below.

- Cost of capital of a company is defined through the rate of remuneration of the different funding sources. The concept is directly related to the rate of return on investment projects having as minimum limit the capital costs, in order to maintain the same market rate for the company shares.

- Based on risk preferences, cost of capital is difficult to estimate, but can be determined by the dividend discount model on an indefinite duration or by the model for valuing financial assets, Capital Assets Pricing Model (CAPM).

- Among the modern methods proposed for estimating of the future evolution of capital costs are included the artificial neural networks and genetic algorithms with a limited scope.

- Cost of debt is given by the actualization rate, which equals the amount received from lending with cash outflows due to credit process, identified as the interest rate.

- Costs of other sources have specific determinations, the cost of the retained benefits which is approximated as being equal to that of own capital (equity), depreciation cost and preference shares cost with the debt costs. Cost of convertible bonds is a probabilistic mix between debt and

equity costs, leasing costs and subsidies cost are also approximated by the cost of debt, with differentiations according to existing regulations.

- Weighted average cost of capital is calculated as a weighted average cost of financing sources used by the company.

- Usage of weighted average cost as the rate of actualization is justified under fulfillment of certain requirements, relating mainly to maintain the level of risk, both economically and financially.

- When investment projects differ substantially in terms of risk, the weighted average cost needs to be adjusted.

Limitations of the usage of **weighted average cost of capital** can be divided into two broad categories:

- **First category**, linked to the method of calculation of its composing elements and even of its own, is determined as a weighted average cost of different funding sources. One problem is the use of weighted average cost of capital after the deduction of profit taxes or before deducting them. Most authors believe that the real cost of capital is that which is calculated before the tax deduction but which takes into account the savings from taxation induced by credit, but there are authors who only consider cost of capital only after tax deduction, arguing that the capital suppliers are interested only in the amounts to be divided between them, as interest and dividends.

- **The second category** refers to the identification of weighted average cost updated with the actualization rate used in selecting investment projects, within the net present value and internal rate of return criteria

Calculation of capital cost is also a controversial topic. Shareholders' expectations cannot be quantified and differ greatly from person to person. Costs of special categories of resources such as grants, depreciation and even retained benefits, which given the fact that are not explicit costs have received different interpretations. Because they are part of the owned capital, often, their costs are compared with the return required by shareholders.

Approach to the financial risk in terms of the effect of borrowed capital, generating interest expense, which have a fixed, insensible at the alteration of the volume of activity. This requires the approach of the financial structure in line with capital costs.

The financial risk refers to the additional variability of the net income per share caused by turning to fixed cost of financing, such as bank loans and loans from bond issues. Fixed capital cost generates financial obligations which must be fulfilled by the company, regardless the size of its gross operating income. Under these conditions, increasing borrowing costs takes to an increase in the company's fixed costs. To cover these costs, the company must obtain an additional gross operating result.

The level and evolution of the financial risk are important for managers and shareholders. Managers are interested by the financial risk in order to optimize the financial structure, respectively to combine the equity with the borrowed capital in order to minimize the weighted average cost of invested capital. Shareholders are interested in the size of the financial risk to establish the remunerations which are requested for investing funds in the company. The earnings are closely correlated with the risk they bear.

The financial risk can be measured using two indicators: **the position indicator**, based on the breakeven level, and the **financial leverage ratio**.

Break even, or minimum critical turnover (CAcr), reflects that volume of the activity of the company needed to ensure that revenues from sales fully cover operating expenses, without profit and it's based on clustering the operating expenses into variable and fixed expenses and is determined using the formula:

$$CA_{cr} = \frac{Cf}{1-\dfrac{Cv}{CA}} = \frac{Cf}{1-Rv} = \frac{Cf}{Rmv} \quad,$$

where:
Cf – fixed operating costs;
CA - total turnover of the company;
Cv – firm's total variable costs;
Rv – rate of total variable costs;
Rmv – margin rate of total variable costs.

Financial risk analysis, taking into account the financial costs with interest, which have a fixed character are modifying the formula as follows:

$$CA' = \frac{Cf+Dob}{1-\dfrac{Cv}{CA}} = \frac{Cf+Dob}{1-Rv} = \frac{Cf+Dob}{Rmv},$$

where:
CA' – critical turnover;
Dob – Interest expenses

Critical turnover (CA') shows which is the level of the sales volumes which have to be registered by a company to cover all fixed costs, both operating and those with interest payment. For financial risk assessment, it can be calculated the **position indicator** to break even level, both as absolute value(α) as well as a relative value(α%), as follows:

$$\alpha = CA_1 - CA';$$
$$\alpha\% = \frac{CA_1 - CA'}{CA'} x100$$

where:
CA_1 – actual turnover.

Position indicator in absolute value, called also as the safety margin expresses the existing gap between the actual turnover achieved during the reported period and turnover corresponding to the overall breakeven level(Ca '). The greater this gap, the firm will have a greater flexibility and adaptability to short and medium term developments recorded in the economic sector where it operates, which will enable it to cover the fixed operating expenses and the interest costs from the total margin account of the variable costs, with no danger of loss occurrence.
The higher are the values of this indicator, the lower will be the financial risk registered by the company and vice versa. **The relative size position indicator**, expresses in percentages the gap between actual turnover and the one associated to the critical point.
Financial risk analysis, may consider, in addition to the cost of borrowed capital and the owned capital cost, in these conditions, in addition to covering the fixed operational and financial expenses, the company must to cover from the margin variable costs (turnover minus variable costs), both the cost of borrowed capital, and of the self-owned capital. Considering that this cost has a constant character, the breakeven formula (the critical turnover - CA") becomes:

$$\text{CA''} = \frac{Cf + Dob + Ckpr}{1 - \dfrac{Cv}{CA}} = \frac{CFt}{1 - Rv} = \frac{CFt}{Rmv},$$

where:

CKpr – equity cost;

CFt – Total fixed costs (operating, interest and equity).

Critical turnover, set the by the new relationship, shows the value of sales volume which a company must make it in order to cover its fixed operating costs, but also the fixed financial cost of the invested capital (financial debt and equity), evaluation of financial risk using the same position indicators:

$$\alpha'' = Ca_1 - Ca'';$$

$$\alpha''\% = \frac{Ca_1 - Ca''}{Ca'} x100$$

The position indicators signifies the difference between the total turnover and the one which allows integrally covering of the operational and financing costs regarding the sold production, exceeding this threshold realizes value for the shareholders.

Positive position indicator means that operating expenses, interest, own capital cost was fully covered and all variable costs associated with the production margin that exceeds the threshold value represent an increase to the profitability of the company after deducting the income tax.

In these conditions it's increasing the value of position indicators, in the management process, in developing and implementing financial policy, allowing the establishment of a direct correlation between sales volume and the total expenditures regarding the production and financing of goods which form are the main active objective of the company.

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THE IMPACT OF THE ECONOMIC CRISIS ON CREDIT INSURANCE

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The insurance domain is one of the most complex and extensive areas of the market. However this field is very risk exposed especially in this period of economic instability. One of the most non-performant insurance products at this time is the credit insurance. Due to inability to pay and increasing bad loans, insurance companies have decided to remove these products from their portfolio. We believe that the signs that led to this situation have been very visible for a long time, but the insurance market players refused to give too much importance to them because they based their operations on the artificial strength of the whole system. In this paper we want to show how things have evolved on the credit insurance market as compared to the general insurance market, and if the present situation could have been anticipated and avoided.

In these times of economic instability the players belonging to both the national and international financial market attempt to protect themselves as effectively as they can against the risks. Thus, an important help should arise from the insurance companies, which should offer viable products for covering the credit risk. Credit insurance should protect financial institutions from the possible occurrence of bad loans. Increasingly more people are late in paying bank lending rates, so that, in June 2009, the total amount of rates paid with a delay of less than 30 days was of 817 million lei. Meanwhile, according to the National Bank of Romania, the delays of more than 30 days had accumulated to 4.98 million lei. Compared with the same month of the last year, 2008, the rates of late payments rose almost 4 times. Simultaneously with these payment delays, the share of overdued debts in the total balance of loans rose to 2.58% in June. All these after in June 2009 the level was of 1.17% and at the end of the year it reached 1.47%. In addition, the number of debtors is still growing. According to the data centralized by the Credit Bureau in late June, more than 600,000 individual clients had more than 30 days delays on payments. At the same moment the total amount of the population's debts of loans smaller than 20,000 lei was of 1.8 billion lei. A recent study carried out by Deutsche Bank warned that the rate of bad loans might get to 15-20% by midyear, in Romania and Bulgaria. In addition to increasing bad debts, banks continue to face a decreased demand for loans. According to a study released by GfK Romania this year, Romanians fear that they would no longer be able to pay their debts.

In Romania, most insurance companies provide specialized products to cover the credit risk. However, as it would be proved by the following analysis, these products have a relatively low

weight in the total subscribed insurances and their share in the total insurance subscriptions is in a continuous decline. It is interesting to see how these types of insurance have evolved in recent years, and most important we have to analyze how the insurance companies have acted before the start of the economic crisis. During the reported period (2005-2008) a steady decline in the share of the credit insurance in the total gross subscribed premiums for the general insurances may be observed. On the other hand, the total gross premiums subscribed for generale insurances by insurance companies have been continually increasing. From the graphs below we may see that the total underwritten gross premiums have a much higher growth rhythm, while the credit insurance underwritten premiums in the first phase, 2005-2006, have sharply increased then showed a constant trend, 2006-2007, and then have fallen, 2007-2008. These premiums have decreased mainly due to the economic conjuncture especially because insurers have made a more careful selection of risks. Furthermore, the credit insurance premiums have decreased by 51.79% as compared to the 2007, so this trend diminished their share in the total written gross premiums of general insurance by 2.7% in 2008 compared to 6.9% in 2007, respectively 8.6% in 2006.

Fig.1 The evolution of total gross underwriten premiums for the credit insurance.
Fig. 2 The evolution of total underwriten premiums
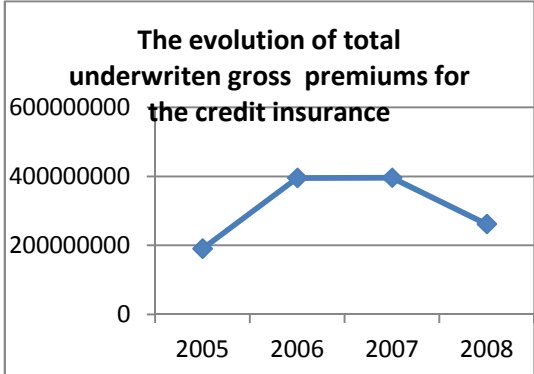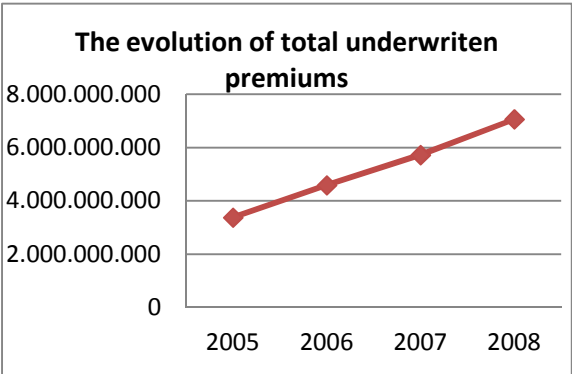
Source: Authors' processing
Source: Authors' processing

Throughout the examined period the market leader, having a share of 18.09% from the total written gross premiums of 2008 was the Alliant Tiriac Company, its premiums summing up to 1,278,805,131 lei. It is followed by companies like Omniasig, Asirom, Astra Insurance, as it may be seen from the following chart:

Fig. 3 The evolution of total gross underwriten premiums for 2005-2008(lei)
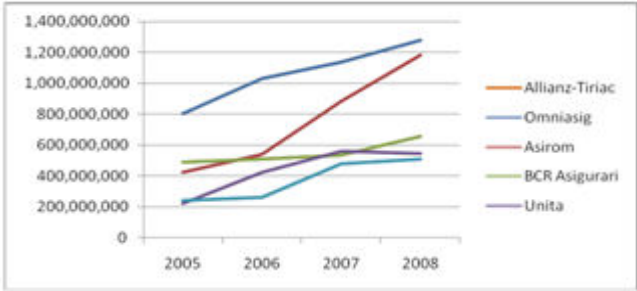
Source: Authors analysis

Despite the fact that the global economic situation is in a precarious situation, insurance companies still manage to increase the amount of gross written premiums. As is may be seen, Omniasig recorded by far the most impressive growth during 2006-2008. This can be put mainly on the account of two considerents. A first hypothesis is that the company would offer a wide range of products for all categories of customers at a lower price than its competitors. However we do not think this strategy could have such a big impact on the gross written premiums. In

addition, we tend to believe that Omniasig reduced the level of risk analysis so they could give insurance policies much easier. This policy may prove to be detrimental, because the insurance premium does not cover the intensity of the risk. Cristian Constantinescu, general manager of Allianz-Tiriac Insurance and chairman of the National Association of Insurance and Reinsurance Companies from Romania (UNSAR) said in mid-2007 "competition, as it is in Romania, is not linked to the consumer insurance, because there is no culture for insurance. Beside the price, nobody looks at anything. It is absolutely absurd to have large price differences both at the same insurance product. Nobody can understand some of these prices. At this time the competition is absolutely unfair. There is competition, but it subscribes only for the sake of subscribing whiteout considering the consequences. That's what happens now, according to the results from the market companies".

Next we will present the way that these market leader companies have addressed the problem of providing credit insurance:
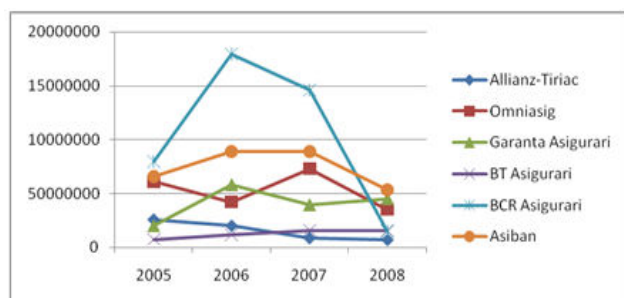
Source: Author analysis

Fig. 4 The evolution of the gross premiums for the credit insurance for 2005-2008(lei)

It may be noted that although Allianz-Tiriac is the insurance market leader, the gross written premiums for credit insurance are rather reduced. The market leader of this area, accounting for 28.13% of the market, is Asiban which is not even located in the top 5 companies of the insurance market. This graph points out that among companies to offer credit insurance products there are included insurance companies which are components of financial groups. The sharpest decrease in revenues from credit insurance premiums is recorded by BCR Insurance. This sinuous evolution is based also on the company's management. While the banks were willing to give credits to anyone, the credit insurance market was seen as a great opportunity to get profits. Excluding the risks assumed, once with the increasing outstanding loans, insurance companies began to record significant losses. Thus, many companies have reduced the activity of the insurance sector. The strongest example is BCR Insurances, which currently does not offer credit insurance products. Oscillations in the evolution of gross premiums for credit insurance have been registered by all the companies of the market, the exception being BT Insurances which managed to attain a sustained and constant evolution. Mainly the financial groups are currently trying to quit unprofitable products and one of the first products to be waived were the credit insurances. This may be a consequence of two things. Primarily due to the economic context, the number of loans fell sharply and this insurance has not been needed on the market. A second factor could be a psychological one, caused by the panic from the banking sector. So the insurance company has not given insurance policies as easily as before, quantifying more carefully the risks that the company is exposed to.

To relate how these insurance policies are covering the insured risks we must analyze the level of indemnities paid by insurance companies..

Fig. 5 Gross paid indemnities for the credit insurance
in the 2005-2008 period
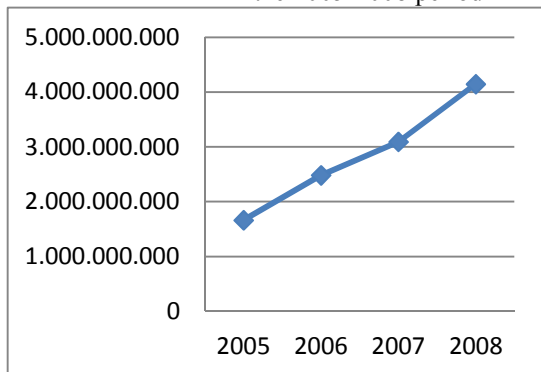
Source: Authors' processing

Fig. 6 Total gross paid indemnities
in the 2005-2008 period
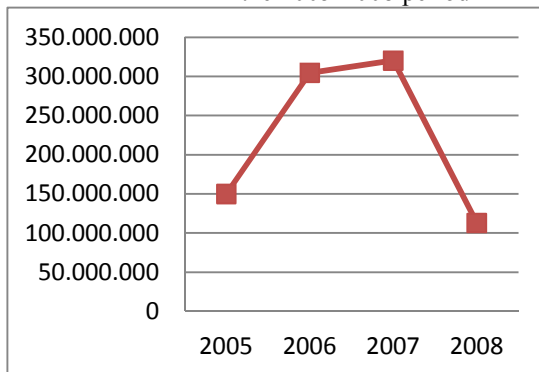
Source: Authors' processing

A sharp decrease of 2008 gross paid indemnities for the credit insurances may be noticed while the total indemnities are constantly increasing. But the insurance field has always been an atypical industry. In the current economic context, insurances are still the field that manages to attract the most money from the economy. Total gross underwritten premiums in 2008 increased by 23.42% compared to 2007 while the level of indemnities rose by 34.05%. The trend for insurers is to pull out the non-performant products from their portfolio. Thus the gross written premiums for credit insurance fell by 40% in 2008 compared to 2007 and indemnities fell by more than 65% during the same period, after in 2007 they recorded a growth of 5%.

Another important indicator to be assessed is the rate of damage. This indicator can be determined for each type of insurance, with particular importance in assessing the financial and economic results of the insurance company. When this indicator records high values, the financial situation is unfavorable for the insurer.

Next we will present how the damage rate for general insurances evolved by comparison with the credit insurances. The damage rate for general insurance records a constant trend during the period under review, recording a growth from 49.16% to 58.62%. Not the same thing may be observed about the damage rate for de credit insurances which recorded much higher values. Thus the highest rate was recorded in 2007 with a value of 80.96%, and then it decreased to a value of 59.21%.
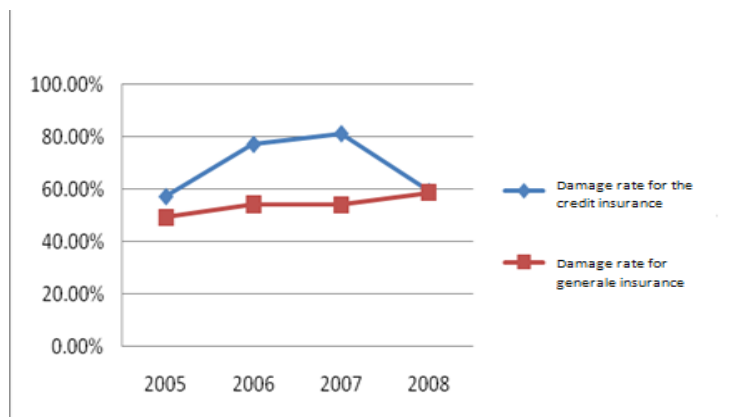
Fig. 7 Evolution of the damage rate
in 2005-2008

Source: Author analysis

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By analyzing the indexes with a fixed base it is observed that, in 2008 as compared to 2005 General Insurance damage rate grew with 19.24%. Unlike this, we can see that on the analyzed period, at the credit insurance, in 2008 as compared to 2005, it registered an increase of only 3.39%. Even if the damage rate on general insurance grew a lot more, it shows a certain constant trend from year to year, while not the same thing may be said about the damage rate on credit insurance, which records a much higher fluctuation from one year to another.

In the case of the formerly presented indicators we'd also verify the hypothesis of an existing correlation between the volume of gross written premiums in credit insurance and the total volume of gross written premiums in general insurances, by using panel data[318]. For this purpose, we created a database containing data corresponding to the six insurance societies who managed to maintain their top position on the credit insurance market, i.e. Allianz-Tiriac, Asiban, BCR Inssurance, BT Insurance Garanta and Omniasig, with respect to the gross written premiums on credit insurances and the total volume of gross written premiums for general insurances, during the 2005-2008 years, information that were taken from the annual reports of the Insurance Supervisory Commission in Romania. These models were at first estimated with the method of least squares for panel data (Pooled OLS), then with a model with constant effects (Fixed Effect Model FEM) and a random effects model (Random Effect Model - REM). In order to estimate the parameters of the built models the Gretl[319] software package was used.

For this purpose, the following notations were used:

V_1= gross written premiums in credit insurance, the endogenous variable, in lei;
V_2 = gross written premiums in credit insurance, the exogenous variable, in lei;
u = residual variable.

The following econometrical linear model was built:

V1= f(V2) + u   => V1 = a0 + b0 * V2 + u

Analyzing the results obtained with these three models, using data for these six societies, we see that they are significant. In order to choose between the estimator obtained with the Pooled OLS model for panel data and the one obtained with the constant effect model, an F^{320} test was performed, based on the hypothesis that all free terms are constant and we could see that the best estimator is the one obtained in the case of the fixed effects model. The Random effect model assumes that the medium individual effect is framed in the constant term, and the error term includes the unobserved individual effect[321]. Still, an optimum answer must be given to the *what panel method should be used?* question. In order to test these last two models, with fixed and random effects, we use the Hausman test[322]. Through this test the existence of the efficiency and inconsistency of estimators (for the models) is verified.

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[318] Panel data models allow a single coefficient to summarize the impact of a variable upon a group of time series dependent variables (a group of companies, countries, regions) and the estimation of specific coefficients (constant or independent variables coefficients) for each time series considered as dependent variable - fixed effects.

[319] Gnu Regression, Econometrics and Time-series Library is a platform software for econometrical analysis.

[320] If the calculated value of F statistics is higher than the table value, then the null hypothesis of free terms equality is rejected. In this condition we may say that fixed-effect model is preferable to the common constant model.

[321] In the case of this model we consider that the societies differ in relation to the linear relationship between the two data sets, by random error series.

[322] If the statistical value is higher that a table value, then the null hypothesis is rejected, considering that, in this case, the second model is more suitable for analyzing the relationship between the two variables. Hausman, J. (1978), Specific Tests in Econometrics, 46.

After the simulations on the panel with fixed effects method, the free term a0 obtained had the value 33782900 (0.0310**[323]) and b0 had the value 0.0259427 (0.4137). So, we may say that, at a V_2 increase of 1 lei, V_1 will increase with approximately 0.026 lei. R^2 has the value 0.527216, so the exogenous variable considered explaines only 53% of the endogenous variable, and definetly there are other factors which influence V_1. Also, the graphics for the experimental and theoretical values of V_1, the volumes of the gross written premiums for credit insurance, are as follows:

Fig.8. Experimental values of V1 and the ones ajusted through the model
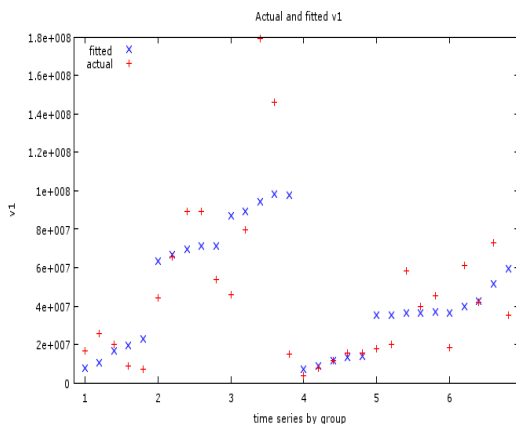
Fig.9 Experimental values of V1 and the ones ajusted through model
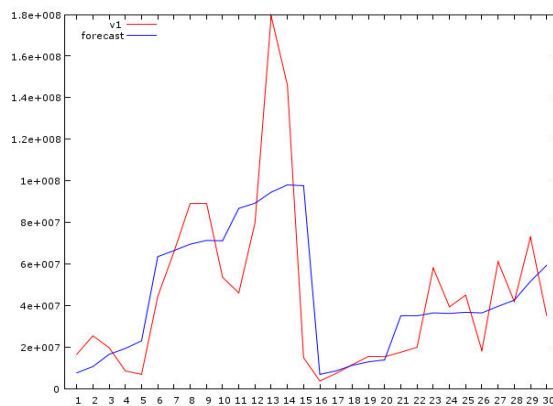
Source: Authors' processing in Gretl

Conclusions

It is a certainty that insurances represent a necessarily"evil". Their main mission is to protect its customers from any risks that may arise from their activities. But as in any other field, there must be a clearly defined limit. This limit is placed between the insured risk and insurance premium. There must be a close connection between them, so that insurance companies could still be interested in continuing their activity on the market, and the clients to continue to rely on these types of services.

In this field, the management of the insurance companies is essential. According to the manager aversion towards risk, the company may have different objectives. Thus, if the manager wants to obtain a high market share he will decrease the risk assessment requirements in order to attract more customers, which will lead to a too much exposure of the company. You may see this in these times of crisis, when insurance companies are forced to compensate the recipients of the credit insurance. Due to the large number of debtors, many insurance companies are in a difficult situation. In order to get rid of these portfolios, insurers turn to reinsurance companies, to minimize the risks.

We think that this difficult period for the global economy and the national one should lead the insurance companies to a more mature, professional and responsible analysis before they offer an insurance policy subscription. We don't think that the insurance companies should give up covering certain insurance products, like the credit insurance, just because bank loans undergo through difficult times. This is not a solution. A new correct system of risk coverage correlated tariffs should be created, and also should be better correlated with the different coverage risk situations so that the customer won't have to suffer when the insurers decide that their profit rates are too low and they should withdraw from the market.

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[323] p-values in between brackets. ** assings the 5% significant coefficients.

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FINANCIAL INDICATORS FOR THE IMPLEMENTATION OF AN EUROPEAN FUNDED INVESTMENT PROJECT UNDER SOP IEC PROGRAMME – CASE STUDY OF A ROMANIAN SME

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The European Integration came with new challenges for the Romanian enterprises especially for the SMEs, the opportunities arising from operating on the European Single Market and the possibility for accession of European Regional Development Funds. The main programme designed to offer access for small, medium and large Romanian enterprises to European funding is the Sectorial Operational Programme "Increase of Economic Competitiveness"- SOP IEC. This paper will analyze the area of intervention "D1.1. Productive and environment friendly investments and preparation for market competition in which Romanian SMEs" are competing to access European funding in order to develop their activities or to extend them into new ones. One of the main challenges for these SMEs is to generate, fulfil and to respect the financial indicators of the programme, which are part of the financial analysis of the project.

Key words: Financial Analysis, Cost benefit Analysis, European Union, Financial Simulation, Structural Funds, SOP IEC

The article's JEL code: D61, D92, O22, G38, O19, F36

1. Introduction

The European Integration came with new challenges for the Romanian enterprises especially for the SMEs, the opportunities arising from operating on the European Single Market and the areas eligible for the European Regional Development Funds (Droj, 2009). The Sectorial Operational Programme "Increase of Economic Competitiveness" (further referred to as SOP IEC) is one of the seven instruments (Operational Programs), which offer the financial support for the consolidation and modernization of productive sector through investments. The SOP IEC aims to strengthen the strategic focus of the Economic and Social Cohesion policies across Romania, and to make the correct and appropriate linkages to the European policies and the Lisbon Strategy for growth and job creation.

The **general objective** of SOP is the increase of Romanian companies' productivity, in compliance with the principle of sustainable development, and to reduce the disparities compared to the average productivity of the European Union(Guvernul României, 2009)**.** The target is an average annual growth of GDP per employed person by about 5.5%. This will allow Romania to reach an approximate of 55% of the EU average productivity by 2015.

The specific objectives of the SOP "Increase of Economic Competitiveness" are:

− Consolidation and environment-friendly development of the Romanian productive sector,
− Establishment of a favorable environment for sustainable enterprises' development,
− Increase of the R&D capacity, stimulation of the cooperation between RDI institutions and enterprises, and increase of enterprises' access to RDI
− Valorization of the IC&T potential and its application in the public (administration) and private sector (enterprises, citizens)
− Increased energy efficiency and sustainable development of the energy sector
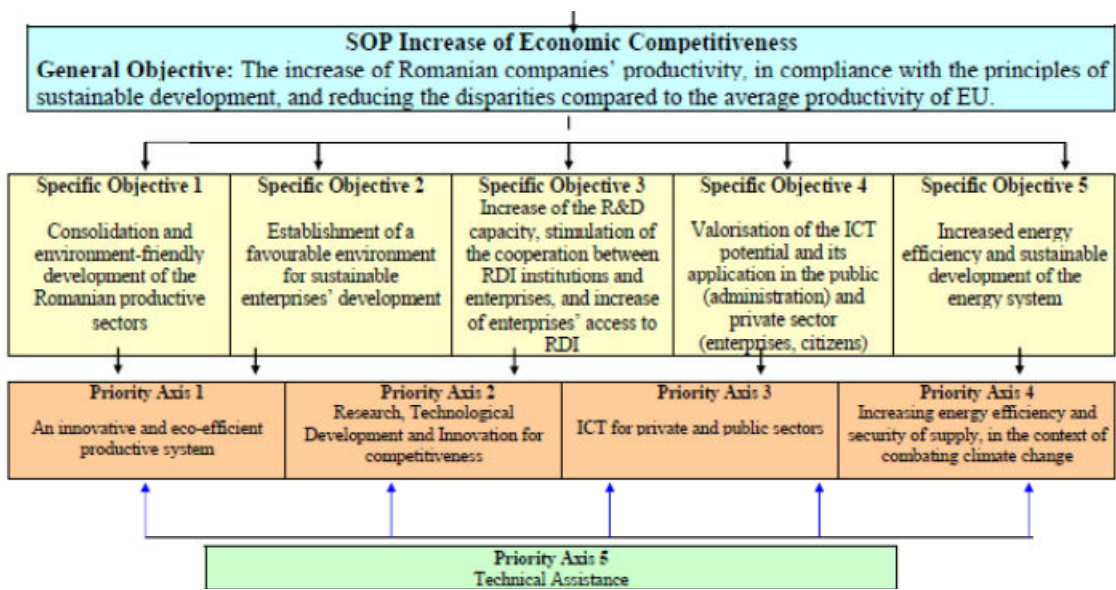
Figure 1. SOP Increase of Economic Competitiveness
(Extracted and adapted from the *Framework Document - Sectorial Operational Programme "Increase of Economic Competitiveness"*)

Taking into account both the identified possibilities for improvement of the competitive position of Romanian companies and the areas eligible for the European Regional Development Funds support, the following Priority axes have been identified in the SOP IEC:
- Priority Axis 1: An innovative and eco-efficient productive system
- Priority Axis 2: Research, Technological Development and Innovation for competitiveness
- Priority Axis 3: ICT for private and public sectors
- Priority Axis 4: Increasing energy efficiency and security of supply, in the context of combating climate change
- Priority Axis 5: Technical Assistance

2. Short presentation of the Area of Intervention SOP IEC "D1.1. Productive and environment friendly investments and preparation for market competition, especially of SMEs."

The Priority Axis 1: An innovative and eco-efficient productive system of the Sectorial Operational Programme "Increase of Economic Competitiveness" refers to the efforts of supporting enterprises, especially SMEs, and will concentrate both on improving the market conditions linked to the development of the industrial base, in order to revive the business environment and generate new innovative enterprises, as well as on developing of the business sector, improving the access to capital and fostering technological development.

From the above mentioned areas of intervention the main instrument of the SOP IEC in order to support and finance quality improvement of the production processes of the Romanian companies is the area of intervention "D1.1. Productive and environment friendly investments and preparation for market competition, especially of SMEs."

The specific objective of this key area is represented by the consolidation and sustainable growth of the Romanian productive sector can be accomplished through:
- Revival of the productive sector based on extension and modernization, by investments in new technology, equipment, machineries and by acquisition of patents, trademarks, licenses,

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- Innovation of production both concerning the production processes and the products,
- Adaptation to European and International Standards and certification of management systems,
- Access of the Romanian companies to new markets
- Promotion of sustainable development, decreasing of the negative impact on the environment and growing the international competitiveness.

3. Financial Analysis – Case study of an investment project proposed to be financed within the SOP IEC D 1.1

3.1 Establishing of the eligible company and the methodology for elaboration of financial analysis

In order to access European Funding within the SOP IEC D1.1. Programme the companies have to generate, fulfil and to respect the key financial indicators of the programme. The main purpose of the financial analysis is to use the project cash flow forecasts to calculate suitable net return indicators. The main financial indicators over which projects are selected for financing within the programme are: the Financial Net Present Value (FNPV) and the Financial Internal Rate of Return (FRR), respectively in terms of return on the investment cost, FNPV(K) and FRR(K). The methodology used for the determination of the financial return is the Discounted Cash Flow (DCF) approach. This implies some assumptions:
- only cash inflows and outflows are considered (depreciation, reserves and other accounting items which do not correspond to actual flows are disregarded);
- the determination of the project cash flows should be based on the incremental approach, i.e. on the basis of the differences in the costs and benefits between the scenario with the project (do-something alternative) and the counterfactual scenario without the project considered in the option analysis;
- the aggregation of cash flows occurring during different years requires the adoption of an appropriate financial discount rate in order to calculate the present value of the future cash flows.
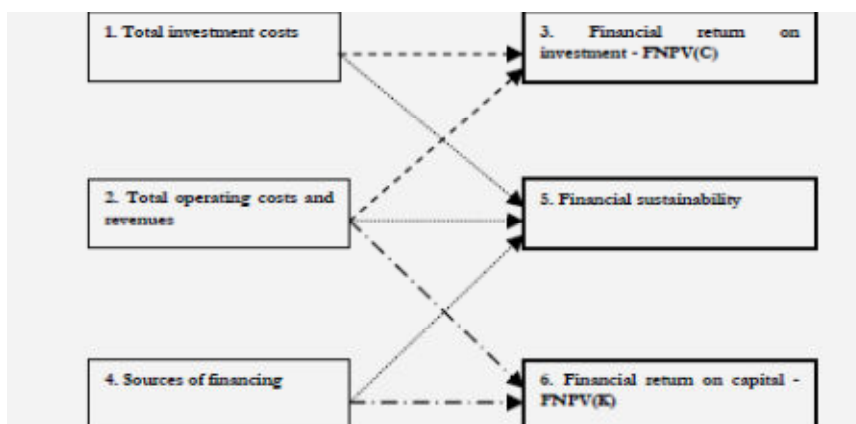
Figure 2 Structure of Financial Analysis

As seen in the Figure no. 3 the financial analysis should be carried out through subsequent, interlinked, accounts:
1. total investment costs
2. total operating costs and revenues
3. sources of financing

4. financial sustainability

5. financial return on the national capital: FNPV(K) and FRR(K)

According to the Guide of ROP IEC Programme, in order to obtain financing for an investment project FNPV(K) is requested to be higher than 0 and FRR(K) to be between 0 and 13.

$$FNPV = \sum_{t=0}^{n} a_t S_t = \frac{S_0}{(1+i)^0} + \frac{S_1}{(1+i)^1} + \dots + \frac{S_n}{(1+i)^n}$$

A simulation has been created over a project proposed by a company which we will define it as SC Test Company SRL, registered in Romania and eligible to access the programme. The company operates in the field of construction and is proposing for financing, in SOP Increase Economic Competitiveness, Priority axis 1, a project with the purpose of increasing its own competitiveness and production capacity by acquisition of a excavator on tracks and a compactor cylinder. The project proposed for financing should demonstrate its feasibility and sustainability through the income generated by the usage of the new equipment.

3.2 Financial Analysis

The first step within the financial analysis is the option analysis. EU Regulations require the proposer to provide the results of feasibility and option analysis (European Commission, 2008). The main result of such analysis is to identify the most promising option on which detailed CBA should be carried out. Sometimes this selection process is managed as part of the preparation on an operational programme or master plan. Once the feasible 'do-minimum' and a small number of 'do-something' alternatives have been identified, simplified CBA should be carried out for each option in order to rank them. A simplified CBA usually implies focusing only on the key financial and economic tables (see below), with rough estimates of the data, because in a differential approach the absolute values of the variables involved are less important than in a fully developed comparison of alternatives. The calculation of the financial and economic performance indicators must be made with the incremental net benefits technique, which considers the differences in the costs and benefits between the do something alternative(s) and a single counterfactual without the project.

As mentioned above the first analyses made for SC Test Company SRL were the comparison between the inertial scenario – case in which the equipment won't be bought and the second scenario in the case of implementing the project with European financing.

| Indicator | Year | | | | | | NPV |
	0	1	2	3	4	5	
Scenario with project – operational profit	275.653	602.010	565.098	537.826	490.554	440.602	2.452.337
Inertial scenario - operational profit	275.653	546.306	455.610	351.628	254.326	158.669	1.768.097

Figure 3 Option Analysis

As observed in the above table, the business plan prepared for the application form demonstrates that the annual net revenue in all five years of analysis is positive. The operational profit connected only to activities generated by the project increases exponentially in the period analyzed: 44.912 RON (year I), 53.000 RON (year II), 60.728 RON (year III), 63.456 RON (year IV), 73.504 RON (year V). For the proposed project the imposed discount rate is 5%.

Also extremely relevant is the analyses of the Cumulated Net Present Value which continuously increases reaching in the fifth year of analysis the amount of 2.452.337 RON for the entire company in scenario with project and 241.050 RON for activities related just to the project which also reflects an extremely high sustainability.

Year	Operational Cost	Total Benefit	Coefficient of Actualization	Actualized Operational Cost	Actualized Total Benefit	Net income	Present net income
0	0	0	0,952381	0	0	0,00	0,00
1	179.888	224.800	0,907029	163.164	203.900	44.912,00	40.736,51
2	199.000	252.000	0,863838	171.904	217.687	53.000,00	45.783,39
3	226.472	287.200	0,822702	186.319	236.280	60.728,00	49.961,08
4	258.944	322.400	0,783526	202.889	252.609	63.456,00	49.719,44
5	288.096	361.600	0,746215	214.982	269.831	73.504,00	54.849,82
TOTAL	X	X	X	939.258	1.180.308	X	X

Figure 4 Total operating costs and revenues generated by the project

Another important indicator in evaluation of the sustainability of the project is the annual turnover which continuously rises during the five years of analysis. Also can be observed that the annual turnover in the scenario with the financing project in comparison with the inertial scenario is increasing continuously reaching 8.4% in the fifth year.

As mentioned above the main financial indicators over which projects are selected for financing within the programme are: the Financial Net Present Value (FNPV) and the Financial Internal Rate of Return (FRR), respectively in terms of return on the investment cost, FNPV(K) and FRR(K). Below is presented the Financial Internal Rate of Return of the investment as calculated for the project.

Year	Cost of investment	Operational Cost	Total Cost	Total Benefit	Coefficient of Actualization	Actualized Operational Cost	Actualized Total Benefit	Net present value	Cumulated Net present value
0	432.684	0	432.684	0	0,91407	395.506	0	-395.506	-395.506
1	0	179.888	179.888	224.800	0,83553	150.303	187.829	37.526	-357.981
2	0	199.000	199.000	252.000	0,76374	151.985	192.464	40.478	-317.502
3	0	226.472	226.472	287.200	0,69812	158.105	200.500	42.395	-275.107
4	0	258.944	258.944	322.400	0,63813	165.242	205.735	40.494	-234.613
5	-329.576	288.096	-41.480	361.600	0,58330	-24.195	210.923	235.119	505
TOTAL	X	X	X	X		996.946	997.451	X	X

FRR/K=9,40%

Figure 5 Financial Internal Rate of Return on the National Capital FRR(K)

The financial internal rate of return for the investment, strictly connected with the activities generated by the project is 9.4% which shows that the project is eligible for financing.

The last step of the project is to establish the maximum proposed financing using the financial gap method. In order to do that the first step was to estimate the residual value which was calculated using Gordon method, was estimated for an average yearly rate of growth of 14%.

So the estimated residual value considered for the project is -329.576 lei.

Year	Total Cost of investment	IAF	Present investment cost	Total costs	Total benefits	Residual Value	Net income	Present net income
0	1.442.280	0,95	1.373.600	0,00	0,00		0,00	0,00
1		0,91	0,00	179.888,00	224.800,00		44.912,00	40.736,51
2		0,86	0,00	199.000,00	252.000,00		53.000,00	45.783,39
3		0,82	0,00	226.472,00	287.200,00		60.728,00	49.961,08
4		0,78	0,00	258.944,00	322.400,00		63.456,00	49.719,44
5		0,75	0,00	288.096,00	361.600,00		73.504,00	54.849,82
6		0,71	0			-329.575,00	-329.575,00	-234.222,80
Total	1.442.280		1.373.600	1.152.400	1.448.000	-329.575,	-33.975	6.827,43

Estimated financing value   1.033.378

Figure 6 Financial Internal Rate of Return on the National Capital FRR(K)

As observed from the above table the proposed value for financing is 1,033,378 RON and the main financial indicators for the project are: financial internal rate of return for the investment -9.41% and FNPV is 241.050 Ron for the project and 2.452.337 RON for the entire enterprise. In these conditions, according the provisions of the ROP IEC guideline the project has been proposed for financing.

4. Conclusion

The European Integration came with new challenges for the Romanian enterprises especially for the SMEs, the opportunities arising from operating on the European Single Market and the possibility for accession of European Regional Development Funds. The main programme designed to offer access for small, medium and large Romanian enterprises to European funding is the SOP IEC. This paper analyzed the main financial indicators which have to be achieved by a project in order to be proposed for financing and also presented a case study of a Romanian company which successful realized a financial analysis and was later accepted for contracting, under this programme.

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THEORETICAL AND PRACTICAL APPROACH REGARDING DENSITY AND PENETRATION INSURANCE ON ACCIDENT & HEALTH PREMIUMS

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In this paper is realized an theoretical and empirical approach regarding density and penetration on accident & health premiums. The analysis is performed on a sample of 33 countries and a horizon of 5 years (2004, 2005, 2006, 2007 and 2008), being tested 2 linear regression models. The results of study confirm a relationship between level of economic development and accident & health insurance activity insurance, but exclude the existence of the relationship between penetration factor and this type of insurance.

1. Introduction

The impact of the economic crisis has materialized in the stagnation of the volume of subscribed insurance premiums in general, and of accident & health insurance premiums especially. The most pressing problems are those related to legislation at the European and national level. Also, the implementation of health reform in some countries, the continuation of pension reforms, insurance deductibility and solvency requirements are a few of the other problems which must be solved in the future.

According to the Solvency II Directive, the Solvency Capital Requirements (SCR) correspond to the economic capital needed to limit the probability of ruin to 0,5%. That's why, insurance and reinsurance undertakings must identify their overall loss distribution. In order to determine the Solvency II economic capital, each company can use the standard formula or an internal model (global or partial). Internal model, calibration of SCR, MCR (Minimum Capital Requirement) and technical provisions, different set of premium and reserve risk etc. represent major problems for the European Commission (EC). That's why, on April 15, 2010 the EC released a draft technical specification for QIS 5 (Fifth Quantitative Impact Study), in which Romania was invited to participate (after its participation on QIS 4).

On April 8, 2010 the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) provided Consultation Paper 72 "Draft Level 2 Advice on Calibration of the health underwriting risk" defines efficiency indicators for health insurance. This paper supplied the propose calibration of the health underwriting risk module (premium and reserve sub-module). With this consultation paper, CEIOPS has endeavored to establish the increased market transparency through greater disclosure and reporting requirements, according Pillar III of Solvency II.

The preparations made by the Romania for the implementation of the health reform and the importance of insurance sector to economic growth represent the two main arguments of our

choice for the subject of this paper. In addition, EC considered that the premium risk and reserve risk stresses for accident and sickness obligations remain higher on European level.

2. Fundamental concepts of insurance density and penetration

The situation of the insurance market can be appreciated by using quantitative and qualitative indicators, among the latter the most important being the density and penetration.

Insurance density is expressed as the ratio between the total direct gross premiums collected and the total number of the inhabitants (population) of that country, expressing the average per capita.

Penetration of insurance is a synthetic indicator. It shows the contribution of insurance sector to the creation of GDP (gross domestic product). It is calculated as the ratio between the amount of direct gross premiums and GDP.

So, density and penetration ratios are two important indicators which demonstrate the efficiency of the insurance in general. We propose to use these indicators for the field of health insurance. In order to determine their values we use only accident & health premiums, GDP and population on the level of one country in a certain year under study. Several studies were conducted to uncover the relationship between them and other factors. The results were influenced by the application of health reform in some countries. Also, the development of insurance industry and wage changes influenced the conclusions made by the specialists. We present some of these studies available to us in the next section.

3. Literature review

Density and penetration insurance continues to be interesting subjects for specialist's researches.

For example, Enz (2000) proposed the S-curve relation between per-capita income and insurance penetration. The results of Ma & Pope (2008) study show a positive relationship between international insurer participation and increased insurance penetration and density. Their empirical results imply that a strong presence of international insurers may enhance the importance of the insurance industry and increase the demand for insurance products within a given national market.

On the other hand, Zheng *et al*. (2009) proposed a new method, Benchmark Ratio of Insurance Penetration (BRIP) for comparing insurance growth across different countries, which not takes into account the overall scale of the insurance market of each country but also considers the population, economy and the relationship between the insurance penetration and stage of economic development.

Regarding our country, Badea & Novac (2008) believes that the continuous improvement of the insurance premiums, the insurance density and the insurance penetration rate support the importance of this sector of activity in the total economy. As the Romanian market became more sophisticated, the offer became more stable and the concentration of the market began to reduce itself as a response to the European insurers that entered our market.

The growth of health insurance is strongly correlated to the health reform applied in different countries. The appearance of health private insurance and the application of different characteristic schemes were generated and led to amendments and wage changes. These problems were also investigated by the specialists.

Buchmueller & Liu (2006) explored the effect of state-level underwriting reforms on health maintenance organizations (HMO) penetration in the small group health insurance market. They identified reform effects by exploiting cross-state variation in the timing and content of reform legislation and by using mid-sized and large employers, which were not affected by the legislation, as within-state control groups. The results of their study suggest a positive relationship between insurance market regulations and HMO penetration.

Danuletiu & Danuletiu (2006) inquired the evolution of Romanian insurance market and highlighted trends that characterized it (such as density and penetration ratio). Vistnes *et al*.

(2006) has explored the nature of employer decisions with respect to the employee premium contributions used for family health insurance coverage.

Scintee and Vladescu (2006) examined the health financing reform in Romania in order to find out to what extent the expected results were achieved, what were the main factors that influenced the reform process and in what way the main unsolved problems are to be sorted out.

Knott & Rich (2006) provide an overview of the development of the private-public, segmented health care system in the United States. They examined health policy by analyzing political values and institutions, which allows them to assess the strengths and weaknesses of the health care system and serves as a basis for recommending politically feasible options for reform in the future.

Schneider *et al*. (2007) quantify the extent of market concentration among physician organizations (POs) and health plans (HPs) and examine the relationship between concentration and prices.

Sen & Madheswaran (2007) shows in their study that GDP and Per capita GDP are often highly correlated with the proxy variables measuring insurance demand – density and penetration.

4. Hypotheses, variables and data sources

As we explained in the previous section, the level of economic development is connected to the health insurance market. Therefore we issue the following hypothesis:

H: The level of economic development is positively associated with health insurance.

Since we are interested on the effect of several economic factors on life insurance activity, we developed the following variables:

- Proxies for insurance activity: *density of accident and health premiums* computed as Accident and health premiums subscribed / Population (EUR/inhabitant) and *penetration of accident and health premiums* computed as Accident and health premiums subscribed / GDP (%)

- Proxy for level of economic development: *GDP per capita* (EUR/inhabitant).

The underlying econometric model is:

$$\textit{Insurance activity} = \alpha_0 + \alpha_1 \textit{ Level of economic development} + \varepsilon$$

which can be expressed in the following two models:

$$\textit{Density} = \alpha_0 + \alpha_1 \textit{ GDP per capita} + \varepsilon \qquad \text{(Model 1)}$$

$$\textit{Penetration} = \alpha_0 + \alpha_1 \textit{ GDP per capita} + \varepsilon \quad \text{(Model 2)}$$

Our sample comprises 33 European countries. To enhance the robustness of the research we collected data for 5 years (from 2004 to 2008) the source of data being http://www.cea.eu.

5. Data Analysis and Discussion of Results

For the analysis of our data we used SPSS 16.0 software. Since we lack the necessary space here to discuss the technical issues related to the analysis (please see Table 1 for these details), we explain the steps as we generated the findings.

According to our findings, GDP per capita is positively associated with the insurance activity proxies on various significance levels as t-values are positive, but the computed significance is acceptable only in years 2004 and 2005, as Panel A and B shows below. This influence cannot be statistically proved in the years to come (2006, 2007 and 2008) due to the scattered data; the reason we believe is the sample size, which is too small for this type of analysis.

Table 1. Results generated

Panel A. Model 1					
	2008	2007	2006	2005	2004

Adj R²	0.041	0.031	0.040	0.156	0.184
t	1.516	1.406	1.514	**2.597**	**2.826**
(Signif.)	(0.140)	(0.170)	(0.140)	**(0.014)**	**(0.008)**
Expected sign	+	+	+	+	+

Panel B. Model 2

	2008	2007	2006	2005	2004
Adj R²	0.005	0.002	0.003	0.048	0.072
t	1.079	0.955	1.046	1.600	**1.850**
(Signif.)	(0.290)	(0.347)	(0.304)	(0.120)	**(0.074)**
Expected sign	+	+	+	+	+

According to model 1 GDP per capita is associated with Density. Our findings confirm that the relationship is positive in the entire period as expected ($t>0$), but the significance of this relationship can be proved only for the years 2004 and 2005 (level of significance is 0.014 and 0.008 respectively). Based on this model the hypothesis may be accepted.

Model 2 expresses the relationship between penetration and GDP per capita. Our findings suggest there is some relationship between these factors, but the strength of this influence is rather low. The results show that only in year 2004 there is an acceptable significance level for the t-value (0.074). Therefore, this model does not provide empirical evidence for our hypothesis, which should be rejected based on these results.

However, on the basis of model 1 we accept the hypothesis that the level of economic development is positively associated with accident & health insurance with the amendment, that this relationship must be more deeply explored in the last three years in order to obtain more relevant statistical data.

6. Conclusions

The current financial crisis shows that the parameters for certain risk categories need to be adjusted, complex corporate structures and investment strategies examined in detail. Insurance domain is influence by this crisis.

Financial services organizations face yet another major challenge in the European Union's new directive for insurers. Solvency II will have a profound influence on capital budgeting and risk management for these undertakings. Insurers should perform additional multi-period calculations for truly optimize their risk, because solvency capital requirements become higher according to substantially stress parameters proposed by QIS 5.

Implementation of health reform in some European countries transforms accident & health insurance in the European topical issue at this moment. Even if, nowadays, it represents an insignificant part of insurance activity, we believe that it will have a positive evolution in the future. For define efficiency in insurance activity we can use some indicators, among which density and penetration are very important.

According to Consultation Paper of CEIOPS 72 "Draft Level 2 Advice on Calibration of the health underwriting risk" insurance penetration is used to measure the degree that a certain insurance product (covering individual or group risk) is acquired in the population. Health underwriting risk are split into 3 categories:
   - Health insurance obligations pursued on a similar basis to that of life insurance (SLT Health);
   - Health insurance obligations not pursued on a similar basis to that of life insurance (Non SLT Health);
   - Health insurance obligations Catastrophe risk (Health CAT).

Differences in laws and in organization between public and private health systems across Europe have consequences on the variety of the types of products offered in each member state. These country specificities would be best captured by the allowance of entity specific parameters in the calculation of the health risk charge.

CEIOPS is aware of the diversity that characterizes health system across Europe. That's why it is taking into account the specificities of the different regimes. The result of this understanding is the comprehensive pool in health insurance.

In our study, we proposed to analyze the relationship between level of economic development and accident & health insurance activity. Our empirical findings suggest that there is a positive relationship between these factors (results for model 1 in Table 1). The results however could not be confirmed by model 2 for the penetration factor (which is another proxy for accident & health insurance activity), which is obviously one of the limits of this paper. We are aware that this study must be extended to other countries, possibly other years in order to increase the robustness of the conclusions, which is also our recommendation for further research.

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BUDGETARY CLASSIFICATIONS' ROLE IN PUBLIC FINANCIAL MANAGEMENT

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Budgetary classifications are a vital condition for a sound budgetary management. To be a good and useful classification, some rules should be respected. The international experience could offer us guiding lines which contribute to this purpose. In our paper we tried to present some basic elements of a budgetary classification, stressing on their utility in practice: financial management, reporting, on various criteria, and electronic processing. In last part is presented a functional example of such a classification which proved its utility in Romanian public financial sector. This work was supported by CNCSIS-UEFISCSU, project number PNII-IDEI 1780/2008.

Keywords: budgetary classification, public financial indicators; principle of specialization

JEL: H6 - National Budget, Deficit, and Debt

1. Introduction

Any modern budget should be structured unitarily using general accepted criteria. The need of coherent structure is justified by the role of public budget in financial life of every state, local community or public institution. All countries improved their classifications in order to respond in the best way to their needs.

Budgetary classification is used in all stages of budgetary process: drafting budget proposals, execution of revenues and expenses, and reporting the result after budgetary year ends. The records made on classifications are used for statistical reports related to budgetary indicators.

A frequently used budgetary principle is specialization. This principle imposes using classifications for data ordered uniquely, in a logic way, and permitting comparisons in time. All budgetary processes are easier to unfurl if indicators have codes which respect classification order.

Nowadays classification tries to restructure indicators such a manner than budgets to help management, not to represent an obstacle. In budgetary management, line item budgets are less recommended because could reduce the efficiency of activities by imposing financial barriers to management. So, a too analytical classification should be used only in reporting, not in budgeting. Execution part of the budget should be dynamic, the managers having the right to decide expenses respecting the global ceilings imposed by budgets. Reporting part should be more explicit, using the whole classification items, being in consonance with other recent issues (accrual approach, chart of accounts correlations etc.).

The control level imposes classification complexity. If revenue recording is simpler because administration has to separate revenues on tax types, expense recording should be more complex because the control is multi-parametrical and stricter in order to assure efficient usage of public funds. A sound system of budget classification should at a minimum comprise a classification of revenues into various categories, and administrative, economic, and functional classifications of expenditures (Jacobs et al., 2009).

2. Taxonomy

Budgetary classifications should contribute to a better public found management. This is why, in practice, are used different types of classifications: each trying to present different approaches of grouping the component indicators. The main questions should answer the revenues grouped on budgetary classifications are: What tax/income is paid? Which budget benefit form certain tax? and Who was the taxpayer?. The main questions should answer the expenses grouped on budgetary classifications are: Why is the money being spent? What is being purchased? and Where is the money being spent? (HISD, 2009).

The needs come from practice impose the type of classification used. The correlation between main classifications and purposes are presented below.

Table 1: Correlation between classifications and purposes

Classification criteria	Purpose
Function (only for expenses)	Historical analysis and policy formulation
Organization	Accountability and budget ration
Economic category	Statistics (GFS) and object (i.e., line item), for compliance controls and economic analysis
Program, activity, and output (only for expenses)	For policy formulation and performance accountability

Source: after Salvatore Schiavo-Campo and Daniel Tommasi - Managing Government Expenditure

Functional classification is largely used in order to present the expenditures grouped on domains. The standard functional classification was set up by United Nations and is known as COFOG. The ten divisions of the classification cover all the functions of the government. Majority of states and financial institutions developed their own classifications on COFOG.

Organizational (known also as institutional or administrative) classification presents the subordination relations between different institutions. These classifications are highly volatile because subordination systems are frequently changing, institutions are merging or splitting up, or changing their names. The role of this classification is to establish responsibilities for institutions regarding public fund usage.

Economic classification groups revenues on every tax type collected to the budget, and expenditures on destination. GAO emphasized the disadvantage of expenses' economic classification by not presenting the motivation of used amounts, but only destination (GAO, 1994).

Program classification is a policy oriented instrument helping public management to have a separate financial management on each policy, activity, or output. Classifying expenditures by program can serve two purposes: (1) identifying and clarifying the goals and objectives of government spending and (2) monitoring operational performance through performance indicators, which may relate to the inputs, outputs, or outcomes of a particular program (Jacobs et al., 2009).

Resource classification is used when budgetary systems have numerous components. Each component represents a resource and a separate gesture is required. In most nations' case the state budget is distinct from local budgets and from social security budgets.

Geographic location classification helps to obtain budgetary data from territorial point of view. For international comparisons the national data are used; for EU analysis the regional data are vital; for national level studies territorially divided information use geographical classifications.

Classifications on beneficiaries are used to monitor and evidence the beneficiaries of the public funds. Usually this classification is useful at donor budgets (budgets which assure numerous subsidies to different budgets which represent recipient budgets).

3. Characteristics

A budgetary classification should respect some basic principles. If not, applying classification become impossible driving to errors or incorrect interpretations. A sound budgetary classification should be:
- structured;
- comprehensive;
- non-redundant;
- open.

Structured classification have a clear and logical order of items inside classification, general categories are subdivided into specific ones. Usually, revenues are grouped on sources, while expenses on destinations, domains, institutions, and so on. For different levels of details are created parts, chapters, subchapters, articles, alignments etc.

A comprehensive classification means that any revenue or expense to be present in the classification. Most of them have after each main category a special position for other revenues or expenses in which are included small, insignificant, exceptional, and new (unknown at the moment of creating) revenues or expenses;

Non-redundancy (mutual exclusivity) imposes a clear separation between different items in the classification. For a unitary approach, classification issuers could present general rules of introducing revenues and expenses on classification, explanatory notes, and/or examples which help users to make no mistakes or wrong enclosure.

Because public financial indicators are changing in time, classifications should be open, respectively them should permit changes and new entries. A dynamic public sector must have a dynamic budgetary classification which keeps pace with public economy.

4. Coding

A classification can be used in practice by coding the indicators contained in it. The codification systems are vital for electronic processing of data. IT systems can make real time reports filtering and grouping information in base of codes used by budgetary classifications.

Coding systems used for budgetary classifications should contain several code modules, each placed uniquely in the code's structure. If a section is not applicable, there should be also coded (usually using zeros) in order not to move next sections from their positions.

Romanian coding system is presented below. This system was introduced in 2006 and was replacing a similar one from 1995. The coding sections were created in base of Public Finance Act and Local Public Finance Act which introduce the classification criteria. The codes are exclusively numeric, having at least two digit sections.

Table 2: Revenue coding in Romania

Structure	Meaning	Example
2 digit coding revenue chapter	Revenue chapters represent the main category of revenue	01 – corporate taxes 03 – personal taxes 07 – property taxes
2 digit coding for beneficiary budget	Each type of budget is coded	01 – state budget 02 – local budgets
2 digit coding revenue subchapters	Each chapter is subdivided in subchapters	07.02.01 – tax on buildings collected to the local budgets

Structure	Meaning	Example
2 digit coding revenue line	Some revenues are detailed also by lines. If not, the budgetary coding skip it and the IBAN coding use double X letters	07.02.01.02 – tax on buildings collected to the local budgets from legal persons
3-10 digit coding for taxpayer of beneficiary	Taxes collected by central administration are coded with taxpayer's fiscal code (usually same with VAT code); other taxes are coded on beneficiary code (the fiscal code of the institution which collect that revenue)	07.02.01.02.12345678 – tax on buildings collected to the local budgets from legal persons; beneficiary local authority is that which have fiscal code 12345678

Source: synopsis based on RMFO no. 1954/2005

Table 3: Revenue coding in Romania

Structure	Meaning	Example
2 digit coding expense chapter	Expense chapters represent the domains established on the functional classification. In Romania COFOG represented the reference	51 – public authorities 65 – education 66 – health
2 digit coding the budget	Each type of budget is coded same to revenues	01 – state budget 02 – local budgets
2 digit coding expense titles	Expense titles represent the expense type established on the economic classification	10 – wages 20 – goods and services 71 – investments
3-10 digit coding the responsible institution	Each institution which spend public money is recorded on organisational classification	65.02.10.234567 – wages paid by a school (having the fiscal code 234567) from local budget

Source: synopsis based on RMFO no. 1954/2005

Analyzing the Romanian coding system, we can conclude that it respect the general guiding lines proposed by international financial institutions (especially IMF and UN). Coding systems permit to identify the revenues and expenses on the main classifications' structure.

Conclusions
Budgetary classifications are vital for every budgetary management, especially nowadays when IT systems are largely used to record financial flows from public sector. A good structured classification can become a useful management tool, while a faulty classification could be an impediment in managing institution's financial activity.

Internationally accepted guiding classifications are recommended in order to assure comparable information between countries and regions. In this respect, the initiative was taken by International Monetary Fund and United Nations, with a very positive result.

The most important thinks that we recommend related to public classifications are: (i) create professional classifications based on international guidelines in order to assure international comparability without other adjustments; (ii) every country and institution should adapt own classifications, but not renouncing to general guidelines; (iii) in execution classifications should be used at chapter level, and in reporting at most detailed level.

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THE EFFECTS OF THE MEASURES REGARDING SEQUESTRATION OF CASH IN TAX DEBTORS' BANK ACCOUNTS

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Fiscal administration seeks rapid intervention in the action of preventing the formation of budgetary arrears and accomplishing public financial resources at the time scheduled by the fiscal authorities to collect public financial resources. The establishing of the immediate measure blocking of bank accounts of economic agents who recorded debt to the consolidated general budget of the state, is an essential measure necessary to avoid the forvard slip of other creditors, debt recovery actions, having as consequence the preventing of taxpayers as state debtors to organize their insolvency. The present study aims to draw attention upon the effects of blocking the bank accounts on the evolution of budgetary revenues through enforcement measures during 2006-2009, and the registering of more favorable results regarding collection should take into account the immediate legitimate interest of the budgeted creditor, but should also make sure that the rights of taxpayers are observed.

1. Introduction

Sequestration is the method of compulsory enforcement by which the fiscal creditor pursues, on behalf of his tax claim, the amounts that a third person owes the prosecuted debtor.

This involves blocking the actions of the sequestrated third party, who is in his turn the debtor of the prosecuted taxpayer, of the amounts owed by the latter and the direct payment to the pursuing creditor.

The establishment of sequestration creates a legal relationship between the **state-financed creditor** (the state through the fiscal administration, a local community, etc.) and the **sequestrated third party**, the legal relationship grafted on the existence of two other legal relationships: one between the creditor and the and, respectively, between the tax duty's debtor - as a creditor - and the sequestrated third party.

Compulsory enforcement by sequestration may extend to any traceable amounts representing income and cash in lei and foreign currencies, securities or other intangible movable property owned and / or due under any title to the debtor by third parties or which are to become due to the debtor and / or will get hold of in future on the basis of the existing legal relationships.

The amounts representing the incomes of the debtor as a natural person, accomplished as an employee, in the form of salaries and other forms of periodic income resulting from employment, pensions of any kind, as well as any aid or benefit of special purpose are subject to prosecution only in the conditions foreseen in art.409 in the Code of Civil Procedure.

2. Sequestration of bank accounts

The sequestration is established by the executing agency by establishing a notice of the attachment, which is transmitted sequestrated third party, by registered letter, accompanied by proof of receipt along with a certified copy of the writ of compulsory enforcement. The sequestration is not subject to validation. The debtor will also be informed about the **establishment of sequestration**.

After the establishment of sequestration the sequestrated third party is required to make statutory deductions immediately and transfer the amount into an account designated by the executionary body to the full recovery of the budget debt, while communicating in writing about the existence of other creditors.

The sequestration involves three parties in opposition: one who administers or request its application (in this case, the Administration through its implementing agency) called the creditor, who is obliged to him/her - called sequestrated debtor, and sequestrated third party (the taxpayer's debtor).

3. Conclusions

The collection of tax claims is a priority activity of the National Agency of Fiscal Administration, which seeks to rapid intervention within the action of preventing the formation of budgetary arrears and the acquiring of public financial resources to meet the deadlines set by the fiscal authorities to support the budget implementation at the level of public services according to the budget forecasts regarding the grounding of public institutions' budgets.

The premises of reaching the indicators regarding the collecting of budget revenues through the proceedings of compulsory enforcement of the sequestration of bank accounts should, according to our opinion, follow several directions of medium-term action such as:

- Development of IT systems for managing tax claims, including in the menu of the IT application the subsystems of fighting tax claims through the procedure of sequestration so as to ensure a complete collection of tax claims with the correct identification of the source of sequestrated incomes from accounts blocked by the executionary bodies.
- The setting-up of a database at the level of the National Agency of Fiscal Administration by the interaction and collaboration of public institutions, banks, central and local public authorities to enable the fiscal bodies the rapid identification of movable and intangible assets, as well as the incomes of taxpayers –debtors of the state, by the help of the responsible fiscal management structures.
- The organization of a database on administrative and fiscal solutions issued in situations of judicial action on established tax claims and the administrative and fiscal juristprudence rendered by competent judicial courts in the cases of eliminating measures relating to the enforcement of tax claims, a database available to all civil servants in the administrative body, granting access to setting up unitary practices of management.
- The improvement of procedures for allocating the causes of prosecution and compulsory enforcement of pursuedtax claims on inspectors, allowing a hierarchical control of performing the duties specific to public office and thus raising the specific responsibility of the territorial fiscal body.
- Development of educational guid books on collecting tax debts on methods of enforcement, which should focus on specific aspects of implementation and enforcement measures, to identify new measures of raising government revenue collection in a term not exceeding 15 days over the tax duty's due date.
- Development of existing procedures, development of brochures and other instruments to regulate the recovery of goods seized, the distribution of amounts aquired by capitalization or, according to case, by blocking the bank accounts for overdue tax debts.

- Establishing a system **of performance indicators** to measure the rate of budget revenues collected by compulsory enforcement measures for potential taxpayers from among debtors and in the process of monitoring the state's revenue collection procedure.

- *Identification and improvement of criteria for granting the scores for risk assessment regarding the collection of tax claims, within an IT integrated system / subsystem for risk analysis on incidents regarding lack of returns, allowing access at any time to the frame of taxpayers who have debts, and who increase **the risk of not succeeding to collect the tax claims,** subject to the application of functional measures of collecting and compulsory enforcement.*

The compulsory enforcement by income sequestration, either cash in RON or foreign currency belonging to the debtor or owed to him by a third party or legal entity is the most easily realizable blocking of debtor's incomes by the office fiscal executioners. The IT applications for the tax claims' administration should be improved by including a subsystem for generating within the entire database of notifications regarding the sequestration of cash (executionary form MPF-NAFA code 14.13.12.99 / a) towards every bank at which the debtor taxpayers dispose of bank accounts.

Development of collecting tax claims by applying methods of compulsory enforcement for the period 2004-2009 (mill lei)

	2004	2005	2006	2007	2008	2009
From payments after issuing of notification	3.109	3.605	4.436	9.263	11.064	10.891
From sequestration of cash in bank accounts	795	950	1.149	1.867	2.755	2.851
From sequestration of third parties' incomes	99	258	236	52	226	305
Capitalization of sequestrated movable property	49	54	97	31	35	12
Capitalization of sequestrated intangible assets	152	199	133	127	83	34

Source: www.anaf.ro NAFA report of performance

Enhancing the measure of blocking the incomes in bank accounts by setting up the sequestration on debtor taxpayers' bank accounts mostly was the method of compulsory enforcement which contributed to the acquiring of budgetary resources. If in 2006 the returns by sequestration of bank accounts stood at 1148.68 million lei, the efforts of public administration by their NAFA

territorial offices were materialized by the blocking of bank accounts in 2007, the amount collected this way rising to 1866.99 million lei for the state's consolidated budget.

The computer issuing of the notifications regarding sequestration of bank accounts and monitoring the collection of tax claims reached a peak in 2008 with the issuance of a number of 1,645,026 notifications establishing bank sequestration, by which 2754.98 million lei were compulsory collected, the results being far superior to those regisyered by the fiscal administration in the previous years.

The year 2009 represented the turning point regarding the special administration of taxpayers, including the management system of large and average taxpayers and also of new taxpayers, so that at the end of the year the 1434 largest taxpayers, respectively the 19,114 average taxpayers have supported the general consolidated budget with 60% of the revenue. The contribution of the measure of blocking revenues from budget accounts was not neglected, and by issuing a number of 1,813,391 notifications regarding bank sequestration the amount of 2850.68 million lei was collected for the general consolidated budget of the state, given the conditions of the increasing financial difficulties of businesses as a result of the deepening of the economic crisis in Romania.

To better fulfill its mission regarding the collecting of public money NAFA through the territorial fiscal agency will require better future planning of the revenues administered also by the increased efficiency in all areas. This way, strengthening the budget revenue forecasting methods and therefore genuine implementation of performance contracts, will be crucial prerequisites for optimizing results in the collection of public financial resources.

We consider that the procedure of tax claim sequestration allows the state-financed creditor to recover the tax claims by blocking the tax claim that the debtor has towards a third party in the hands of the latter (sequestrated third party). Like other ways of compulsory enforcement, this procedure is justified by the lien mentioned in the Civil Code of the creditor on the property of his debtor; the debtor's assets consisting of not only the possessions of the holder, but also the debtor's tax claims which represent intangible property rights.

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RECONSIDERING THE FUNDING SOURCES FOR THE HEALTH SYSTEM IN ROMANIA

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An optimal health system must ensure that all citizens have free access to medical services, and to determine the effective use of funds. We therefore reach the conclusion that the health financing system that best meets the optimal criteria is the public one. We believe that a system of public health funding should be based not only on contributions, but also on funding from the state budget; therefore it should combine the two public sources. If it were based solely on contributions, then the earnings should be volatile towards the economic cyclicality, and would not ensure the fiscal sustainability of the system. The private health financing system should be based on private insurances, and not on direct payments as it is in the current case, private insurances should have a predominantly complementary nature (covering the co-payments for those that are forced to bear them), and only in the case of rich people it can be substituted.

The sources of financing the health expenditures are divided into two main categories: the public sources and the private sources (direct payments from patients to health providers ; immersive for drugs and certain medical services; the procured funds by non-governmental organizations that can carry out charitable activities in health care domain; private health insurances; direct payments made by private companies), these sources combine together in order to finance health in proportions that vary from country to country.

According to the data published by the World Health Organization in the paper "The World Health Statistics 2009", the average health expenditure worldwide in the year 2006 accounted for 8.7% of GDP. Extremes occurred in the U.S., with 15.3% of GDP, and in Southeast Asia, of only 3.4% of GDP. In absolute size, the health spending per capita averaged about $ 716, the highest level being in the U.S. of $ 6,719, and the lowest in Southeast Asia, of $ 31. The European average is 8.4% of GDP to health, funded at a rate of 75.6% from public funds, 24.4% from private sources, the private health insurances amount on average to 22.1% from the total of all the private sources of funding and expenditure per capita on health is $ 1,756[324].

Romania granted to health in 2006, a rate of 4.5% of GDP, going down from the levels in the year 2000 by 5.3%. In a rate of approximately 77%, the health expenditures are covered by public funds, from which 85% come from the health insurance contributions, while 23% from private funds, the external funds in 2006 were being invalid. The private funds come at a rate of 96.8% from direct payments of the beneficiaries of health services (out-of-pocket payments); the private health insurances own only 1.7% of all private funds.

The health expenditure per capita in Romania is of $ 256, hovering well below the world average of $ 716, and to the European average of $ 1,756. Denmark, for example, gives a rate of 10.8% of

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[324] Date preluate din lucrarea World Health Statistics 2009, publicată de World Health Organization, pag. 107-117.

GDP, financed at a rate of 86% from the public funds, and the expenditure per capita is of $ 5,447; Luxembourg allocates 7.3% of GDP, the public funding is 91%, the private one of 9% is based on a proportion of 18.7% on the private health insurances and the expense per capita is of $ 6,506. *It is noticed that Romania is still far from these values, so the definite conclusion is that the level of health financing must be increased, both on public resources and on the expense of the private sources, this can be done by increasing the private health insurances, which in Romania own an insignificant share.*

An effective system of financing needs to be found, that would meet the actual needs and that would ensure that no citizen makes a considerable financial effort that significantly reduces its standard of living when they get sick[325], so, the system ***should respect the following principles***[326]:

- *The ability to generate sufficient resources*, through which comprehensive and quality services will be provided to the citizens.
- - *To ensure fairness*, both in terms of establishing a system of financial resources (equity in financing) and also providing health services to the population (with equity access) so that each person should contribute according to his income and anyone would have free access to the health services.
- *Risk pooling*[327], this means aggregating risks over time and between citizens, criterion based on the premise that no individual may predict the time and severity of his illness, so he cannot individually manage this risk of illness, that is why it is appropriate to be centrally managed in an institutional setting. Arguments in favor of the healthcare risk aggregation are based on considerations of fairness and efficiency.
- *To ensure efficiency,* both in collecting resources (administrative costs low) and in the distribution phase (maximum effect on unit cost).
- *To help ensure quality of service,* this criterion is closely related to the adequacy of funding and its sustainability. Through a lack of funding it will not be able to acquire the latest technology, the skilled personnel cannot be adequately motivated and all these have a negative impact on the quality of healthcare.
- *To be sustainable*, both economically and fiscal.
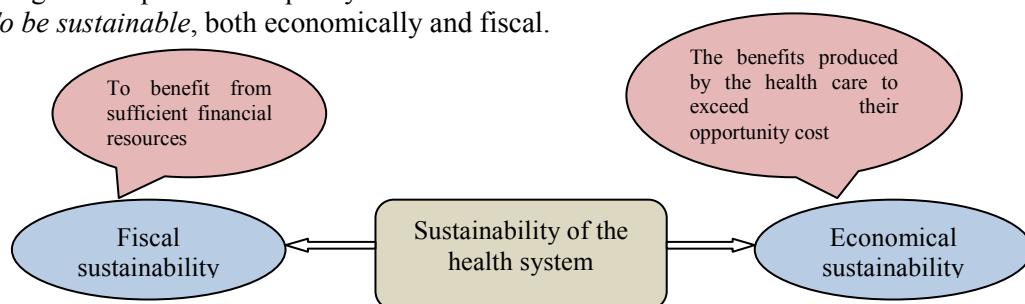
In building an optimal system of financing health we must start from identifying the ***beneficiaries*** of the health services, namely:

- A first direct beneficiary from the health services is the ***individual***, because the quality and longevity of his life is determined by his health.
- ***Private enterprises*** because they are benefiting from the intellectual and physical capabilities of employees and a healthy person will have a higher yield from an illnessed one, which eventually

[325] ***The European Health Report 2009***- Health and Health System, elaborat de World Health Organization Regional Office for Europe.
[326] Murgea Mihaela Narcisa - ***Modalități de finanțare a sistemelor de sănătate*** , pag.322-324.
[327] Peter C. Smith și Sopie N. Witter **- *Risk Pooling in Health Care Financing: The Implications for Health System Performance,*** The World Bank, 2004.

translates into higher profit. And the enterprises using labor to operate bring damage to the health of employees, and therefore their involvement is needed in the health financing system.

- *The society as a whole*, because a healthy population has an increased productivity, a greater innovation capacity, which stimulates growth and technological progress, with direct impact on enhancing national competitiveness.

Starting from the health service users there can be identified *sources of financing* the health system, namely:

- *The public funds* due to the benefits enjoyed by the society. In Romania, the state funds these services, both on account of taxes, general taxes, special purpose health fees collected from the state budget and local budgets and on account of the contributions paid by employees and employers to the national health insurance fund. Note that over 85% of public funds come from the national fund for health insurance; the actual financing from the state budget is reduced to 15% from the public funds, meaning 0.67% of GDP. The question is whether these funds are sufficient to ensure the funding system, under which the private finance is only 23% of the total funding, and relies on direct payments to individuals. The reality provides the answer to this so-called dilemma. Funds are by far not enough. On one hand because the percentage of GDP is much lower compared to the developed countries of the Union, on the other hand the GDP in Romania is lower than in other countries, except Bulgaria. What can be done to improve the situation? *A first proposal* is to undertake measures to reduce the undeclared work. If this is successful, than the revenue from the health insurance contributions will automatically increase. *A second proposal* is to apply the health insurance contributions to the pensions that are above the minimum wage, not just to those over 1,000 lei, as all employees, regardless of their income level and age and health state pay contributions and it would be fair that pensioners with pensions above the minimum wage to help, given the fact that they consume a large portion of these services. *A third proposal* is that the state recognizes the importance of a viable system of health and welfare that ensures the citizens welfare and the country's economic and social progress, to recognize health, along with education as a national priority, and to act accordingly, increasing the proportion allocated to the health budget because funding should support new medical equipment and the construction of new hospitals, to create a quality infrastructure; and the current rate, of less than 1% of GDP allocated from the state budget is very low. To attract new financial resources to health domain, the government introduced the levy of vice, on alcohol and tobacco, and the clawback system. It remains to be seen whether these mechanisms will give the expected results. But I believe that the vice tax (for cigarettes the sum of 10 Euros/1.000 cigarettes; for cigars with € 10 euro/1.000 pieces; for smoking tobacco the sum of 13 Euros / kg; for beverages drinks 2 Euros / per liter of pure alcohol[328]) will do nothing but increase tax evasion and the smuggling of such products, leading to lower revenue from excise duties. *Applying the clawback system* starting with October 1 2009, in order to collect additional funds necessary to fund the health system in view of its under-funding in Romania to the EU average, but this system is poorly understood, and applied in its current form, will generate adverse effects. As it is understood in Romania and how is implemented this clawback system requires that all medicinal products manufacturers which unfold once Romanian market to help fund the public health system by 5% to 11% from the revenues from the sale of medicines . Applying the clawback system in its current form will lead to both reducing the number of pharmaceutical companies and the number of products available on the Romanian market, which will affect the industry, and especially the patients. In the developed countries this clawback system is used, but is seen as a safety mechanism in case of exceeding the budgets approved by producers and financiers and it

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[328] Legea 95/2006 actualizată.

applies "only to what exceeds the initial budget and is funded through the reimbursement system"[329].

- ***From the private sources of health financing***, which should come from both individuals and legal entities that must be involved in the process of health financing. A solution for this conclusion would be to boost the private health insurance by individuals and / or employers, as benefits offered to employees, but that would not come to the detriment of the social insurances. The private health insurances are very poorly developed in Romania, compared to the other EU countries, or with the U.S. ones, where these insurances represent the peak in this area, the U.S. health insurances are largely private, the state funds this service only for disadvantaged people and for people over 65 years, but the U.S. is not the model that we should follow, because although it has the highest allocation to health per capita, many citizens are not caught in any health insurance scheme, a fact that has serious consequences, which shows the disadvantages of this system.

The private health insurances in Romania, in the year 2008 represented only 1% of the total insurance market in Romania, but this is a market that has potential in the future. Such insurances are relatively new on the Romanian market, they entered our market only in 2005, and the number of companies offering this product was low. Analyzing the situation of the private insurances in the European countries, it notes that they are contracted by people with a higher education, and a high financial strength, rising barriers for the elderly and the sick, because the private health insurance companies follow a risk selection, regardless of fairness, of freedom of access to services, their purpose being to obtain the highest profit possible. It is however necessary to develop the private health insurance sector, which will increase the quality of the services provided, but will also have a role that will reduce the out of pocket payments made by individuals, and the informal ones, that affects the living standards especially for the poor and their access to such services. The private health insurances can be complementary, meaning they provide financing for public services of health and medicines, or can be auxiliary, meaning they cover medical services not offered by the public health system, or in some cases (eg Germany) foster the social ones.

The potential benefits to determine the need for private health insurance concerns: limiting the public spending for health, increasing the choice among consumers of such services, stimulating private initiative in providing health services, stimulating competition between the public and the private sector involved in increasing the quality of services, increasing choices for people with a good financial standing[330].

The co-payments *should be set carefully so that they would achieve its desire "to give value for money", but do not to impede the access to the medical services for disadvantaged people.* In this respect it should be maintained some exceptions from the payment of the co-payments, which will be borne by the state budget for the poor people, whether or not they are retired, and for the chronic patients.

Another form of health financing from private sources, involving citizens and economic agents are the ***subscriptions to private health clinics***, that recorded a higher rising than the private health insurance system in Romania. In 2008, the subscriptions to private clinics value in Romania were about 3.6 times higher than the private insurances. These subscriptions are purchased by individuals, but as practice has shown, these were purchased in proportion of over 70% by legal entities because of the obligation to ensure the occupational health services for

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[329]http://www.capital.ro/articol/sistemul-clawback-poate-duce-la-disparitia-a-30-din-medicamente-26490.html.

[330]Sarah Thomson, Thomas Foubister, Elias Mossialos - ***Financing Health Care in the EU. Challenges and Policy Responses,*** European Observatory on Health Systems and Policies, 2009, pag. 57.

employees. Gradually, however, given that employers want to give employees other benefits in addition to those included in the mandatory occupational medicine, that have extended the service plan, this was also due to the fact that these subscriptions are fully deductible for the employer. The private health insurances are not so attractive for employers towards their subscriptions due to their limited deductibility (250 Euros per year per employee, what exceeds is considered a non-deductible expense). However, the range of health services offered by subscription is smaller than those offered by the private health insurance, and are subject to a single clinic, while the insurance gives the customer the liberty to choose from several medical clinics.

Conclusions

An optimal health system must ensure that all citizens have free access to medical services, and to determine the effective use of funds. A comparative analysis of the situation from various countries concluded that this goal can be achieved only through a system of public financing. For example, if the U.S. health financing is largely private, but even with the highest health expenditure per capita in the world, has the highest rate of people who do not receive any form of health insurance: nor from the private insurance because they don't have enough money, nor from the public one because they are not poor enough.

It is advisable to increase the interest in the private health insurance, particularly among people with a good financial situation, and should be viewed as a mean of raising necessary revenue for funding health, especially in Romania where we notice that the sector suffers from acute underfunding. However, so that it is not understood that I support the disengagement of the states involvement in financing the health system because it is entirely appropriate for the state to involve itself in order to ensure the fairness of the system, because the private health insurance companies, which are profit driven, will be interested to attract healthy persons, meaning with low risks and a high income.

Related to the clawback system, the Romanian government should stop this tax applied in its current form, as it does nothing but harm the private initiative. This system should be applied, as it was originally conceived, and as it is used in other countries, as a safety mechanism, in exceptional cases.

The direct payments used in sizeable proportion in Romania for funding health from private sources, whether represented by the full payment of the service, or by co-payments, affect the people's free access to these services. The poor or the elderly could reduce the consumption of such necessary care due to the inability to pay, and the reality in the countries applying these co-payments as forms of financing has proven that this lead to no considerable increase in funds for health, nor enhanced the quality of the services, that's why we must maintain some exceptions from their payment, or they must be even eliminated.

France can be considered as a model in terms of health financing system, the state covers between 70-80% of health expenditures, the rest being covered from private sources, mainly from private health insurances. Thus it succeeds to take care of the health of the middle class and poor people, allowing the rich to pay for high quality health services. This should be the objective of Romania also. The German system is similar to this one, in Germany all persons are obliged to a health insurance, but health insurance is mandatory only for those with an annual income under 48 000 Euros. People who have an annual income above this limit (less than 20% of total population) may choose to end a private health insurance, that takes the place of the public one, about 75% of them decide to remain in the public system, and only 10% of the population have private insurance.

We therefore reach the conclusion that the health financing system that best meets the optimal criteria is the public one, but here a problem arises, namely, the structure of the public financing system, should rely on the social health insurance contributions, or on the funding from the state budget from general taxes. I believe that a system of public health funding should be based not

only on contributions, but also on funding from the state budget; therefore it should combine the two public sources. If it were based solely on contributions, then the earnings should be volatile towards the economic cyclicality, and would not ensure the fiscal sustainability of the system. The contribution revenues are sharply reduced in periods of recession, when the unemployment increases, also, the underground economy and the illegal employment also affect these samplings. In the current case of Romania, it is appropriate to extend the funding from the state budget, which is currently very low, approximately 15% of the total public funding for health system relies too much on the contributions to the social health insurance borne by employers, employees and by some retirees. The state must bear to ensure the people that do not participate to the contributory system and also the capital expenditures and investments in the Romanian health system should be a priority for the government because it is obvious the lack of modern equipment, inadequate hospital beds, and these real problems cannot be solved in the absence of adequate financial support from the state. In a funding system based primarily on social security contributions, strengthening the states involvement through funding from the state budget contributes to increase the financial protection of the health system but also increases the equity in terms of populations access to health services[331].

The private health financing system should be based on private insurances, and not on direct payments as it is in the current case, private insurances should have a predominantly complementary nature (covering the co-payments for those that are forced to bear them), and only in the case of rich people it can be substituted, but in this case the mandatory health insurance should be imposed, so that there are no persons that would not receive any form of health insurance.

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THE SELECTION OF OBJECTIVES BY FISCAL POLITICS

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Summary: The multitude of fiscal politics` objectives supposes a rational and a well-informed selection of them. Fiscal politics handle specific instruments and levers , producing effects which are hard enough to be quantified and reactions, which most of the time are unforeseen by the payers in their quality as productive or final consumers. The perfection of the proposed alternatives is necessary on the one hand , but hard to be realized on the other hand.

The substantiation of fiscal politics aims two types of decisions, irrespective of the time horizon for which the politics promote the objective. Namely, it refers to the changes inside the fiscal system and, on the other hand , to the changes that are produced in payers` behavior.

The changes inside the fiscal system on their turn , will be materialized in legislative adjustments and in adjustments of fiscal procedures.

Fiscal legislation based especially on Fiscal Code (Law 571/ 2003) also contains other secondary normative acts, such as orders, government decisions, methodological norms and fiscal law` s application instructions.

Taxes settled on the settlements specific to the domain generate different and sometimes even opposite conditions of senses, but they also influence the environment, which is the social and economic one , especially and the payers` behavior particularly.

Influences on the behalf of taxes will also manifest on fiscal system , on budgetary one in extension and on institutional system in general.

The most important reactions , from the fiscal politics point of view , are those that proceed from economic agents.

Taxes, the functionality of fiscal system, its relations with the payers and influences looked on economy are settled by juridical laws, specific subjective laws.

The functionality of fiscal system alters depending on the functionality of each undermechanism for each tax partly.

As any mechanism , the taxes mechanism too can be burden by the influences from economic environment. Some of these , such as repeated updates of fiscal legislation , fiscal dodge , measures of fiscal harmonization , reconciliation of accounting evidence with the fiscal one, the system of transfer prices, and others are some actual issues of the present fiscality.

1) Too thick adjustments of fiscal legislation produce incoherence in the activity of office workers in the fiscal domain and in the same time produce difficulties for payers who, on their turn, spend an important part of their precious time for maintaining their relation with fiscal organ.

2) Different fiscal pressure for physical persons and for the juridical ones generates different effects on payers , influencing their decisions regarding the kind of tax and the chosen contributions to be owed.

   If tax benefit payers who owe proportional quotation benefited by a huge decrease of fiscality degree, just as economic agents of microindustrial units type , not the same thing can be said about payers, physical persons , even in the conditions in which proportional quotation took place of the progressive quotations in trance starting with the year 2005. It cannot be said the same thing because the incomes of physical persons , especially those realized by work, are liable to contributions to social insurances budget, to health insurances budget, to unemployment insurances budget and also to special

funds , of risks and accidents , of insurance of salary lacks and others, specific to some domains of activity.

3) Fiscal advantages and fiscal constraints , in the 3rd place, present a specific and direct influence on payers.

It is known from daily life that tax payer is interested first of all by avoiding the fiscal law and by acceptance of the possible advantages offered by it.

Fiscal advantages are grouped in two components , namely fiscal deductions and decreases of taxes. Fiscal deductions are parts of taxed basis , incomes , property , expenses, activities, exonerated from imposition, sometimes conditioned or other times unconditioned.

Fiscal deduce riles from imposable base as incomes are found in fiscal practice as scot free income, as personal decreases, as monthly fixed sums, or conditioned by the existence in payer`s intersidereal of other persons without incomes, as well as contributions and social dues, syndicate dues or parts of monthly or annual incomes conditioned by the expense of these incomes, these being justified with payment documents of different kinds.

Decreases to taxes payment represent parts of calculated taxes which, according to fiscal law, are not paid. If the deductions are 100% , we talk about the exemption from taxes, even if it was calculated depending on legislative settlements.

Iffiscaldeductions are handled with a view to a selective encouraging of consumption, fiscal decreases are destined to encouraging of offer.

Encouraging the consumption on fiscal ways aims especially the tax on physical persons` incomes , actually aims the unproductive consumption , but also the productive one by warming up of the demand.

Global and familial imposition of physical persons` incomes offers multiple possibilities of encouraging the expense of incomes and sometimes of saving.

Decreases on tax payment are most of the time conditioned by the benefit reinvestment , by the sale of the production at export or other similar conditions.

In the same category is included the external fiscal credit which actually aims paid tax abroad and which will be recognized till the tax level that would have been paid in the country, actually an usual credit (the procedure of usual credit).

Such a fiscal measure regarding the exemption from taxes on reinvested benefitis settled by Law 329/ 2009 , witha well- established aim, that of encouraging the production of offer by sustaining the productive consumption.This fiscal measure with an effect of lever , otherwise salutary, must be looked at by the viewpoint of evolution of production structure in the next few years, period that will pick up all the results of the politics promoted in this way.

But the next question is put, namely, if and for how long,the initial structure of production will notsuffer modificationsat consumers` demand. On what period of time will resist the same structure of raising the production as a result of tax` reinvestment.

The main issue is that of perfection of fiscal politics alternatives and of choosing of its orientation to consumatory fiscal politics or to that which aims the offer.

Most of the time fiscal politics end with unexpected results, different from the initial intentions. For example, we do not know without a projective documentation , if still after an year or more , consumers will buy objects of domestic use with current facilities , or simpler, we do not know if the next year too, the sales of beer –xxl- will raise. The most exposed domainsto such a dissolution are the high-tech ones. Sometimesthe simplermeasures can be more efficientthan decreasing or increasing of fiscal charge.

We have to emphasize that in this context another problem appears , undetachedby fiscal politics , namely the problem of fiscal equity, a large issue which from quantitative reasons, we put it off for another study of specialization.

Also, the issue of budgetary finance is bound up directly with the evolution of budgetaryreturns as a result of changes in fiscal politics. The budgetary deficit at which it comes toas aresult of increasing the expenses and / or reducing the taxes ` level can lead to a rapid increase of public debt.

Credits for financing the budgetary deficit can determine the increasing of interest rate , fact which determines the economic agents (sellers and buyers) to loan less and, at the same time, to spend less than they have planned to , thus fiscal   politics directed to offer will cancel the measures directed to consumption.

More than that, the issue of rate interest comes to light, without which fiscal politics cannot be promoted , no matter of its orientation. Influences from and to rate interest are known especially from the context of keinesian politics.

The most important aim would be   maintaining under control the report between offer and demand , and if we have in mind a macroeconomic model of a closed economy, with a public sector included in it, than the equilibrium on properties and services market takes place , when the aggregate demand is equal to the aggregate offer.

If the fiscality increases , that the state `s incomes increase too, and also increase the productive and unproductive expenses. Through the mediation of consumption, the aggregate expenses (G) will be influenced directly.

$$\Delta Y = \Delta G \left(\frac{1}{1-m} \right)$$

In which $\left(\dfrac{1}{1-m} \right)$ is the multiplier of government expenses.

But if the taxes decline, the aggregate expenses will be decreased and the multiplier of taxes will have a negative sign , because by the increase of taxes the intern product is decreased and conversely, so it is a conversely proportional relation .

Y = I.G.P. (internal gross product)
D = the interest rate
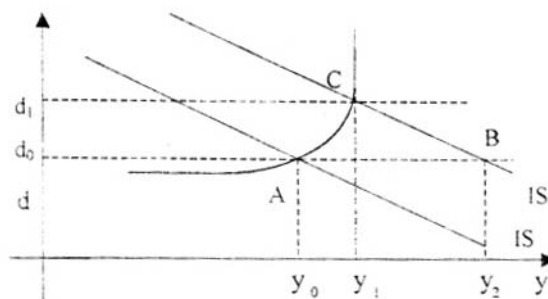
If the fiscality rate grows, the IS curve will move towards left with the value of taxes ` increase multiplied with the fiscal multiplier. The effects will be reverse, leading to a reduction of economic activity. Fiscal politics can be such conceived that the action of fiscal multipliers and of public expenses to generate the least negative effects and the most searched ones. Of the tax as instrument of random regulation of some given economic situations or of some social reports and it has secondary consequences of the followed aim, namely, that of complication of the fiscal

system and of rendering more difficult of fiscal activity or appears the risk of reverse or belated effect, which once released cannot be controlled or eliminated.

The modifications of fiscal laws suppose a certain time and the rhythm of changes in fiscal politics is not always the wanted one . that is why when it is decided a choice of a variable in fiscal part, it is necessary an analysis of effort as well as of this change effect on short time or in the future. These decisions are marked by the permanent and acute need of resources at the state budget, fact which generate difficulties and conditions in the most efficient choice of modalityways of financing the public needs and the state budget especially.

There are three possibilities of financing them : from taxes, public credits and currency emission. It seems that financing from taxes is the most efficient modality of counteract the random effects, but with results on long time , because fiscal laws remain operative on longer periods of time usually.

In an economy lacked of economic increase and of an absolute unutilisation of labor , with a temperate fiscality (fiscal neutrality) , the only possibility to relaunch the economy is to increase the public expenses, followed by an increase of global demand and of consumption.

Not all the time the effects of government politics are the expected ones and at least the following two reasons have to be referred to,for whichfiscal politics could have unexpected and unwanted effects, namely, allowing the govern to have a deficit the constraints on expenses and the politic responsibility of those who take decisions regarding the budget are modified (that leads to huge and successive deficits , as well as to rapid increase of public debt) , in order to cover the expenses that outrun the incomes fromtaxes , state has to borrow money. This credit for financing the budgetary deficit can determine the increase of interest rate, fact which willbe felt in the activity of economic agents.

They will ask less credits and will spend less than they would have wanted to.

The system of budgetary expenses and incomes makes up the basis of a detailed analysis of a country ` ssocial –economic situation , following to be established the imposed measures for macroeconomic regulation.

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CONSIDERATIONS ON THE MEASURES TO COUNTER THE RISK OF BANKRUPTCY FOR SMES DURING THE FINANCIAL CRISIS

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The financial crisis in Romania has expressed in an eloquent manner and meant large negative effects, such as external factors generated by trigger of the financial crisis in Romania in October 2008 and internal factors for society that fundamentally influenced the decreasing of funding in 2009.
Promotion of private initiative is, in our opinion, one of the methods that attenuate the financial effort of state for social segment which generates costs and, is producing revenue for the state. In this paper we promote the idea of opening a fundamental process of restructuring the SME's management mentality, that of safeguarding of the enterprises with existing instruments, but also with new proposals to the Government, for regeneration as soon as possible of the country's economic and human factors capable of working.

1. The influence of internal and external factors on financial indicators in 2009

-Global economic recession has affected all Romanian companies, from largest to smallest. Moreover, access to the funds that the bank could provide for business was locked by the state. Basically, through the Ministry of Finance which borrowed from private banks almost all the money from market to pay salaries and pension budget, the Government, indirectly, locked the national economy. Thousands of companies throughout the country unreasonably have long waited the repayment of VAT to which they were entitled, and that the financial taxation delayed to make it, deadlines being exceeded with months. Instead, for every invoice issued, but not received, the state further requires for firms to pay VAT de-capitalising them and pushing them towards bankruptcy. Establishing flat tax to be paid even by companies which were not registered profit, has determined in 2009, that 120.509 companies to suspend its activities.
-Currency depreciation; it equaled or exceeded the substantial discounts of cars sellers that showed discounts and promotional prices about 30 - 40%.
-Transactions with new cars had a significant rebound, and volumes were decreases of 50% or even 60% compared to the same period last year, some car dealers being forced to close their showrooms and to lay off some employees.
-Romanians real income levels have been affected by currency depreciation: those who had paid rates have experienced the strongest rate shock. Payment amounts were not to be neglected, the rates increased from one quarter to another and even 30%, while nominal revenues remained constant or even declined in condition of rising unemployment. This could lead only to overdue and late payment, short-term liquidity problems, increasing leases terminated, an influx of requests to reschedule the payment obligations.

-Decrease of the credit line

2. Financial crisis outside Romania

Except Poland, where the number of bankruptcies in the first nine months of 2009 remained below 1.000, in all other countries, the recession has felled many SMEs. Romania is by far the most affected, given that in the first six months of 2009, over 100.000 SMEs went into bankruptcy, from a total of 600.000 registered at the ministry.

Germany. German SME's bankruptcies mean problems for Europe. Germany's economic recovery could slow because more and more midsize companies - the skeleton of industry - can not face with market's conditions and bankruptcy. This situation has a negative impact on euro area, under the condition in which, according to The Wall Street Journal, Germany, has the largest economy on the continent[332].

In **Poland**, 497 companies have declared bankruptcy in the first nine months of the year 2009 compared with 317 during the entire 2008, according to Coface, the credit insurer. In the first half of 2009 the SME sector has been hit by falling demand and by the tighter credit conditions.

In **Hungary**, SMEs have been affected by evaporation of demand and by reducing the access to financing, but unlike Poland, the current situation shows no improvement. Industrial production continues to be 20% lower than in 2008, and SMEs production has fallen by a fifth.

In the **Czech Republic**, 6591 entities (companies and individuals) were asked in the first nine months of 2009, the reorganizing under bankruptcy protection, up 70% compared to last year. 58% of all complaints are made by companies, according to Creditreform, credit agency. Czech Union of SMEs said that access to credit is the main problem with which is facing the sector. Lack of funding leads to postponement or cancellation of investment plans.

3. The situation of economic crisis in Romania

Usually the financial crisis means an economic environment that is characterized by an acute lack of liquidity, which goes to more expensive credit bank. In Romania the beginning and end of crisis is marked by certain indicators that presented in Fig. no. 1.
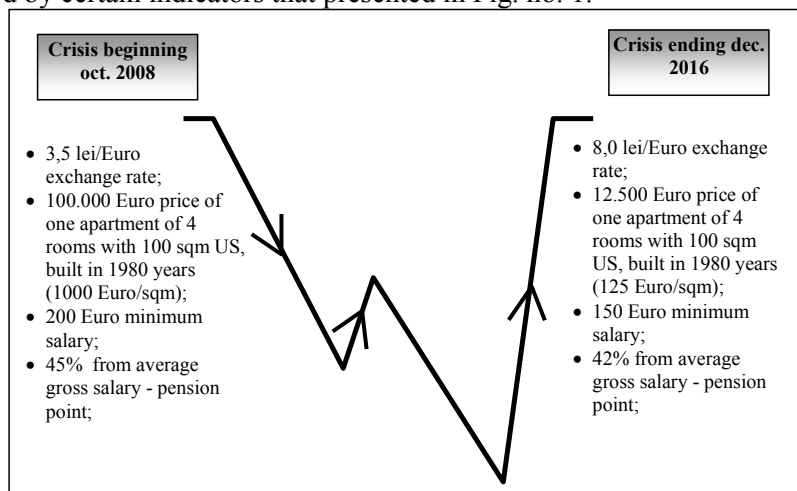
Fig. no. 1. Features of the financial crisis in Romania

In **Romania**, 90% of SME's are affected by economic and financial crisis, difficult economic situation leading to increased number of bankruptcies. Among the measures that companies have taken to decrease the impact of economic crisis, 36% of them have reduced administrative costs, 19% have reduced the number of employees and 9% have reduced the income of employees, as represented in the chart below.

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[332] http://www.zf.ro/business-international.

Fig. no. 2. Anticrisis measures taken by Romanians SME's
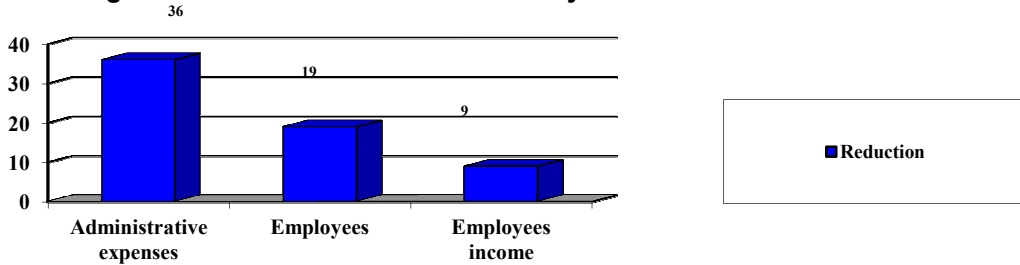
Year 2010 has not yet good signs for Small and Medium Private Enterprises in Romania. Last year alone, over 190 thousand SMEs and authorized individuals have ceased. Specifically, we present in table from below, cases that favor bankruptcy and measures to avoid bankruptcy, some of them being even proposed by SME and NCPSMER (National Council of Private Small and Medium Enterprises in Romania), as measures for the economic crisis.

Causes that promote SMEs Bankruptcy	Measures to avoid SME's bankruptcy
-Depreciation of national currency. -Lower transaction with cars. -Decrease real estate transaction. -Reduce your credit line. -Reduced access to financing and funding hinder. -High costs of interest. -Exports decline. -Low income. -Increasing the CAS's costs. -Introduction of minimum tax. -Sales decrease. -Price increases. -Incapacity of paying. -Entering into insolvency. -Declining real incomes of Romanians.	-Reducing costs through layoffs. -Employee salary reduction. -Reducing administrative costs. -Icing liquidity. -Simple bookkeeping and halving the tax on buildings[333]. -Allocating of minimum 0.5% of GDP for the foundation and development programs for SME's[334]. -Widespread of the absence of taxation of reinvested profits and reinvested dividends. -Ministry of SMEs of programs on an emergency immediately after the 2009 budget approval. -VAT payment when goods are delivered, services are rendered or works are executed. -Elimination of abusive controls on companies. - Encouraging exports through subsidies. -Creating Counter-Guarantee Fund of the credits in the first half of 2009. -Significant and urgent reducing of extra-taxation. -Simplification of procedures for accessing. structural funds and increasing access to consulting services in this area[335].

4. Anti-crisis measures taken by Government

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[333] http://www.financiarul.com, April 1th, 2010.
[334] http://www.newschannel.ro/stiri/masuri-anti-criza-pentru-imm-uri.
[335] Idem.

Boc government took steps that led to the cancellation of firms. By eliminating the taxation for microenterprises with 3% of incomes, Boc government put most common obstacle to self-employment solutions. In addition, by introducing flat tax, hundreds of thousands of small companies, generally with a single employee, were closed.

Also, there are many companies that are in bankruptcy, but have not yet said so. Many require judicial protection, asking for insolvency, to be safe from creditors.

Among **crisis measures** already taken by the Government is allocating the largest share of GDP over the past 20 years, for investment, facilities for hiring unemployed and purchase of nearly 17.000 homes through "First Home" program.

Continuing Rabla program, building houses for rural specialists, rehabilitation of thermal and county road blocks, First Silo Program, NHA housing selling to tenants, supporting SMEs and local authorities which are accessing EU funds by providing state guarantees and technical unemployment are other measures already taken by the Government and presented by Emil Boc.

Among the measures to support businesses, the premier noted reinvested taxed profits, deferred payment of outstanding obligations, accelerating tax refund, state aid, incentives for energy and chemical industry, reducing taxes and tariffs parafiscal. Among crisis measures, Emil Boc recalled including VAT at 19% and maintaining a flat at 16%[336].

But all these measures seem not to be the best and not sufficient for the effective exercise of SMEs because, due to other measures adopted by the Government such as the introduction of flat tax, there are favorable conditions for progress.

5. Considerations on anti-crisis measures

Experts say the biggest problem of business is restricted access to credit, and bad news is that banks will not finance companies resumed in 2010, because it will analyze the situation of companies which will seeking loans on the balance sheet situation of 2009, which "looks disastrous."

On the other hand, banks have their own reasons to think twice before approving a loan. In 2009, arrears over 90 days were recorded in loans, over three times higher than in 2008 and represented 75% of all amounts due.

Neither in terms of tax payment obligations to the state, companies did not do better. Experts recommend to the companies with debts of more than 30 thousand lei and debts to the budget over 30 days, to avoid insolvency and forced execution by preventive composition with regulated by Law 381/2009. Preventive composition is an amicable settlement between the debtor and creditors that hold at least two thirds of the value of receivables.

5.1. *How to put protected from insolvency?*

According to the law, insolvency or bankruptcy of the debtor's assets are characterized by insufficient cash funds available to pay outstanding debts.

It is considered that it may declare bankruptcy when the debtor, after 30 days in arrears, has not paid its debt to one or more creditors. Bankruptcy is imminent when the debtor proves that it can not pay at maturity, outstanding debt incurred with the funds available from the due date.

For companies trying to save his business, the next step is the **process of reorganization.**

6. Reorganization - measure against bankruptcy risk for SMEs

In the current economic situation is expected as part of economic agents continue to encounter difficulties in activity and even to go insolvent.

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[336] Source: Wall-Street.ro.

Unfortunately, most of those traders who go into insolvency, unnecessarily are trying to recover the activity of society through their own efforts, without resort to specialized consultants in the field and without the use of legal provisions designed just for protection. Such attempts of recovery leads mostly with a failure, so that society finally comes to bankruptcy, without any possibility of economic recovery.

Law no. 85/2006 of insolvency ("Insolvency Law") specifically provides judicial reorganization, as a extent of recovery of economic activity of a company in a state insolvency or in impending insolvency, being real chance of recovery and continuing a business that normally would be under bankruptcy.

6.1. Reorganization procedure in the Romanian legislation

Unlike the laws of other states, Romanian legislation does not regulate the judicial reorganization procedure, which still can not remove a conventional reorganization. This method of reorganization involves, in practice, debtor negotiations with major creditors on rescheduling the debt payment, but in such a procedure the debtor has no legal protection[337].

Judicial reorganization, aim the "redressing of the debtor and payment of liabilities in terms of restructuring the company and its activity"[338], and saving in this way, a company in default, but still viable.

Judicial reorganization is triggered by an application for entry in insolvency which the debtor in insolvency or in a state of imminent insolvency or a creditor, submit to the Court. In this application the company must accompany the several pieces, among which the declaration by the debtor and shows its intention to enter into the reorganization procedure.

After introducing the application and verification of documents submitted by the debtor, if the legal requirements are met, the judge will order the opening of the general procedure. By this decision to initiate proceedings, the judge will appoint an judicial administrator. To qualify the reorganization procedure it must be proposed such a plan by the debtor, by the judicial administrator or by the creditors. **The plan should contain concrete ways to restructure the company, which may take the form either the debtor's restructuring and continuing future business or liquidation as part of the debtor, or a combination of two previously proposed methods.**

Reorganization of the company closes when you have met all payment obligations assumed by the reorganization plan.

6.2. Advantages of entry into reorganization proceedings

There are several advantages of opening the reorganization procedure for a company in difficulty, such as:

- From the date of opening of the reorganization law there **are suspended all judicial or extrajudicial actions** aiming to achieve claims against the debtor or his property. Thus, under art. 36 of Law no. 85/2006, the law suspended all judicial or extrajudicial actions to achieve the claims against the debtor or his property, so that no creditor can no longer operate separate companies in insolvency proceedings to recover his claim. Also under this article there are suspended any levy of execution or attachment of company accounts. All payments made during the insolvency proceedings will be made by a single bank account, which can not be stopped.

- **No longer pay outstanding debts than under a reorganization plan without paying interest or penalties.** From the opening of proceedings, under art. 41 of Law no. 85/2006, no interest rate, increase penalty or charge will not be added to claims arising, prior to the opening of proceedings

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[337] http://www.avocatnet.ro.

[338] Csaba Bela Nàsz – The opening of insolvency procedure, C.H.Beck Publisher, Bucharest, 2009, pag. 42

(excluding guaranteed debt). Thus, by stopping the flow of interest and penalties, it is prevented the increasing liability company.

- The possibility of **rescheduling payment of debts** by creditors, etc.
- The company that was willing to open insolvency proceedings may be subject to judicial reorganization under a reorganization plan, through which can be obtained in certain circumstances or may even require, rescheduling of payments to creditors during the reorganization, which may take up to three years, with possibility of extension for another year.
- In judicial reorganization, the debtor business is conducted by a special administrator named by the company management, who may even be the administrator. Thus, leadership activities of the debtor may remain in the hands of the debtor's former management bodies, which are best placed to continue the company's activities. Their work is supervised by the judicial administrator.
- According to art. 77 of Law no. 85/2006, applications for the recovery procedure or other rights shall be exempt from stamp duty, which is an advantage in making steps to recovery.
- In the judicial reorganization, the company operates on the principle ''business as usual'', remaining an economic market player, and can keep customer brand and heritage.
- During insolvency, the company does not pay and does not charge VAT.

7. Mergers - another measure to counter the risk of bankruptcy during the crisis

Fusion is a "technical and legal process through which the restructuring of companies is done"[339], when two or more companies come together to form a single society. Fusion brings benefits related to strengthening of the company's market, getting a larger share local market or even expansion into other geographic regions. Another advantage of fusion is related to business saving and personnel rescue in conditions of market competition and its impact on business. Vertical integration of business is another benefit of the fusion, so that it shortens the chain of production and distribution. For example, a furniture manufacturer may purchase a wood supplier to eliminate the problem of raw material acquisition. Because it will be reduced certain costs, it will increase company's profits. Another advantage of the fusion is diversifying its product portfolio by launching its own range or buying a player that already offers that product. Fusion also offers an advantage in terms of taxation.

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THE IMPACT OF FINANCING POLICY ON THE COMPANY'S VALUE

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National and international financial system offers companies a wide range of funding sources. The choice of one or more of the available sources and their combination are major aspects of the company's financing policy. Managers must keep in mind that the call to one or other of potential funding sources is not a minor and independent decision, but has profound implications on the company's value. Weighted average cost of capital can be used as the discount rate or the selection of investment projects.

1. Introduction

Financing policy at microeconomic level is significantly influenced by how the economic mechanisms function at regional, national and even global. Romania is characterized by a relatively unstable socio-economic situation and, which raises serious toll on the business results of Romanian companies, irrespective of quality management at the microeconomic level. Considering the specifics of economic and financial environment in the context of analysis of the influence these areas have on the the finance decision at microeconomic level, one cannot ignore elements such as inflation, changes in interest rates or exchange rate in economy[340].

Although these macroeconomic factors are especially useful for the substantiation of policy finance companies, there are other factors that influence financing policy, factors related to the company's internal environment. Taking into account these observations, and various other related to financing policies, we may wonder why some sectors of the activity tend to have companies with a high rate of borrowing compared to other sectors. But analyzing the role of the financial lever, the cost sources of funding or fees paid by the company, we can explain these changes in borrowing rates, and how the company's value is affected by the financing policy. [341]

Among these factors, we consider the cost of financing sources as the primary factor in foundation financing policy, having the greatest impact on company results and hence on its value.

Financing policy, which underpins the company's capital formation, is mostly assumed by the company's management and less by the "providers" of capital (shareholders, creditors). This can be achieved in two ways: internal financing and external financing. But each of these sources implies a specific cost to achieve them, cost which the manager should know, considering also the indirect implications of choosing one or other of these financing arrangements.

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[340] Oprean Camelia, *An analyses of Romanian companies financing decision under macroeconomic influences*, MPRA Paper No 14716, 2008.
[341] Fabozzi F., Drake Pamela, *Finance. Capital Markets*, *Financial Management and Investment Management*, John Wiley & Sons, Inc, New Jersey, 2009.

2. The cost of financing sources – esential factor of company policy

Due to its crucial role in all production factors, capital has a privileged position in all theoretical approaches aimed by business activity[342]. So, we can appreciate the capital as all funding sources available to the company that can be used to purchase all the elements of the asset[343]. Considering the source of the company`s capital is composed primarily of two components: equity and debt.

2.3.1 The cost of equity – determination methods

Equity cost represents the rate of return required by shareholders is the company to pay for their investment in the company. If the rate of return is lower than the opportunity cost, then the business value decreases, and if the rate of return is higher than the opportunity cost, then the business value increases. The rate of return expected by shareholders is an opportunity cost based on expected return of investors to invest the same risk. In the absence of resale transactions of existing shares, shareholders will earn dividends only. If the future flow of dividends is known, the discount rate that equals the present value of dividends by the current price action will be the required rate of return for investors. The difficulty of the model lies in determining the exact level of future dividends. Therefore, research in the field tried to find ways of estimating this rate of return expected by investors, which the most significant are presented in the following table:

Table 1

Methods for determining the cost of equity

Crt. Nr.	Method	Formula
1	Gordon-Shapiro Model	$k_e = \dfrac{D_1}{V_0} + g$ (1) : $\dfrac{D_1}{V_0}$ = the dividend yield per share g = the growth rate of dividend per share.
2	Model of determining by PER (market capitalization ratio)	$PER = \dfrac{1}{Rrf} = \dfrac{1}{k_e}$ (4) $k_e = \dfrac{d*(1+g)}{V_t / EPS_t} + g$ (5) : d – dividend rate EPS_t – earnings per share at time t $V_t/EPS_t = PER_t$
3	Capital Asset Pricing Model (CAPM)	$k_e = Rf + \beta * [E(\overline{R}) - Rf]$ (6) : Rf –risk-free interest rate β – Title volatility, systematic risk expression relative to market portfolio $E(\overline{R})$ – expected return on market portfolio
4	Arbitrage Pricing Theory Model (APT)	$k_e = Rf + \displaystyle\sum_{k=1}^{K} b_{ik} * \overline{\lambda_{ik}}$ (7) : b_{ik} – sensitivity coefficient of the company at the risk factor k $\overline{\lambda_k} = \displaystyle\sum_{t=1}^{T} \lambda_{kt}$ - average risk premium in the period under review

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[342] Nistor I., *Teorie şi practică în finanţarea întreprinderilor*, Ed. Casa Cărţii de Ştiinţă, Cluj-Napoca, 2004.
[343] Berceanu D., *Deciziile financiare ale firmei, Ediţia a II-a*, Ed. Universitaria, Craiova, 2006.

		T – number of periods analyzed	
		$Rf = \lambda_{0t}$ - risk-free rate at time t	
		K – number of risk factors	
5	Updated cash flow model, for preferred shares	$$V_0 = \sum_{t=1}^{n} \frac{Div_t}{(1+k_p)^t} = \frac{Div}{k_p}$$ (8)	
		: Div_t – forecasted dividend to be distributed for year t	
		$Div_1 = ... = Div_n = Div = constant$	
		k_p – cost of capital for preferred shares	
6	Rata rentabilității financiare	$$Rrf = \frac{\pi_{net}}{Cpr}$$ (10)	
		: π_{net} – net profit	
		Cpr – equity value	

Source: Processing after Pirtea M., Cristea H., Nicolescu Cristina, Boţoc C., *Managementul financiar al companiei*, Mirton Publishing House, Timişoara, 2010.

2.3.2 The cost of lent capital - determination methods
To estimate the cost of borrowed capital can be used two types of methods:
A. A company`s exogenous methods such as:
- Negotiations with potential manufacturers;
- Based on market interest rates on loans with similar risk issued instruments;
- Based on actual interest rate subsidy payed by firms in the same sector.
   B. A company`s endogenous methods:
In addition to exogenous methods, the company can estimate the cost of debt taking into consideration the interest rates on loans issued by the company, called yield to maturity method, YTM. Yield to maturity is the interest rate that would be won by one investor on similar instruments, which bought the title at the current price and that keeps it until maturity. [344] The cost of borrowed capital will increase over the yield to maturity under the impact of administrative costs, the various fees involved with a new issue. In these circumstances, the cost of debt (kd), under the impact of taxation, is given by the following formula:

$$k_d = YTM * (1 - I_\pi)$$ (11)

   I_π – profit tax rate

One of the significant risks that are facing the creditors of companies is the risk of default by the company issuing debt (bankruptcy risk). Effect of bankruptcy risk should be considered in determining the discount rate, but also the expected value of cash-flow analysis of investment project sites. In these circumstances, estimating the expected profitability by the creditors imposes the determination of the payments` sensitivity, depending on the macroeconomic indicators. Therefore, a second method for determining the cost of debt is the CAPM model, which involves calculating the β coefficient for debts:

$$k_{dat,t} = Rf_t + \beta_{dat} * \left[E(\overline{R}) - Rf_t\right]$$ (12)

unde: Rf_t – rate of return on a risk-free bond at time t

   $E(\overline{R}) - Rf_t$ - risk premium for the market portfolio at time t

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[344] Stancu I., *Finanţe*, ediţia a IV-a, Ed. Economică, Bucureşti, 2007.

Using this formula, however, leads to determining the expected value of return to creditors, that is usually different from the actual value. The report of the two values is determined by the risk of non-payment of obligations to creditors and the likelihood of bankruptcy. In case of the two events, then the actual amount will be less than expected value, otherwise being above the expected value.

2.3.3 The weighted average cost of capital -influence on the company's financing policy
Choosing a means of funding is determined on the one hand by its cost and secondly by the company's current financial structure. [345] Optimal financial structure corresponds to the minimum cost of used capital, weighted average cost (WAC) being determined using the following relation:

$$WAC = \sum_{i=1}^{t} w_i * k_i \qquad (13)$$

unde: w_i –shared capital, by the sources of origin
        k_i -the cost of the i source of financing
        t – the number of financing sources

The principle underlying the determination of weighted average cost of capital calculation takes into account the WAC in accordance with how the cash-flows that have to be updated are denominated. For this, the following elements should be considered:
1. The taxation of cash-flows. If these are taxed, then the CPM will be determined after taxation its parts:

$$WAC = k_{debts} * (1 - I_\pi) * \frac{Debts}{Total\ capital} + k_e * \frac{Equity}{Total\ capital} \qquad (14)$$

2. Using nominal rates, if cash-flows are expressed in nominal sizes.
WAC can be used as discount rate in assessing cash-flows of a company`s investment projects. Using WAC as the discount rate is an appropriate valuation method based on updating the sites of future cash flow, because the whole value of the company has invested capital (own or borrowed). Thus, the economic asset value will be given by:

$$V_0 = \sum_{t=1}^{n} \frac{CF_t}{(1 + WAC)^t} + \frac{VR_n}{(1 + WAC)^n} + V_{ar} \qquad (15)$$

unde: CF – cash-flows of the company, on the three types of activities
        V_{ar} – value of redundant assets

WAC calculation proves its usefulness also in selecting investment projects, being the minimum threshold below which investors will not accept to fall, representing an investment return required for the company that has an identical risk of the same company as a whole. If the new project has the same risk as a whole company, then WAC can be used in determining the net present value (NPV), as a criterion for selection of investment projects:

$$NPV = \sum_{t=1}^{n} \frac{CF_t}{(1 + WAC)^t} - I_0 \qquad (16)$$

[345] Pirtea M., Cristea H., Nicolescu Cristina, Boţoc C., *Managementul financiare al companiei*, Ed. Mirton, Timişoara, 2010.

unde: I_0 – value of initial investment

CF_t – annual forecast cash-flows forecast, after tax.

If the investment project has a different risk than the company`s, then the discount rate of cash flow may differ from the value of the company`s WAC. In this case, the CAPM model is recommended for determining the discount rate, in which the right SML (Security Market Line) is the geometrical point of all updated rates of investments, proportionally to the risk adjusted to the rates of investment.

3. Creating value – effect of the company`s decisions

Intelligent investment decisions make the shareholders richer. For example, if a company can borrow 8%, when the interest rate is 9%, then it can be said that the company manager did a good deed for shareholders.

Unfortunately, this is easier to be said than done. The problem is that financial markets competition is more intense than in most product markets. On product markets, generally, businesses can find competitive advantages that allow positive NPV investments. For example, a company may have only a few competitors who specialize in the same line of business and in the same geographical area. Or can be able to seize the patent, technology or on the recognition and customer loyalty. All these offer the opportunity to obtain higher profits and to find positive NPV projects[346].

But there are few protected niche in the financial markets and you can not patent issuance of new securities. In addition, you are facing on these markets always a fast-moving competition, including all other companies seeking capital, not even considering the state, the local administrations, the financial institutions, the foreign and individuals companies ranging from New York, Tokyo or London funding. Investors who have a surplus capital are many and intelligent. Most likely, these investors assess the value of securities at least as well as issuers.

Of course, when a company calls to loans, it wants that the borrowed resources to cost less than market interest rate. But if the loan is a good deal for shareholders, it must be a bad deal for creditors. So there is a dilemma linked to how a company is likely to deceive investors constantly forcing them to pay a surcharge for the securities issued. The answer is very obvious, very small, generally companies should assume that they issue securities which are sold at true value.

But the real value is a slippery potential expression, the actual final value does not mean future value, because differences may occur between predictions and the actual recorded level (we do not expect investors to be observers by chance). Fair value reflects a price which includes all current information available to investors on an efficient capital market, all securities being valued at a fair price. In such circumstances, the sale of securities at market price can never be a positive NPV transaction

4. Conclusions

Funding sources must be selected in accordance with the objectives to finance and economic environment in which it operates. Also, the company's financial strategy must always follow the indicators "net income per share", "gross dividend per share" or realistic "net dividend per share" because any investor bases his investment decisions according to actual earnings.

For a capital investment to be justified, the profitability of invested resources must at least equal the same risk return investment alternatives, and we formulate the idea that the cost of capital is an opportunity cost.

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[346] Brealey R., Myers S., Marcus A., *Fundamentals of corporate finance*, 5th Edition, McGraw Hill/Irwin Publishing House, New York, USA, 2007.

If WAC analysis is performed in terms of business, then we are talking in terms of cost that you must pay for dispunde sources of funding. But analysis can be performed from the perspective of investors who wish to obtain a certain gain from their investment in the company, and then talk in terms of profitability.

All these hypotheses argues that it is hard to win or lose based on funding strategies, either smart or stupid. It is difficult to win, which means finding cheap sources for funding, because investors demand fair market conditions. At the same time, it's hard to lose, because competition among investors prevent any of them, in terms of requirements, rather than reasonable conditions.

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ANALYSIS OF THE VALUE ADDED BY THE ADDITIVE METHOD

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Calculating the value added by the additive method (analytical) study concerns the component value through creative participation factors to be paid.

Introduction

Value added (VA) is represented and expressed as the entity in the economic cycle through its activities within a specified period, usually the financial year.

The indicator measures the entity's economic- financial performance, growth of value added index to show a tendency to it than that of the production year and it is in continuous growth.

The importance of value-added analysis is reflected in the following aspects:

- Value added is the main source of self-financing economic activity;
- Value added is the source of remuneration of staff;
- Value added is the source for financing the budget;
- Value added is the source to increase reserves for the entity.

Determining the value added by the additive method

Additive or analytical method is a method which involves adding the structural distribution of newly created value, which includes: personnel expenses = wages and social protection expenditure = (PE); taxes and no VAT charges (T+C) ; financial costs (FC); depreciation of fixed assets (DFA); and net added value (NAV) after deducting   depreciation.

In this respect, there are two possibilities for calculating the value added:

1)   Based on net income for the year

VA = Personnel expenses + expenses, taxes, and similar taxes (including income tax) + financial expenses+ adjustments to financial expenses: tangible and intangible assets + other operating expenses (compensation expense) + extraordinary expenses+ net income. Minus: other operating income, financial income, extraordinary income and income from operating subsidies.

2) Based on results of operations

VA = personnel expenses + expenses, taxes, and similar taxes + other operating + value adjustments of tangible assets + adjustments on provisions+ operating result. Minus: other operating income.

Calculation models emphasize the role of investment consumption represented by depreciation expense and provision for depreciation of assets, which reflects the contribution of production equipment along with other factors to create gross value added(GVA).

By excluding depreciation and provisions for impairment of assets (DIA), obtain net value added:

NVA = GVA - DIA
NVA = Net value added
GVA = Gross Value Added
DIA = depreciation and provisions for impairment of assets

The model for calculating the value added provided by the analytical method allows analysis of: the factors increase or decrease, the value added structure depending on the capital intake and its allocation to pay labor and capital inputs contributing to the new value created.

Value added factor analysis aims to increase or decrease factors that depend on structural elements of the indicator considered.

For example,the value added calculated by the analytical method based on net income, uses data from the following table:

Table 1

Nr. crt.	CALCULATION ELEMENTS -lei-	Financial year		Deviations ($\pm\Delta$)	Indices (%)
		Previous	Current		
1.	Personnel expenses (PE)		4336434	+979056	129,16
2.	Taxes, charges TOTAL (T+C) (+)	3726156	4912292	+1186136	131,83
3.	Financial expenses (FE) (+)	1044330	1837828	+793498	175,98
4.	Value adjustments on tangible and intangible assets (VATI) (+)	1365560	1456270	+99710	107,35
5.	Value adjustments on assets (VAA) (+)	135200	121300	-13900	89,71
6.	Adjustments on provisions (AP) (+)	256300	195300	-61000	76,20
7.	Other operating expenses (OOE) (+)	159445	132273	-27172	82,96
8.	Extraordinary charges (EXC) (+)	98450	104530	+6080	106,18
9.	Net Result (+)NR	4431192	8223928	+3792736	185,59
10.	Other operating income (OOI) (-)	2277610	3592006	+1314396	157,71
11.	Extraordinary income (EXI) (-)	118930	123450	+4520	103,80
12.	Revenues from operating grants (ROG) (-)	1265400	2562456	+1297056	202,50
13.	Financial income (FI) (-)	1379870	1908670	+528800	138,32
14.	Gross value added (GVA)	9523201	13133573	+3610372	137,91
15.	Net value added (NVA)	8166641	11677303	+3510662	142,99

GVA=PE+(T+C)+FE+VATI+VAA+AP+OOE+EXC+NR-OOI-EXI-ROG-FI

1. Changing the value added:

$$\Delta GVA = GVA_1 - GVA_0 = 13.133.573 - 9.523.201 = +3.610.372 \text{ lei}$$
$$(\Delta r = I_{GVA}-100 = 137,91-100 = +37,91\%)$$

2. Factors influencing are:

$$\Delta = \Delta PE + \Delta(T+C) + \Delta FE + \Delta VATI + \Delta VAA + \Delta AP + \Delta OOE + \Delta EXC + \Delta RH + \Delta OOI + \Delta EXI + \Delta ROG + \Delta FI, \text{ în care:}$$

$$\Delta PE = PE_1 - PE_0 = +979.056 \text{ lei}$$
$$(\Delta rPE = 979056/9523201*100 = +10.28\%)$$
$$\Delta(T+C) = (T_1+C_1) - (T_0+C_0) = 4912292 - 3726156 = +1186136 \text{ lei}$$
$$(\Delta r(T+C) = 1186136/9523201*100 = +12.46\%)$$
$$\Delta FE = FE_1 - FE_0 = 1.837.828 - 1.044.330 = +793.498 \text{ lei}$$
$$(\Delta rFE = 793498/9523201*100 = +8.33\%)$$
$$\Delta VATI = VATI_1 - VATI_0 = 1.456.270 - 1.356.560 = +99.710 \text{ lei}$$
$$(\Delta rVATI = 99710/9523201*100 = +1.05\%)$$
$$\Delta VAA = VAA_1 - VAA_0 = 121.300 - 135.200 = -13.900 \text{ lei}$$
$$(\Delta rVAA = -13900/9523201*100 = -0.15\%)$$
$$\Delta AP = AP_1 - AP_0 = 195.300 - 256.300 = -61.000 \text{ lei}$$
$$(\Delta rAP = -61000/9523201*100 = -0.64\%)$$
$$\Delta OOE = OOE_1 - OOE_0 = 132.273 - 159.445 = -27.172 \text{ lei}$$
$$(\Delta rOOE = -27172/9523201*100 = -0.29\%)$$
$$\Delta EXC = EXC_1 - EXC_0 = 104.530 - 98.450 = +6080 \text{ lei}$$
$$(\Delta rEXC = 6080/9523201*100 = +0.06\%)$$
$$\Delta NR = NR_1 - NR_0 = 8.223.928 - 4.431.192 = +3.792.736 \text{ lei}$$
$$(\Delta rNR = 3792736/9523201*100 = +39.83\%)$$
$$\Delta OOI = OOI_0 - OOI_1 = 2.277.610 - 3.592.006 = -1.314.396 \text{ lei}$$
$$(\Delta rOOI = -1314396/9523201*100 = -13.80\%)$$
$$\Delta EXI = EXI_0 - EXI_1 = 118.930 - 123.450 = -4.520 \text{ lei}$$
$$(\Delta rEXI = -4520/9523201*100 = -0.05\%)$$
$$\Delta ROG = ROG_0 - ROG_1 = 1.265.400 - 2.562.456 = -1.297.056 \text{ lei}$$
$$(\Delta rROG = -1297056/9523201*100 = -13.62\%)$$
$$\Delta FI = FI_0 - FI_1 = 1.379.870 - 1.908.670 = -528.800 \text{ lei}$$

$$(\Delta rFI = -528800/9523201*100 = -5.55\%)$$

By summing, we verify the equality:

$$\Delta PE + \Delta(T+C) + \Delta FE + \Delta VATI + \Delta VAA + \Delta AP + \Delta OOE + \Delta EXC + \Delta RH + \Delta OOI + \Delta EXI + \Delta ROG + \Delta FI = 979.056 + 1.186.136 + 793.498 + 99.710 - 13.900 - 61.000 - 27.172 + 6.080 + 3.792.736 - 1.314.396 - 4.520 - 1.297.056 - 528.800 = +3.610.372 \text{ lei} = \Delta$$

$$(10,28 + 12,46 + 8,33 + 1,05 - 0,15 - 0,64 - 0,29 + 0,06 + 39,83 - 13,80 - 0,05 - 13,62 - 5,55 = +37,91\% = \Delta r)$$

Conclusions

Changing the value added is the consequence of the increase or decrease of the elements of distribution.

Taxes, as items of expenditure are factors influencing the net result of the company and hence, are influential factors in increasing or decreasing the value added. Structural analysis of the value added concerns shares of participation of the allocation of elements to create added value, which reflects the contribution of each input corresponding intake.

Labour contribution

LC=Personnel expenses/Value added*100

Contribution to State

$$CS = \text{Taxes, charges}/\text{Value added} * 100$$

Contributing to creditors

$$CC = \text{Financial expenses}/\text{Value added} * 100$$

Contribution to investment

$$CI = \text{Depreciation and provisions}/\text{Value added} * 100$$

Contribution to business

$$CB = \text{Net result}/\text{Value added} * 100$$

The structure of the value added reflects shares of participation from the capital intake to achieving new value created, given the fact that the increase in value added cointerests all participants in the life of the entity.

1) *Personnel undertaking*: the personnel costs directly attributable to the form of salaries or indirect form of social benefits and shares profits
2) *Intake capital*: the interest paid to creditors and dividends paid to shareholders
3) *State*: through taxes and corporation tax receipts
4) *Undertaking*: depreciation and wear itself by offsetting assets through depreciation and provisions for depreciation and self-financing their development
Factors of value added incorporate two distinct parts: one corresponding added cost for the enterprise and another that is a sampling of results. Added cost is the cost of the undertaking's activity, which it added to goods and services purchased from outside.
Sampling result is net income componentand it is is distributed to the inputs in the form of dividends, income tax, self-financing.
Analyzed as a sum of added costs and interest in the result,the value added provides an insight into the evolution of these costs ,hence useful for management.
The structure of value added depending on the contribution of capital intake, on components, given the costs of product additions and deductions, is made by a scheme that requires prior knowledge of the distribution of the net profit by destination: legal reserves, their sources of financing (self-financing), worker participation in profits and dividends to shareholders.
Intake capital are: working with personnel costs and employee participation in profits; creditors and shareholders through dividends and financial costs; the state through taxes including income tax and enterprise, through depreciation and provisions for depreciation, the result put in question reserve self-financing.

Table 2

Value added	=	Added costs	+	Shares in the result
I. Work	=	Personnel expenses	+	Profit participants
II. Capital shareholders	=	Financial expenses	+	Dividends
III. State	=	Taxes, charges	+	Tax income
IV. Enterprise	=	Depreciation	+	Self-financing

Distribution of added value, calculated by the analytical method, based on equity and share intake according to the structure pattern leads to: added costs and levies in each corresponding product.
Value added structured like thid,is on one hand a performance indicator, since it allows to assess the effectiveness of the company for its actions, and the second is an indicator of the degree of economic integration, given the external input consumption .

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PREMISES FOR A MODEL OF DECISION – MAKING ON THE FINANCING OF A PROJECT

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The classical theory of finance is based on the premises of rationality and maximizing profits that accompany economic decision-making. Complementarily, the modern theory of behavioral finance studies the effect of emotional and psychological factors of decision- maker on the choice of financing sources for economic activities. In opposition with the classical perspective, the contemporary theory of finance brings up to the stage various aspects of decision making, including elements of strategic behavior towards risk. All these contradictory elements are used as premises for modeling the decision making process of financing a project.

Keywords: decision - making, behavioral finance, strategic behavior.

JEL Classification: D8; C 70; D03.

1.Introduction

This paper presents a decision analysis model on financing alternatives that may be used to finance a particular project. The concept of project involves a number of defining elements that distinguish it from any other activity. Firstly, a project involves tracking a series of objectives to achieve a specific purpose. It also implies going through several activities ordered in time and space, as a process. The notion of project differs from that of a process in the sense that the objectives pursued by the project involve achieving a result which means the ending of the project, while in a process each output is a new entry for another stage without implying the existence of a certain limit point.

The present research offers a new approach of the financial risk in funding a project. In terms of project management, the required project resources, human, material and money are accounted separately at project level and quantified in monetary project budget. In this context, there will be analyzed the generated cash flows within the project.

The classical methods used to measuring[347] risk by statistical probabilities of occurrence for a risky event, the economic model described in this paper brings an innovative element. This refers to a systemic vision of risk, studying the cumulative effect of factors that lead to specific risks in the building of the project. The model introduces the time factor in the analysis because of its influence to the financial balance between revenue and expenditure in the budget of the project is due to timing of receipts and payments over time. Time factor entered into the equation leads to indicators such as the velocity of cost and revenue whose temporal evolution can generate the emergence of systemic imbalances in the financial equilibrium of the project leading to risk. The model examines the risk of not being able to cover the project cost from the revenue generated in the project. Starting from the premises that a higher level of velocity of cost and revenue can lead to the occurrence of risk and depending on the duration of exposure to this risk the project can approach financial collapse. The figure below shows how velocity of cost and revenue leads to risk represented by the bounded area between the two velocity curves.

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[347] Kolmogorov N., Fomin S., (1970), Introductory real analysis, Dover Publications, New York,p.34

Chart.1.Representation of velocity variation of revenue and cost within the budget of a project.
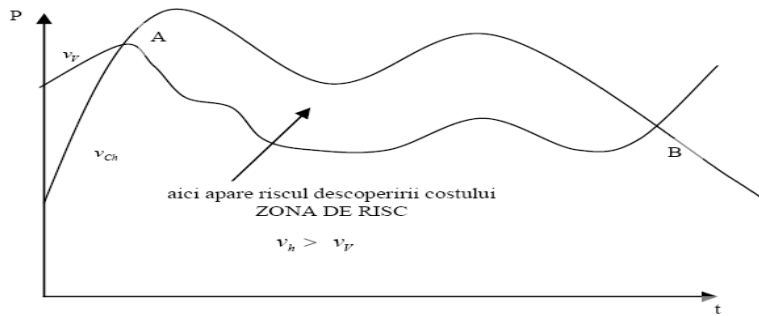
Source: Own approach

The model provides decision support needed by any financial manager in selecting the most appropriate financial sources to run a certain investments made through a project. Model analysis implies identifying "risky areas". These are the places where risk can occur due higher levels of revenue velocity greater than those of cost generated by the financing sources used. The model analysis implies studying the behavior of risk into four scenarios. Varying the funding sources and thus the velocity of cost but keeping the revenue levels the same throughout the scenarios implies studying the variation of risk levels due to financing. Alternative funding sources. available[348] are described in the table below:

Table 1. Funding sources used in the model.

TYPE OF FINANCING	DEFINITION
Investment funds (equity)	Investors are individuals who have cash they want to invest in companies with a high risk profile through the purchase of stocks or shares in a company with the purpose of exercising control over it.
Bank loan	Bank loans are repayable sources of financing to companies in exchange for the payment of an interest (cost).
Grant	Grants are offered to enterprises by public or private institutions on a project basis or a business plan.
Public-Private Partnership	A form of partnership between public institutions and private companies to financing public utility projects.
Self-financing	Using revenue generated by the project to cover the necessary operating and financial costs.

Source: own approach

Throughout the scenarios used to test the model, the revenue generating capacity of a given project will be considered to be the same along the scenarios. The variable elements of the analysis will be the funding available to finance a project. The role of the model is to provide an informational tool for making decisions regarding the financing sources of an investment project.

2. Model description

The model is defined through several steps. The first step in building the analysis of the model refers to defining the notions of velocity of revenue and cost. The second step in the model refers to building function φ (t), as the difference between the velocity of cost of funding accessed and other operating expenses of the project concerned and the velocity of revenue generated from the investment made through the project. The notions of velocity of cost and revenue are defined as

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[348] Tulai Constantin, (2003), *Finanţele publice şi fiscalitatea,* Ed. Casa Cărţii de Ştiinţă, Cluj Napoca, p.23

follows: $v_v = \dfrac{\Delta V}{\Delta t}, v_{Ch} = \dfrac{\Delta Ch}{\Delta t}$, where: v_v is the velocity of revenue generated from the investment realized in the project , v_{ch} is the velocity of cost generating from operating and financing activities. $\Delta t =$ is the period of time between two reimbursing installments, which is considered to be of 1 year.

1. The notions of revenue (V) and cost (Ch) are described in the budget equilibrium equation described below:

$Cf + Chf = V$

$Cf = S_0 + cf$

deriving the formula we can obtain the dynamic equilibrium equation as follows:

$\Delta Cf + \Delta Chf = \Delta V$,

$\Delta Chf = 0$

The analysis of the model implies the following premises:

- the revenue generated by the investment made through the project financed stays the same through the scenarios but the v_v is the velocity of revenue generated from the investment isn't the same because of the different periods of time between the instalments in various types of financing.

- the cost of operating investment made is held constant throughout the analysis,

- these elements are possible due to the fact that the analysis purpose refers to comparing the possible financing sources for the project in order to select the financial structure based on the criteria of risk, as tackled by this paper.

2. There is the function φ (t) of recovering the cost from the revenue from the projects' buget as the difference between velocity of revenue and project cost, as follows: $\varphi(t) = v_V(t) - v_{Ch}(t)$.

The function can be defined at each point in time t chosen to coincide with the time of each installment repayment of the funding accessed. There are three possible values that the function φ (t) is able to take:

a) $\varphi(t) > 0 \Rightarrow v_V(t) - v_{Ch}(t) > 0$, in this case we have a full "covering" of the costs from the revenues generated by the project, at time t, chosen as a reference.

b) $\varphi(t) = 0 \Rightarrow v_V(t) - v_{Ch}(t) = 0$, in this case we have a balance between the revenue and cost at the budget of the project, when the project is at the breakeven point.

c) $\varphi(t) < 0 \Rightarrow v_V(t) - v_{Ch}(t) < 0$, in this case the project revenues are not enough to cover the costs required for the project. This situation should be temporary as the project financial balance depends on the period of time that this situation prevails, in order to prevent a financial collapse of the project.

3. The next step in the model analysis refers to the defining of the function of risk R (t) as the graphical area between the curves generated by velocity of cost and revenue generated by the project. There is a proportionality relation between the area of the function R(t) and the dimension of risk of not being able to cover the projects' cost form the revenues generated. We are able to formulate the risk function R(t) depending on the factor of time:

$$R(t) = \int_0^t [v_v(t) - v_{Ch}(t)]dt = \int_0^t \varphi(t)dt = \sum_0^t \varphi(t)\Delta t \wedge \Delta t^* = t_1 - t_0 = 1$$

$$R(t) = \sum_0^t \varphi(t) = \sum_0^t [v_v(t) - v_{Ch}(t)].$$ Where the indicators have been described beforehand.

3.The decision function is defined as follows: $F(x) = \begin{cases} 1 \Leftrightarrow R(t) \geq 0 \\ -1 \Leftrightarrow R(t) < 0 \end{cases}$ where F (x) = 1, the

subject will select this type of funding, F (x) =- 1, the subject will not choose the funding,

3. *Scenario analysis*

Model testing will be done by simulating four scenarios for scientific validation. The experiment will be done by simulation. The analysis of the model described above will be achieved by using four scenarios related to four combinations of project financing[349]:

Table 2. No.1 Scenario assumptions.
Credit financing is used for the investment in the project that runs over 18 periods (years), Cost of financing refers to the annual installments of loan repayment and interest payments since the third year of the operating of investment.
No.2.Scenario assumptions
Credit financing is used in combination with equity, for the project that runs over 18 periods (years). Equity loan will be repaid together with the rate of return required by investors[350] in two different installments, in the 7th and 9th year respectively. Cost of financing refers to repayment in annual installments and interest on loan, from the 7th year after accessing credit to finance repayment of the loan in the form of equity;
No. 3. Scenario assumptions
Public-private partnerships are used for financing the investment projects that are conducted in partnership with the state, over 18 years. To finance the investment through a bank loan to be repaid together with the cost from the 3 rd year. Cost of financing refers to the annual installments of loan principal and interest rate repayments and pay a fee[351] for the provision of public service concession, since 3rd year.
No. 4.Scenario assumptions.
Grant funding is used for the investment in the project that runs over 18 periods (years). The investment is financed by bank credit to be repaid together with the cost from the 3rd year. Since the 4th, over 10 years, the annual grant will reimburse the expenditure on investment in 80% of the total value of the investment[352]. Cost of financing refers to paying the annual installments of loan repayment and interest rate, since the 3rd year.

Source: own approach

Graph 1. Credit – The velocity of cost and revenue in the project
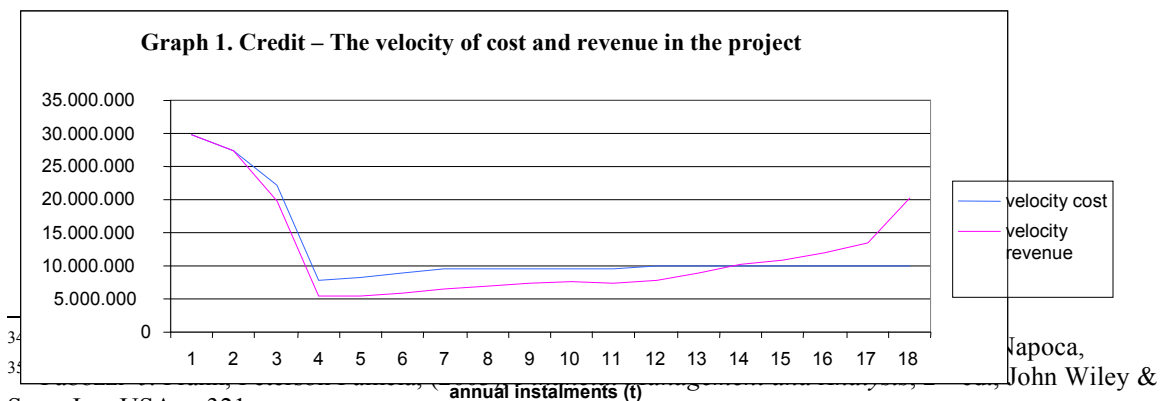
[350] ... Napoca, ... John Wiley & Sons, Inc, USA, p.321

[351] Damodaran Aswath, (2008), *Investment Valuation*: 2nd ED., Mc.Graw Hill, Brealy and Myers – Finance, p.45

[352] Gareis Roland, (2006), Happy projects!, Ed. aII-a, ed. ASE, Bucureşti, p.45

Source: Own Approach

Graph 2. Equity – The velocity of cost and revenue in the project

Source: own approach

Graph 3. Public –private partnership – The velocity of cost and revenue in the project

Graph 4. Grant – The velocity of cost and revenue in the project
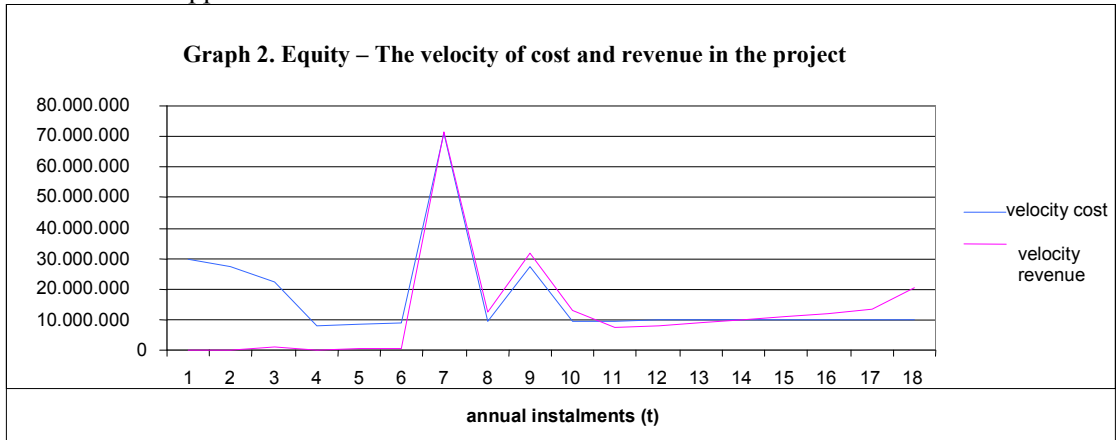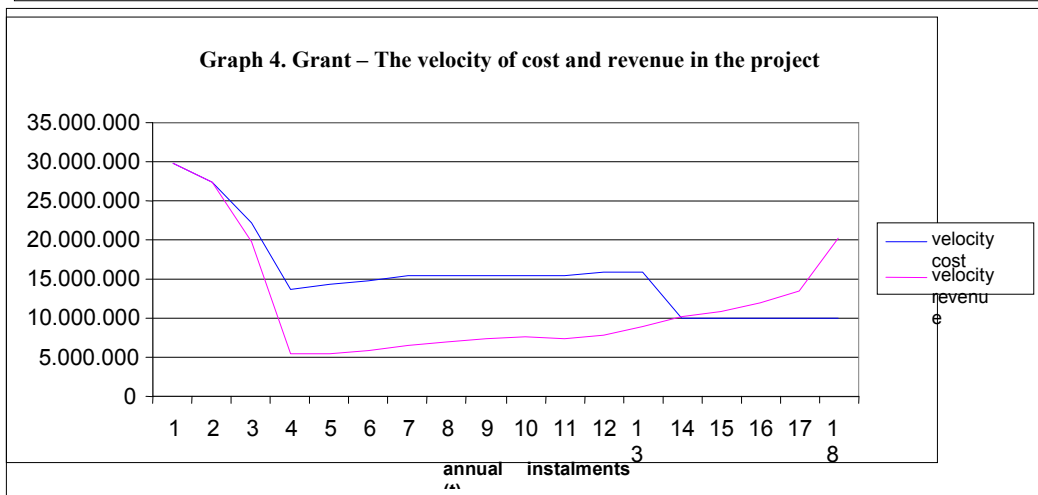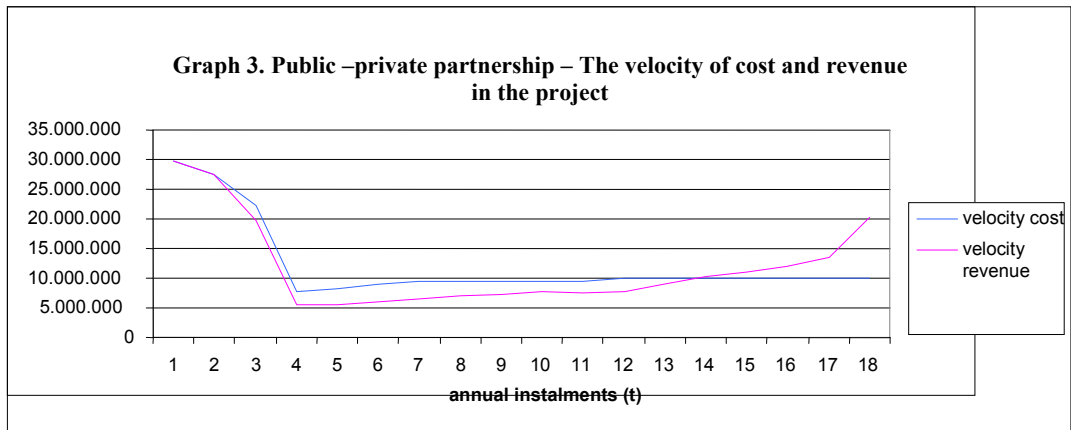
Source: own approach

4. Conclusions

The scenario analysis shows that there are parts of the graph where revenue is above the curve of cost and the type of financing reflects a favorable situation for a minimum risk. There are areas on the graphs of risk where the velocity of cost is higher than the velocity of revenue indicating a higher level of risk. Depending on the length of time that this situation is maintained the risk of not being able to cover the cost in the project by the revenue generated by using such financing and there is the possibility of a financial collapse in the state of financial balance of the project.

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SUBSECTION: BANKING

THE ROMANIAN BANKING COMPETITION AND THE ACCESSION TO EU

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In this study we try to assess banking competition in the Romania for 2001 – 2008, taking into account the evolution of market share of the top five, Herfindahl-Hirschman Index (HHI), performances indicators like ROA and ROE and evolutions of deposit and loans rates. We observed that the competition in the Romanian banking system increases continuously in the last years. The main factors which have influenced this process were: the privatization of the majority of state capital banks and the perspective of accession of our country in the EU. In the period assessed, there are two approaches: in the first period banks have had very good performances due to their market share in a low competitive banking environment and after the privatization of some state capital banks, the leader of the market lost market share in the favor of other bank with greater performances.

Introduction

The competition in the Romanian banking system has been growing continuously in the last years. Romania has passed a period of transition to the market based economy from the beginning of the '90. Thus, the Romanian baking system had a period of transition, from a "monobank" banking system, with few specialized institutions to a modern one, based on market economy principles.

In this study we try to assess banking competition in the Romania for 2001 – 2008, underling the main factors which has influenced this phenomenon.

Measuring banking competition

In the literature, there are some empirical approaches concerning the evaluation of the competition, the most known being „the Structure-Conduct-Performance Hypothesis" (SCP) and the „Efficient Structure Hypothesis" (ESH). The first approach, SCP, supposes that higher concentration in the banking market causes less competitive bank conduct and leads to higher bank profitability. The SCP model is originally developed by Bain (1956). The second approach, ESH, developed by Demsetz (1973) and Peltzmann (1977) suggests that the superior performance of the market leaders determines the market structure, implying that higher efficiency produces both higher concentration and greater profitability.

The most common measures of concentration are the Herfindahl-Hirschman Index (HHI) and the n-bank concentration ratio (CR_n). The HHI is defined as the sum of squared market share of the banks in the market. The upper bound of the HHI is 10.000, which indicates a monopoly, and the lower bound is 0 in the situation of an infinite number of banks. A market with a result of less than 1.000 is a competitive marketplace, a result of 1.000 – 1.800 indicates a moderately concentrated marketplace and a result of 1.800 or greater indicates a concentrated marketplace. The n-bank concentration ratio (CR_n) is calculated as the percentage of the market controlled by the top n banks in the market, usually the first three or five banks, and the measure takes the share of deposit, loans or assets.

The profit is measured either by ROA or by ROE and the price of bank product is measure by the value of interest rates or commissions.

The evolution of competition in Romanian banking system 2001 - 2008

The accession to the European Union implies the entering in "the single" European market and the existence of the single banking license. In this context, foreign banks can enter more easily the territory of a member country, which can determine the expansion of competition in the local banking activity. The methods to enter the banking market can be diverse: open branches or subsidiaries; equity investment in the local banks; mergers or acquisitions of local banks.

After the accession of our country to the EU and the liberalization of the service market, a number of 190 foreign institutions have expressed their intention to have direct banking activities on the Romanian territory, out of which 174 are banking institutions, 3 are non-banking financial institutions and 13 e-money providers (NBR, 2008).

Millennium Bank, as this is the name of the local branch of the Portuguese Millenium BCP, is the first example of greenfield investment on the banking market after many years of acquisitions. Millennium Bank started its activity on the Romanian market on October 11, 2007, by simultaneously opening 39 branches in Bucharest and in other eight cities of the country.

Before 2007, there was some foreign entrances in the Romanian banking system after the privatizations of certain Romanian state banks, such as: Banca Română pentru Dezvoltare (BRD-GSG) bought by Société Générale and Bancpost in 1999, bought by a consortium formed by General Electric Capital Corporation (35%) and Banco Portugues de Investimento (10%); Banca Agricolă bought in 2001 by Raiffeiesen Bank and Banca Comercială Română whose privatization process last between 2003 and 2006, when Erste Bank took the biggest bank of Romania. Also OTP Hungary overtook RoBank in 2004, the first acquisition of a bank with private capital in Romania.

As we can see in the Table 1, the concentration of the Romanian banking system has been decreasing continuously from 2001 to 2008. This means that the competition in the Romanian banking system has increased yearly, especially due to diminishing of the state capital and entering of foreign capital.

Also the performances indicators declined, being closer to the average value of this indicator. At end-2008, the key profitability indicators (ROA – return on assets and ROE – return on equity) showed a significantly higher level (1,56% and 17,04%) compared to that reported at end-2007 (1.01% and 9.43%). This development was due mainly to the sale of participating interests held by four banks in the equity capital of an insurance company, on the one hand, and to the higher net interest income, on the other.

Table 1. Bank concentration and profitability in the Romanian banking system (2005 – 2008)

	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008
Number of banks	41	39	39	40	40	39	42	43
Market share of the top five banks in total assets (%)	66,1	62,8	63,9	59,2	58,8	60,3	56,3	54,4
Market share of the top five banks in total loans (%)	59,78	56,2	57,1	55,7	61,1	57,1	63,5	53,5
Market share of the top five banks in total deposits (%)	66,12	63,0	64,9	59,5	57,0	60,0	58,3	54,1
Market share of the top five banks in total equity (%)	n.a.	64,5	61,2	60,5	55,1	52,5	53,3	48,5
Market share of the t+op five banks in total profits (%)	78,46	68,71	60,94	51,49	83,13	84,1	85,0	n.a.
Herfindahl-Hirschmann index	1.427	1.381	1.264	1.120	1.124	1.171	1.046	926
ROA	3,17	2,64	2,40	2,15	1,65	1,31	1,01	1,56
ROE	21,38	18,27	17,72	16,79	12,64	10,41	9,4	17,04

Source: NBR, banks, Piața financiară

The leader of the market was continuously Banca Comercială Română (BCR), which was the biggest state bank until 2006, when the process of privatization was completed and it was bought by Erste Bank. In 2001 BCR owned about one third of the market in total assets, loans, deposits, equity and profits. Also, the ROA and ROE accounted a value over the average of the market. Even if his market share decreased during the period of 2001 – 2008, the evolution of performances indicators had a sinuous evolution. Between 2001 and 2006 these indicators decreased, but after 2006, the year of privatization, the profitability of the bank started increasing. In 2007 BCR lost his position in the share of market in total of profits in the favor of the next competitor BRD-GSG.

Tabel 2. Bank concentration and profitability of the leader of the Romanian banking system (2005 – 2008)

	2001	2002	2003	2004	2005	2006	2007	2008
Leader of the market	BCR	BCR	BCR	BCR	BCR	BCR	BCR	BCR
Market share in total assets (%)	31,27	31,51	29,42	26,30	25,7	26,2	23,8	20,4
Market share in total loans (%)	28,78	28,65	27,21	25,32	26,4	26,6	23,5	22,7
Market share in total deposits (%)	31,61	32,82	31,99	27,81	26,4	23,9	20,5	20,4
Market share in total profits (%)	42,75	43,02	35,49	34,28	35,15	33,3	18,0*	41,7
ROA	4.28	3,73	n.a.	2,73	2,3	1,6	1.45	2,94
ROE	24.22	20,93	16,6	18,6	16,9	18,8	20,6	38,2

* the leader was BRD with 33,5%

Source: NBR, banks, Piaţa financiară

The second competitor of the market in this period was BRD – GSG, the rest of the positions in top 5 changing in every year. In the period 2003 - 2007 the third competitor was Raiffeisen Bank, which has lost his position in 2008 in favor of Volksbank. BRD – GSG had a relative constant market share in contrast with the first competitor, which has lost market share continuously.

Even if some banks was in the top 5, their deposit market share was very low, because their low interest in attracting deposits from Romanian market, in the context of receiving funds from their parent undertakings (e.g. HVB, Volksbank).

Table 3. Bank concentration and performances of the top five banks in total assets0 (2005 – 2008)

Year	Banks (first 5)	Market share of the top five banks in total assets (%)	Market share in total loans of the top five banks in total assets (%)	Market share in total deposits of the top five banks in total deposits (%)	ROE
2001	BCR	31,27	28,78	31,61	24,22
	BRD	15,74	18,36	16,71	30,7
	CEC	8,63	5,41	10,62	28,34
	ABN AMRO	5,62	3,87	4,39	111,57
	ING Bank	5,27	3,36	2,79	76,44
2002	BCR	31,51	28,65	32,82	20,93
	BRD	13,66	17,07	14,18	30,3
	CEC	7,71	1,82	9,45	7,77
	ABN AMRO	5,36	n.a.	n.a.	n.a.
	Raiffeisen Bank	5,04	5,23	4,95	n.a.
2003	BCR	29,43	27,21	31,99	16,6
	BRD	13,30	16,34	13,86	24,7
	Raiffeisen Bank	7,23	n.a.	n.a.	8,13
	CEC	6,51	2,34	8,24	12,98
	ABN AMRO	5,15	n.a.	n.a.	n.a.
2004	BCR	26,30	25,32	27,81	18,6
	BRD	13,0	15,9	13,7	23

Year	Banks (first 5)	Market share of the top five banks in total assets (%)	Market share in total loans of the top five banks in total assets (%)	Market share in total deposits of the top five banks in total deposits (%)	ROE
	Raiffeisen Bank	9,27	11,47	9,18	21,29
	CEC	5,71	1,58	7,14	15,02
	ING Bank	5,63	n.a.	n.a.	n.a.
2005	BCR	25,7	26,4	26,4	16,9
	BRD	15,0	17,3	17,7	30
	Raiffeisen Bank	8,7	9,3	9,6	20,83
	ING Bank	5,3	n.a.	n.a.	n.a.
	HVB	4,9	5,7	3,3	42,5*
2006	BCR	26,2	26,6	23,9	18,8
	BRD	16,3	20,2	19,1	34
	Raiffeisen Bank	8,3	7,6	10,2	15,69
	HVB Ţiriac	5,1	5,4	4,3	16,9
	Banca Transilvania	4,7	5,3	5,6	17,14
2007	BCR	21,7	23,5	21,7	20,6
	BRD	15,5	16,1	19,5	43
	Raiffeisen Bank	6,0	5,7	9,3	23,79
	Volksbank	5,9	5,3	1,4	8,8**
	Banca Transilvania	5,7	5,7	7,6	28.10
2008	BCR	20,4	22,7	20,4	38,2
	BRD	15,7	16,3	17,6	44
	Volksbank	6,8	6,7	1,4	n.a.
	Raiffeisen Bank	6,0	5,3	9,0	34,31
	Alpha Bank	5,5	8,2	3,6	12,62

* June 2005; ** September 2007

Source: banks, Piaţa financiară

As we can see, the first competitor BCR had lower performances like the other from top 5. Its performances were improved after the privatization in 2006, being more and more close to BRD, in the first position regarding ROE in the period 2001 - 2008. CEC another state capital bank in the system has lost position continuously and in 2005 it was out of top 5.

Even though competition in the banking system is continuously increasing the Romanian banking system proves to be concentrated. In 2008, the first 5 banks in Romania according to the value of their assets held 54,4% from the aggregate balance sheet assets, 53,5% from the total of offered loans, 54,1% from the attracted deposits and 51,4% from the equity of Romanian commercial banks, a letdown in comparison with December 2007.

Starting with 2006, the value of Herfindahl-Hirschmann index entered a slightly downward path, still posting a moderate concentration. In 2008 its value came below 1.000, indicating moderate to low concentration and a moderate to high competition.

These indicators demonstrate an improving in bank competition in the Romanian banking system as a consequence of entering in the European single market.

Also we can mention that the value of ROE and market share of the first five banks in total assets is comparable with the European average.

Figure 1. Return on equity (ROE) and concentration ration for the first five banks in total assets in EU, 2008
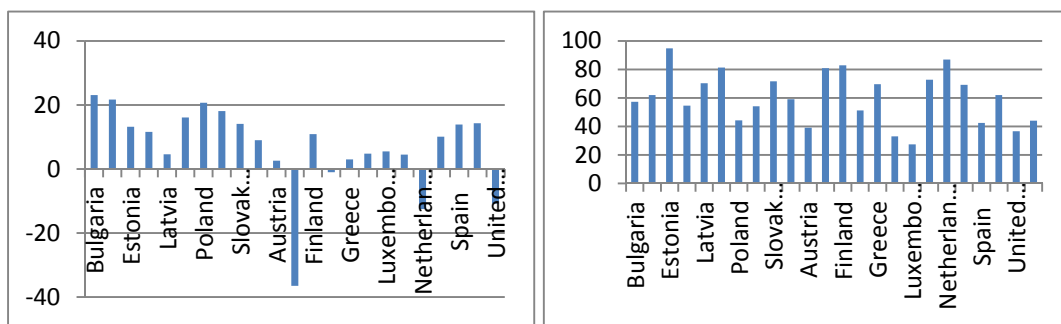
Source: FMI Global Financial Stability Report, October 2009

As we can see in the next figures, the evolution of deposits and loans interest rates proof a continuously decreases excepting the end of 2008, when the first signs of the financial crises could be found. The spread between deposits and loans rates became more and more tighten. This evolutions proof again the increasing of competition.

Figure 2. Evolutions of loans and deposits interest rates
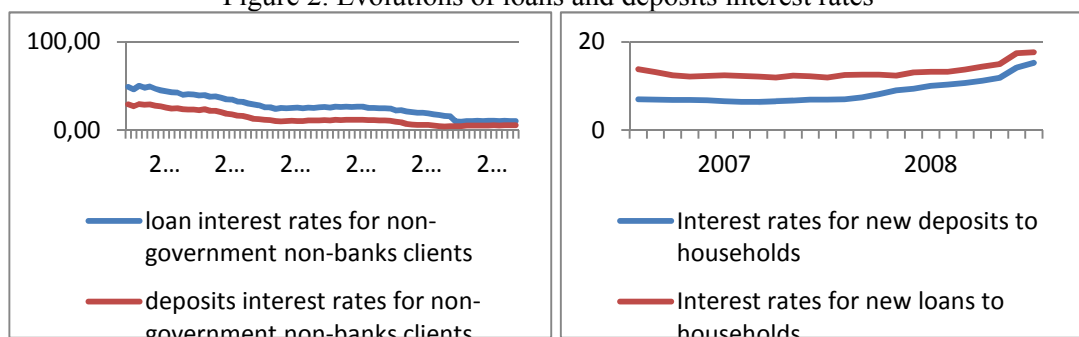
Source: NBR Monthly Reports 2006-2008

Conclusions

The competition in the Romanian banking system increases continuously in the last years. The main factors which have influenced this process were: the privatization of the majority of state capital banks and the perspective of accession of our country in the EU. In the first period of transition of Romanian economy banks have had very good performances due to their market share in a low competitive banking environment. After the privatization of some state capital banks, the leader of the market lost market share in the favor of other bank with greater performances. Also, the privatization of BCR determined grater performances for it starting with the year 2006. BRD, the second competitor maintained his market share and performances in all this period. As a fact of improving competition we can see a trend of tightening of the spread between deposits and loans rates, and one of loan rates decreasing (excepting the period of the beginning of the actual financial crises in the end of 2008).

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HAVE THE RECENT CRISIS AFFECTED FOREIGN BANKS' POSITIONS IN CENTRAL AND EASTERN EUROPE? (I – GENERAL OVERVIEW)

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The aim of this paper is to investigate the extension to what foreign banks reacted during recent crisis in supporting their subsidiaries and thus the host economies. The analysis focuses on a brief theoretical overview and an analysis in terms of foreign claims regarding selected Central and Eastern European countries. We are also interested in finding if the entry mode (acquisition of a existing local bank, greenfield investment, non-resident office) did matter in this issue.

1. Introduction

Foreign direct investments in Central and Eastern European banks have increased considerable in constant high ratio, being considered, by many deciders, as a solution or a panacea for current and structural problems of host countries. Only in a decade, the structure of banking systems of each country of Central and Eastern Europe has dramatically changed, the ratio of foreign capital reached unusual levels, even for west European countries, where the foreign banks came from[353]. For example, at the end of 2008, excepting Slovenia, these figures were between 50-70 % for Poland and Hungary, between 75-90 % for Bulgaria and Romania or even over 90% in Czech Republic, Slovakia, Estonia[354] etc. (see Table 1).

Table 1. Foreign capital in banking sector of CEE countries (share in total assets, %)

Country	2003	2004	2005	2006	2007	2008
Bulgaria	81	80	80	80	75	84
Czech Republic	95	89	94	97	97	97
Poland	72	60	70	68	67	68
Romania	59	63	68	66	89	89

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[353] For example, the share of state owned banks in many western European countries was at a high level until the middle of '90, and the foreign capital in banking system of several countries, as Germany, France, Sweden was under 15%. More of that, during of privatisation process, many significant voices asked a privatisation in favor of a national entity, see Gardner, Ed. şi Molyneux, P., *Changes in Western European Banking*, London, Unwin Hyman, 1990, *Consolidation and diversification in the euro area banking sector*, ECB's Monthly Bulletin, May 2005; Daniel Bădulescu, *Globalizarea si bancile. Cu o privire specială asupra Europei Centrale şi de Est şi asupra României*, Editura Economica, Bucuresti, 2007 and Annual reports of European central banks (2004-2009): Sophie Claeys, Christa Hainz (2006). *Foreign Banks in Eastern Europe: Mode of Entry and Effects on Bank Interest Rates*
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Country	2003	2004	2005	2006	2007	2008
Slovakia	96	96	98	99	96	96
Slovenia	38	38	39	41	29	30
Hungary	81	59	84	81	68	68

Source: Raiffeisen Zentralbank Österreich AG CEE *Banking Sector Report* June 2009, UniCredit Research, *CEE Quarterly*, January 2010

This implication was unanimously seen to have a great achievement, mostly because it introduced stability, new management, financial and human capital, improved risk assessments etc. The foreign banks were capable to give considerable advantages in term of resources and costs: facing slim margins in their home markets, they could borrow consistent loans in host countries with significant margins but advantageous for local clients comparing with the cost of the same loan in national currency. But this trend has turned, the great liquidity flows that have financed the emerging economies and consistent growth rates are a thing of past; the Institute of International Finance, an international standard setting body formed by 375 global banks, estimates that, contrary to previous years, outflows from the region to banks will actually exceed inflows by EUR 27.2 billion. Only two years ago, at the height of western capital inflows, western banks poured EUR 217 billion more in the region than they withdrew from there[355].

The reality of past years is unfortunately dominated by global economic and financial crisis, which strongly affected the economy of this area and consequently, the banks. The purpose of this paper is to see if, in these conditions, the behaviour of foreign bank subsidiaries is to leave, to abandon the existing position in host countries, or to continuing the financial intermediation, in the emerging economies.

2. Have parent banks sustained their subsidiaries during crisis time?

The subject of foreign bank subsidiaries behaviour on host markets and the analysis of their actions under crisis impact is not new and not direct related to these recent developments in Central and Eastern European countries. In the 70s, the issue was studied by several scholars, first on Latin America markets, then on Central Europe or Asia[356]. Taking into consideration that

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economic activity, including banking, tends to be pro cyclic, especially in crisis periods[357], it is important to notice if this cyclical evolution is more obvious in banks subsidiary activities comparing with local banks, and if, overlapped on the general contraction due to crisis effects, their behaviour is more stable or not for the host countries.

On the other hand, we have to understand that the implication degree of banks subsidiaries and branches on host markets isn't a local decision, but of the parents banks'. In the case that a parent bank decides to reallocate the capital between branches on different markets and countries - on expected opportunity investment basis - , this will lead to instability on subsidiaries position. It was noticed[358] that parent banks preferred to support the subsidiaries evolution, to accept a longest period for consolidation on emergent markets and, in this way, the appeal on parent bank resources to overpass the temporary difficulties means a contribution to the stability of the system in the host country or a region.

According to Morgan's et. al. models or Holstrom and Tirole[359], the multinational banks are capital constraint institutions and risk neutral, the decision in reallocating the capital being taken on the basis of two determinants – internal financial constraint (or internal market) and shocks in real economy, specific for the country where they are implanted. In the first case the things are more clear, this reallocation is made due to an analysis of internal process (different performances between markets, products, units etc., perceived opportunities, even internal fraud or financial losses in subsidiaries or head office), the shocks on real economy are more complex. That means, from parent bank point of view, changes in opportunities generated by economic and political transformation, crisis occurred in host countries, but not directly related with the subsidiaries activity.

The parent bank's possibility to reallocate the resources in internal network is interpreted by De Hass and Lelyveld[360] as a capacity to ensure an effective support to the subsidiaries and this will lead to two effects: *the support effect* – the support of the own units even in less expected performance and, *the substitution effect* – the reallocation of the capital between own units as a reaction on the real economy shocks which modifying the profitability in the host countries.

Analysing a variate and complex database – which comprises 45 multinational banks from 18 home countries with 194 subsidiaries across 46 countries, with most parent banks (83 %) and subsidiaries (73 %) are based in Europe, 14 % of all parent banks and subsidiaries are based in North America, 5% from Latin America, the rest from Africa and Asia (this regions still have limitations on majority foreign bank ownership) – the authors argue that the support effect is very strong, the parent banks are interested to reallocate the capital in favour of those subsidiaries faster growing and generating more return to the group, facts verified for all Central and Eastern European countries, including Romania, in pre-crisis period. Regarding the substitution effect, they appreciate it as quite weak, because the subsidiary has the alternative to seek resources for lending activity in local currency and can relative compensate the scarcity of resources supplied

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by parent bank. But this policy can expose the subsidiaries at various risks and generate a pro-cyclic effect like local home based banks. The support of parent bank is more necessary as this parent bank is a strong bank, able to obtain enough resources, stable and at low costs. The authors show that the substitution effect is more powerful in the case of non-resident offices acting on host countries market, and for green-field subsidiaries.

Likewise the way used to analyse and measure the modalities and forms of penetration of foreign banks on emerging markets, in our approach we shall pursue two aspects: first, the cross border activities of the banks, and second, the non-resident branches locally implanted in host countries, i.e. the distinction between cross border claims granted by foreign banks and local lending activities, by the subsidiaries of foreign banks.

Conceptually, we understand a foreign financial institution as a legally incorporated organisation in a foreign institution in which a significant part of the owner has a foreign origin. Consequently, the foreign banks in Central and Eastern Europe can be defined as banking organisations legally incorporated in a foreign institution or in a organization with a significant foreign part of the ownership. First part of the definition is referring to various organisation forms, from representative offices to branches (foreign entities, directly dependant from parent bank). The second part of the definitions is referring at banking institutions with foreign ownership (individual or legal persons) but, legally registered as internal (domestic) entities. The only difference between this institution and others is that an important part or all owners are from outside the host country. Most often, the foreign representative, office, branch etc. is focused on corporate lending, international trade financing or private banking-wealth management, and less on retail activities, being used by parent banks in order to support the home client's activities from original countries in host countries[361].

The presence of the foreign banks in a country can be evaluated through several indicators: some of low complexity- as the number of foreign banks (both subsidiaries and representative offices) comparing with local banks, and the share of the foreign banks assets in total banking system assets, but other indicators, more complex, based on Bank of International Settlements (BIS)[362] regarding consolidated claims of international banks, and BankScope database[363], regarding credits granted both by foreign banks subsidiaries and by local banks in host countries in Central and East Europe. In this last situation, we consider the total amount of the credit granted by banks with head office based on a reporting BIS country- cross border claims and credit granted by implanted subsidiaries, and sectoral distribution of the claims from reporting BIS countries. We can add in our analysis the evolution of the real cross border credit from subsidiaries of foreign banks (BIS reporting or non reporting banks) and the internal credit (granted by home based local banks)[364].

These measures will allow us to analyse if the loans and deposits made by the subsidiaries implanted in the host country, and both the cross-border credit, suffered or not considerable changes in this period and if they reveal the stability and support of the host economies or these

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[361] see Daniel Bădulescu, op. cit. and Konopielko, L., "Foreign Banks Entry into Central and Eastern European Markets: Motives and Activities", in *Post-Communist Economies*, vol. 11, no. 4/1999, pp. 463-485

[362] www.bis.org

[363] Database covering 24000 commercial banks (consolidated and non-consolidated balance sheets, financial situations etc.), i.e. more than 80% of the international banking activity in the world: http://www.bvdep.com/BANKSCOPE.html

[364] The appeal to these studies for the case of Romania or other Central and Eastern European countries is motivated by the fact that BIS reporting banks cover 95% of the total bank assets and the number and importance of non-BIS reporting foreign banks is insignificant, not influencing the accuracy of reports and analysis

banks abandon these countries, confirming the fears related to the opportunism of this kind of investments and their instability in difficult times.

In Table 2 we present data regarding two different moments: September 30, 2007 – before the crisis starts in Central and Eastern Europe, and two years later, September 30, 2009, the most recent period with available information in BIS statistics. We took into analysis several selected Central and Eastern European countries, covering a large variety of situations, experiences and development levels.

Table 2. Claims of BIS reporting banks on CEE countries at September 30, 2007 versus September 30, 2009 (millions USD)

| Country | Total foreign claims A+ E | Total international claims A | Consolidated cross-border claims in all currencies and local claims in non local currencies, on sectors: | | | Claims in local currency of reporting banks' foreign offices with local residents E | Reporting period |
			Banks B	Public sector C	Non-bank private sector D		
Romania	114637	81238	14578	8340	57395	33399	30.09.2007
	117835	79924	9126	13048	56996	37911	30.09.2009
Bulgaria	27309	19373	2901	2446	13632	7936	30.09.2007
	44291	32489	2300	2916	26332	11802	30.09.2009
Czech Republic	157882	40756	8808	8231	22723	117126	30.09.2007
	191384	47868	4794	11486	30741	143516	30.09.2009
Hungary	127597	87032	19234	21903	44497	40565	30.09.2007
	158096	108344	16488	23681	66806	49752	30.09.2009
Poland	218584	98849	13586	30377	53727	119735	30.09.2007
	288805	133242	12213	37227	83075	155563	30.09.2009
Slovakia	64425	22340	4623	5065	7034	8070	30.09.2007
	75827	18164	2589	5246	9921	57663	30.09.2009
Slovenia	34179	22044	10382	2237	9079	12135	30.09.2007
	41882	25487	7561	3063	13910	16395	30.09.2009

Source: own calculation based on BIS data, different years

The analysis of the data allows us to draw the following conclusions:
- All countries experience increase in total foreign claims, in different proportions, from 3% in the case of Romania to 32% in the case of Poland and even 62% for Bulgaria;
- Cross-border claims have different developments, while the flows are still high for Bulgaria (+65%) and Poland (+34%), they are much lower in the case of Czech Republic, Slovenia (+15%, respectively +16%) and even decreases for Romania and Slovakia (-2%, respectively -16%);
- On sectoral basis, there are reported similar developments, regarding both the graduate withdrawal of cross-border flows dedicated to bank units from the analysed countries

(varying from - 46% in the case of Czech Republic, -44% in the case of Slovakia and - 34% in the case of Romania, but only -10% in the case of Poland) but even growth of the flows designated for the public sector and respectively for the private non-bank sector in most of the analysed countries. We notice significant differences from sector to sector and from country to country. An exception is Romania, which experiences a stagnation regarding the consolidated cross-border claims in all currencies and local claims in non local currencies dedicated to the non-bank private sector.

3. Preliminary conclusions

The evidence presented above suggests different level of involvement of foreign banks in emergent economy, they attempted to maintain previous position, even affected by crisis. In the second part of the paper we will focused on some developments in the Romanian case.

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CAUSES AND CONSEQUENCES OF MASSIVE CAPITAL FLOWS

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At this stage of global economic crisis that traverse, it was observed that massive capital flows have major impacts on economies. Therfore, it is important to analyze the factors behind the attraction of these massive capital flows, and the main consequences that followed.

In the current economic crisis, massive capital flows' analysis is very important because some authors in the literature, Reinhart and Reinhart (2008) - believe that there may be links between capital inflows and sovereign debt crises, exchange rates, inflation and the banking system. Between 1975-1982, there were concomitant capital inflows, followed by the debt crisis. Capital inflows reappeared during 1990-1993, followed by an emerging markets debt restructuring. Since 2002, many countries faced with capital inflows. End this cycle coincided with the financial crisis started in the second part of the year 2007. Massive capital inflows recorded by the current global crisis occurrence, were due to several factors, including: financial globalization, the existence of an abundant liquidity in developed economies, economic development perspective of that country, following the accession to an economic union.

Globalization phenomenon is one of the main reason that caused financial globalization and capital movement. Falling communication costs, strong competition, and rising costs in domestic markets, led firms in industrial countries to produce abroad to increase their efficiency and profits. This not only triggered FDI, but also changed its nature in comparison to the 1970s and early 1980s. In those years, FDI was mainly driven by resource extraction and import substitution, whereas the progressive globalization of production has led to a high proportion of current FDI being characterized as efficiency-seeking investments.

The second development in the financial structure of industrial countries that increased capital flows to emerging markets was the growing importance of institutional investors. These investors found themselves more willing and able to invest abroad because of higher long-term expected rates of return in developing countries and to wider opportunities of risk diversification.

Until the first signs of the current crisis, there was abundant liquidity in developed economies. The liquidity has to keep interest rates at low levels and volatility in financial markets lower. However, economic growth in developed countries has slowed in recent year, investors in these markets have seen lower profits, so they began to seek new opportunities for profits. Increasingly, investors began to look favorably emerging economies and capital inflows continued. Reinhart and Reinhart (2008) analyzed 181 countries, from 1980 to 2008, and noted that the maximum duration of the cycle of capital inflows was 3 years for more than 50 countries, for 4 years for more than 30 countries and almost 5 years to 20 countries.

Capital inflows have occurred both in low-income countries and middle-income or large income countries, members of the OECD. For example, capital inflows have been relatively high in the U.S. in the period 2002-2007, the United Kingdom and France between 2005 and 2007, in Spain between 2004 and 2007.

In Romania, these inflows were higher in the period 2004-2008. Romania was an attractive location for foreign investors due to cheap labor, facilities given by authorities, and so on.

Another factor behind the increase in capital inflows in a given country was that country's economic development perspective, the accession to an economic union: the European Union, NAFTA. The premise was that an economic union membership has more security, limited exchange rate fluctuations, reduce capital costs by reducing risk spreads, stock prices are maintained at satisfactory levels.

The World Bank (1997) noticed that Capital Flows suggesting Several trends have been driven by more than external factors. Fundamentals Affect the Long-term rates of return to investors. Fundamentals countries with the strongest (high investment-to-GDP ratio, low inflation, real exchange rates and low variability) have received the largest flows as percentage of GDP. Whereas countries with very poor fundamentals have attracted private flows. FDI is one of the largest component of private flows, but, although sensitive to macroeconomic fundamentals, it is note explained by global interest rates. Portfolio flows is more sensitive to interest rates. Still, they have shown year upward trend since 1992-93 despite the increase in global interest rates. Nevertheless, the role of foreign factors cannot be ignored.

A breakdown of sources of capital inflows in the countries of Central and Eastern Europe (CEE) is provided by Lane and Milesi-Ferretti (Isarescu, 2009). In total foreign direct investment in Central and Eastern Europe, the euro zone countries had a share of 73% -95%. In 2004, in most CEE countries, over 50% of total portfolio investment in the stock market came from the euro area, which was the main source for foreign assets of the banking systems of CEE and long-term investments that create debt.

In general, relatively high capital markets became relatively small and shallow. The discrepancy between financial depth and volume of emerging economies in capital inflows led to appreciation of currencies. To prevent the excessive appreciation of currencies, the reserves have strengthened. This was more intense in countries that export energy resources. Also, to prevent massive capital inflows, the authorities raised the reserve requirement, imposition of taxes on financial transactions and other administrative restrictions. However, positive developments have dimmed prices real need for structural adjustment, which were postponed. This was probably the most important implication for these economies since the long term, structural adjustment delay adversely affects external competitiveness.

All episodes of inflows or sudden stop of capital have common characteristics, even though they showed different features depending on the country or time period analyzed. These characteristics refer to the dynamic indicators such as GDP, real exchange rate, inflation and current account, both before and after an episode of capital inflows. Using the results presented in literature - Reinhart and Reinhart (2008), Isarescu (2009), one can identify certain patterns of dynamic indicators mentioned, 4 years before concluding episode of capital inflows and 4 years after this time.

The graph in Figure 1 presents the evolution of current account deficit before and after the episode of large capital inputs (denoted by zero on the horizontal axis). Note that during the episode of capital inflows, it has been a deterioration in current account adjustment, beginning to previous levels. V-shape of the current account evolution is sharper for small and medium-income countries.

Fig. 1. The evolution of current account deficit (% in GDP)

No. of years before MCF | No. of years after MCF

-4 -3 -2 -1 0 1 2 3 4
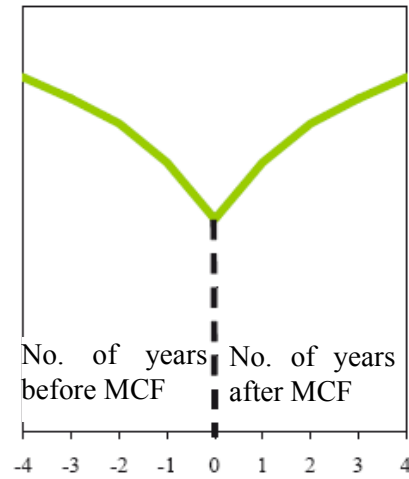
0 = Moment of massive capital flows (MCF)

Source: Isarescu, 2009

Generally, there is a directly proportional relationship between inflows and GDP. During the period of capital inflows, GDP recorded a relatively high growth, and decreases sharply in concluding episode, then again there is a noticeable trend. In other words, after completion of large capital inflows, GDP has a V-shaped trajectory (Fig. 2).

Fig.2. The evolution of GDP (%)

No. of years before MCF | No. of years after MCF

-4 -3 -2 -1 0 1 2 3 4
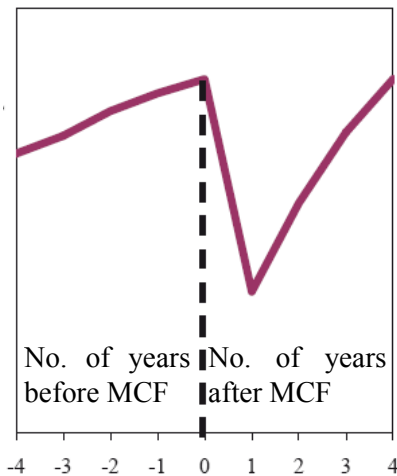
Source: Isarescu, 2009

It has been difficult to identify a trend of inflation, because the data presented in literature are varied, because monetary policy plays an important role. Isarescu (2009) believes that the end of the cycle of capital inflows followed by a short-term inflationary spurt, mainly due to exchange rate channel. In subsequent years, however, inflation is at levels more or less similar to those before the end of episode than capital inputs.

Fig. 3. Inflation rate evolution (%)

No. of years before MCF   No. of years after MCF

-4   -3   -2   -1   0   1   2   3   4
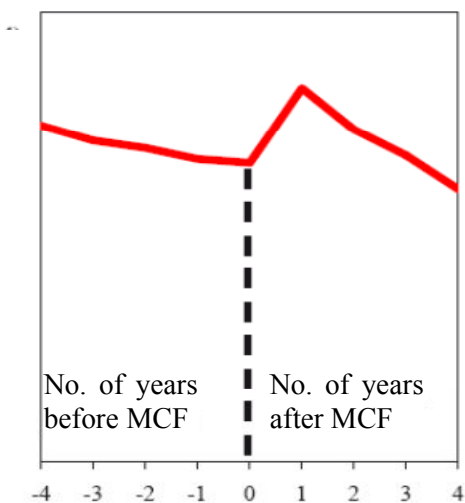
Source: Isarescu, 2009

Figure 4 presents the evolution of the exchange rate. If capital inflows last few years, real appreciation of each year tends to be significant, so the cumulative assessment is also significant, leading to downward slope of this graph. Literature shows that in most cases, real depreciation occurs through nominal depreciation of the currency. In the graphic we see that real depreciation is driven by falling prices only after the first year of the end episode.

Fig. 4. Exchange rate evolution (%)

appreciation

depreciation

No. of years before MCF   No. of years after MCF

-4   -3   -2   -1   0   1   2   3   4
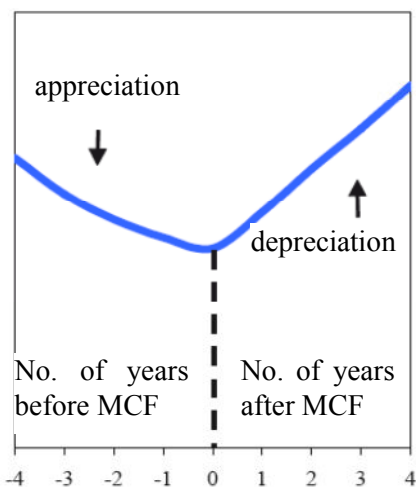
Source: Isarescu, 2009

We have seen that massive capital flows have significant consequences, therefore, the control of the volume is necessary. The biggest challenge after the financial crisis, is to direct capital flows and avoid recurrence of imbalances, that have accelerated the decline in savings.

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CENTRAL BANK INDEPENDENCE AND INFLATION TARGETING – THE BRITISH EXPERIENCE

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Known as the 'Old Lady' of Threadneedle Street, the Bank of England is the central bank of the United Kingdom. Founded in 1694, the Bank of England is standing at the centre of the United Kingdom's financial system, and is committed to promoting and maintaining monetary and financial stability as its contribution to a healthy economy. In our opinion, it is very important to analyze the Bank of England's monetary policy strategy, starting from 1992 – adoption of the inflation target and the evolution of it's monetary policy strategy, through an important feature – delegating operational accountability regarding the monetary policy in 1997 as well as the appropriate institutional framework. More over, it is important to analyze the Bank of England's performances before and after granting central bank independence.

1. Introduction

The Bank of England's history is naturally one of interest, but also of continuing relevance to the Bank today. Events and circumstances over the past three hundred years have shaped and influenced the role and responsibilities of the Bank. They have moulded the culture and traditions, as well as the expertise, of the Bank which are relevant to its reputation and effectiveness as a central bank in the early years of the 21st century. At the same time, much of the history of the Bank runs parallel to the economic and financial history, and often to the political history, of the United Kingdom more generally.

In pursuing its goal of maintaining a stable and efficient monetary and financial framework as its contribution to a healthy economy, the Bank has two core purposes: achieving them depends on the work of the Bank as a whole. The Bank of England exists to ensure monetary stability and to contribute to financial stability:

- *monetary stability* – means stable prices and confidence in the currency; stable prices are defined by the Government's inflation target, which the Bank seeks to meet through the decisions delegated to the Monetary Policy Committee, explaining those decisions transparently and implementing them effectively in the money markets;

- *financial stability* – entails detecting and reducing threats to the financial system as a whole; such threats are detected through the Bank's surveillance and market intelligence functions; they are reduced by strengthening infrastructure, and by financial and other operations, at home and abroad, including, in exceptional circumstances, by acting as *the lender of last resort*.

In pursuing of both purposes the Bank is open in communicating its views and analysis and works close with others, including:

- other central banks and international organizations to improve the international monetary and financial system;

- the Treasury and Financial Services Authority, under the terms of memorandum of understanding, to pursue financial stability.

The Bank of England will also play its part in promoting an open and internationally competitive financial centre in the United Kingdom using its expertise to help make the United Kingdom financial system more efficient, where such efforts would be in the public interest and provided that they do not conflict with its primary responsibilities of those of other agencies.

The current governance and accountability is set by the 1998 Bank of England Act, which provides for a Court of Directors, a Committee of Non-executive Directors within the Court and a Monetary Policy Committee.

The Court of Directors is responsible for managing the affairs of the Bank, other than the formulation of monetary policy. The Bank of England has a statutory objective *to contribute to protecting and enhancing the stability of the financial system of the United Kingdom* and the Court, consulting the HM Treasury, will determine the Bank's strategy in relation to that objective. The Court's responsibilities under the 1998 Act include determining the Bank's objectives and strategy, and ensuring the effective discharge of the Bank's functions and the most efficient use of its resources.

The Monetary Policy Committee (MPC) – the Bank of England establishes the MPC as a Committee of the Bank, subject to the oversight of NedCo (Committee of Court consisting of all the Non-executive Directors, with a Chairman appointed by the Chancellor), and sets a framework for its operations. According to the Act, the Bank's objectives in relation to the monetary policy are to maintain price stability and, subject to that, to support the Government's economic policies, including its objectives regarding growth and employment. At least once a year, the Government specifies the price stability target and its growth and employment objectives. The MPC must meet at least monthly; its members include the Governor and Deputy Governors, two of the Bank's Executive Directors and four members appointed by the Chancellor.

2. Central Bank Independence

Over the last few years many central banks have made significant strides towards greater accountability and transparency. There has been a dilution of what Karl Brunner (1981, p.81) once called `peculiar and protective political mystique` that has traditionally surrounded central banking. Central banks in countries which have recently adopted inflation targets have all become more open about the formulation and presentation of their monetary policies (Haldane, 1995). Similar movements have been evident among central banks recently granted greater independence through legislative changes; and in the United States the debate regarding replacement of the Humphrey-Hawkins Act – and its multiple objectives – with a single objective of price stability, and on the publication of the full transcripts of Federal Open Market Committee (FOMC) meetings. *How might we best explain this shift towards greater accountability and transparency? One answer is that greater accountability has run hand – in – hand with moves towards greater central bank independence: greater accountability is the government's quid pro quo for granting greater central bank autonomy. This is because independence delegates responsibility for monetary policy to an ultimately unelected authority – the central bank. So making this authority accountable for its actions insures against a democratic deficit.*

The logic of central bank independence can be noticed by looking at the different views of elected politicians and of central bank decision makers. Democratic leaders run for office promising change and improvement rather than continuity and stability, whereas an incoming

head of a central bank will almost certainly want to continue the policies of a successful predecessor and will enhance his or her commitment to do so. Political independence and non-partisan monetary policy provide the promise of monetary policy stability over time, which in turn stabilizes expectations on the asset market. Such stability and continuity are essential for a successful monetary policy (Dumiter, 2009 p. 26).

Central bank independence requires that the head of the bank has a term of office long enough to prevent government revision of the monetary policy decisions. However, such structural features of central bank's institutional design are only the starting point for central bank independence. If the government publicly attacks the central bank's policy, then the independence will certainly be incomplete (Dumiter, 2009 p. 26-27). The tenures of the British Governors starting with 1901 are presented in table 1.

Table 1 Former Governors of the Bank of England (1901 - Present)

Chairmen	Date of term
Sir Augustus Prevost	1901 – 1903
Samuel Hope Morley	1903 – 1905
Alexander Falconer Wallace	1905 – 1907
William Middleton Campbell	1907 – 1909
Reginald Eden Johnston	1909 – 1911
Alfred Clayton Cole	1911 – 1913
Walter Cunliffe	1913 – 1918
Sir Brien Ibrican Cokayne	1918 – 1920
Montagu Collet Norman	1920 – 1944
Lord Catto of Cairncatto	1944 – 1949
Cameron Fromanteel Cobbold	1949 – 1961
The Earl of Cromer	1961 – 1966
Leslie Kenneth O'Brien	1966 – 1973
Gordon William Humphreys Richardson	1973 – 1983
Robert (Robin) Leigh – Pemberton	1983 – 1993
Edward Allan John George	1993 – June 2003
Mervyn Alister King	2003 - Present

Source: By Author's.

In our opinion it is very important to measure central bank independence and inflation targeting with the *Index of central bank independence and inflation targeting (Dumiter, 2009).* The index has three main pillars: Political and legal central bank independence (PLCBI), Central bank governance and conduct of monetary policy (CBGCMP) and Central bank transparency and

accountability (CBTA). Measuring central bank independence and inflation targeting in the United Kingdom was made by analyzing the central bank website, the central bank laws and statute, different norms and regulations and other publications and studies available on the central bank website and on the real practices of the development central bank in the period 1980 – 2009. Regarding the first pillar PLCBI, the Bank of England has a high score (8.33 points out of 10 points), which means that the central bank has a high degree of political and legal independence due to the five years term of the central bank Governor, a lower level of the turnover rate of the central bank Governor (0.10) and a non - political vulnerability. However, we can identify some weaknesses regarding this pillar: the three years tenure of the MPC members and the authority of the Queen in the appointment procedures of the central bank.

With a total score of 7.13 points out of 10 maximum possible of the second pillar, Central bank governance and conduct of monetary policy of the Index of central bank independence and inflation targeting, the Bank of England has no authority in establishing the annual inflation target, we can observe the government prevalence over the monetary authority regarding a policy conflict. However, the most important features regarding this criterion are: price stability – the major objective of monetary policy, inflation targeting as monetary policy strategy, a high degree of instrument independence establish by the 1998 charter, the central bank authority in establishing and managing the interest rate, the central bank autonomy in establishing, deciding and regulating foreign exchange operations and the explicit interdiction of government lending.

Central bank transparency and accountability has a total score of 8.37 points out of 10 maximum score, which means that the Bank of England has a high degree of transparency and accountability due to the explicit prioritization of the price stability objective, explicit institutional arrangements between government and central bank, the public availability of the time series for the main macroeconomic indicators and the model of the economy, publishing the Inflation Report, an important document designed and established by the Bank of England, which contains information about future projections of inflation and output, public explaining and justifying to the society the monetary policy decision and actions as well as the auditing of the central bank financial situations by external auditors.

3. Inflation targeting

The United Kingdom followed Canada in adopting inflation targeting, but under quite different circumstances. Canada came to inflation targeting gradually, through a process of experimentation and discussion. In contrast, British adoption of the inflation targeting approach was provoked by a crisis, namely the foreign-exchange crisis of September 1992, which resulted in the floating depreciation of the pound. Inflation targeting was adopted in Britain largely as a means of restoring the credibility of monetary policy lost in the speculative crisis and to provide an alternative nominal anchor.

The key features of inflation targeting in the United Kingdom are:

- The United Kingdom adopted inflation targets in the aftermath of a foreign exchange crisis, in order to strengthen the credibility of monetary policy and restore a nominal anchor. Like other countries, the United Kingdom's adoption of targets also followed a period of successful disinflation, which made hitting the initial targets relatively easy.

- Monetary policy in the United Kingdom under inflation targeting remains relatively flexible, an approach more akin to that of Canada than to that of New Zeeland, where the central bank has somewhat less discretion in the short run. In particular, the monetary policy in the United Kingdom has responded to fluctuations in output and employment.

- The inflation target in the United Kingdom is defined in terms of the annual change in retail prices excluding mortgage interest payments, or RPIX. Attention is also paid to the price index RPIY, which is RPIX less the first-round effects of indirect taxes. Both RPIX and RPIY include food and energy prices, so that the target index has in practice been a compromise between

headline inflation and a measure of `core` or `underlying` inflation. The agency responsible for constructing these two indexes (Office for National Statistics) differs from the agency that assesses whether the target has been met (Bank of England).

- Initially, the United Kingdom set a target range for inflation. Since May 1997 the target has been expressed as a point, but with `thresholds` on either side. If inflation breaches a target threshold, the Bank of England is required to provide a formal explanation to the government.

- Before the Bank of England achieved independence following the May 1997 election, it had little independent control over the instruments of the monetary policy; control was exercised instead by the Chancellor of the Exchequer. Under the pre-1997 targeting regime, the activities of the Bank were substantially limited to forecasting inflation and assessing past inflation performance. Rather that being a fully active policymaker, to a considerable degree the Bank functioned as the Chancellor's `counter-inflationary conscience`.

- In part because of its weak position before May 1997, the Bank focused its inflation-targeting efforts on communicating to the public its monetary-policy strategy and its commitment to price stability. In doing so, it relied heavily on publications such as the *Inflation Report,* an innovation that has been emulated by other inflation-targeting countries.
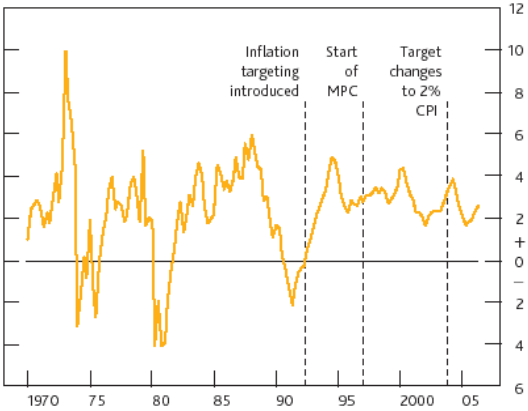
Figure 1 GDP evolution in the United Kingdom (standard deviation from previous year)
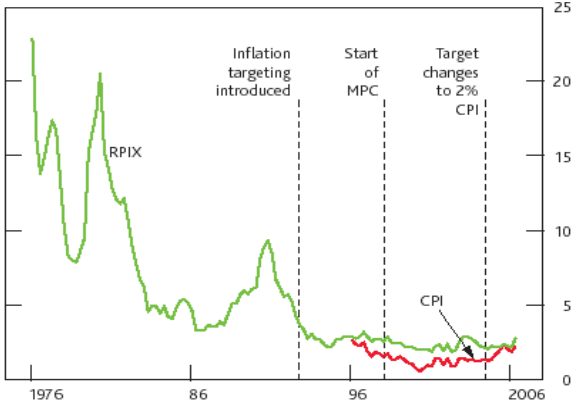
Figure 2 Inflation in United Kingdom (standard deviation from previous year)

Source: Bank of England (2008).

The Bank of England's policy objective is to deliver price stability – low inflation – and, subject to that, to support the Government's economic objectives including those for growth and employment. Price stability is defined by the Government's inflation target of 2%. The remit recognises the role of price stability in achieving economic stability more generally, and in providing the right conditions for sustainable growth in output and employment. The Government's inflation target is announced each year by the Chancellor of the Exchequer in the annual Budget statement. The 1998 Bank of England Act made the Bank independent to set interest rates. The Bank is accountable to parliament and wider public. The legislation provides that if, in extreme circumstances, the national interest demands it, the Government has the power to give instruction to the Bank on interest rates for limited period.

The inflation target of 2% expressed in terms of an annual inflation based on the Consumer Prices (CPI). The remit is not to achieve the lowest possible inflation rate. Inflation below the target of 2% is judged to be as bad as above the target. The inflation target is therefore symmetrical. If the target is missed by more than 1 percentage point on either side – i.e. the annual inflation rate of CPI inflation is more that 3% or less that 1% - the Governor of the Bank

must write an open letter to the Chancellor explaining the reasons why inflation has increased or fallen to such an extent and what the Bank proposes to do to ensure inflation comes back to the target. A target of 2% does not mean that inflation will be held at this rate constantly. That would be neither possible nor desirable. Interest rates would be changing all the time, and by large amounts, causing unnecessary uncertainty and volatility in the economy. Even then it would not be possible to keep inflation at 2% in each and every month. Instead, the Monetary Policy Committee's aim is to set interest rates so that inflation can be brought back to target within a reasonable time period without creating undue instability in the economy.

Since 1992, the economic performances of the British economy have been improved (Figures 1 and 2), inflation recorded stable and lower level around the target. By adopting the inflation targeting regime, the RPIX inflation has been in average 2.6 % and the RPI inflation and average of 1.8 %. The Monetary Policy Committee (MPC) was created in June 1997, where the RPIX inflation was 2.4% and the PRI inflation was 1.4%, with a deviation of maximum one percentage point from the target. This fact represents a high performance of the British economy, and expected to happen once the institutional arrangements will be applied: the economic data from that period suggested that inflation will be 40% of the time with more than one percentage point above the target. More over, the inflation projection figures show a higher risk for inflation deviation from the target, more than one percentage point.

4. Conclusions

Improving the institutional arrangements (central bank independence) for the economic policy will be given a high priority by the British Government in order to deliver long term economic stability and rising prosperity. The Bank of England Manifesto commitment is to *ensure that decision – making on monetary policy is more effective, open, accountable and free from short - term political manipulation.* Within the overall responsibility for economy policy, including stability, growth and employment, and for setting the inflation target, The Government has been delegated the Bank of England operational responsibility in setting interest rates. Price stability is a precondition for high and stable levels of growth and employment, which in turn will help to create the conditions for price stability on a sustainable basis. To that end, the monetary policy objective of the Bank of England will be to deliver price stability (as defined by the Government's inflation target) and without prejudicing this objective, supporting the Government's economic policy, including its objectives for employment and growth.

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INTELLECTUAL CAPITAL VALUATION USING MONTE CARLO SIMULATION

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We present a simulation model in this paper to determine the value of intellectual capital. In frame of the simulation model we have used the Baruch Lev's intellectual capital valuation modell.We have built in the Baruch Lev model in a two-dimensional Monte Carlo simulation modell. We have determined the intellectual capital in case of some stock exchange company. The calculation are presented in case of a selected company.

1. The importance of intellectual capital

Nowadays an increasingly important factors of the value creation in developed economies are mostly invisible. These assets – staff expertises, process quality, computer programs, patents, brands etc. – are delivering a fast-growing contribution to corporate competitiveness. These invisible assets play a particularly important role in case of research- and knowledge intensive companies.

Thomas A. Stewart in his book "Intellectual Capital" (*1997*) redefined the priorities of businesses, demonstrating that the most important assets owned by the today companies are most often not the tangible goods, equipment, financial capital, or market share, but much rather the intangibles: patents, the knowledge of workers, and the information about customers and channels as well as the past experience that a company has in its institutional memory.

Some authors are referred these assets as intangible assets, others as intangible capital, and others as intellectual capital, however, they all think of the same category of assets. The terms "are widely used – *intangibles* in the accounting literature, *knowledge assets* by economists, and *intellectual capital* in the management and legal literature – but they refer essentially to the same thing: a nonphysical claim to future benefits. (*Lev, 2001*)

In the article „New Math for New Economy" (*Webber, 2007*) we can read: In case of the S&P500 index the market-to-book ratio of the companies constituent the index -- that is, the ratio between the market value and the net-asset value of these companies -- is now greater than 6. This means that the financial report number represents only 15 % to 16 % of the value of these companies. Even if the stock market is inflated, even if you chop 50 % off the market capitalization, you're still talking about a huge difference between value as perceived by those who pay for it day-to-day and value as the company accounts for it.

The beginning of the last century the ratio of intangible business capital to tangible business capital was 30% to 70% which has been changed into its opposite nowadays. In the past several years, there has been a dramatic shift, a transformation, in what the intangibles have became the

major assets of the value creation and growth. Nowadays, the intangibles are fast becoming substitutes for physical assets.

Today, many executives recognize the importance of intellectual capital as a principal driver of firm performance and a core differentiator. But not only enterprises are seeing the value in intellectual capital; governments are also recognizing the importance of it. The European Union, for example, aims for their membership countries to invest a minimum of three percent of their GDP into research and development initiatives in order to grow their intellectual capital and become more competitive in the knowledge economy. (*Joia, 2007*)

2. The intellectual capital statement

An increasing number of firms start to report their corporate intangible aspects even without the force of regulations. This trend is especially observable in Europe with various initiatives by the European Commission (in frame of projects such as METITUM, E*KNOW NET, PRISM). Another example is presented by the Danish Department of Trade and Industry, which produced guidelines of how companies can produce intellectual capital reports. In Austria the government has passed a law that all universities have to report on their intellectual capital, in the UK companies will be forced to produce an Operating and Financial Review outlining many intangible elements of their business, and countries as diverse as Iceland, Germany, and Spain have started their own initiatives. (Mouritsen et al., 2003; Bratianu, 2009)

Intellectual capital statements can serve to structure and assign priorities to knowledge management efforts within the organisation.

- The statement helps the organisation to focus on what it actually does to to develop its knowledge resources and what the effects are of such activities.
- The process of preparing an intellectual capital statement can help to create a culture of knowledge sharing.
- The statement tells the organisation what it must know and what it must excel at, what can be relevant for organisational development.
- The publication of intellectual capital statements can lead to better communication. It can signal the principles of knowledge management practised by a company, to both internal and external stakeholders.
- The intellectual capital statement can also help to attract new employees.
- The intellectual capital statement can also improve the communication between the company and its customers.

3. Methods for evaluation of intellectual capital

An enormous number of the theories, models and methods helping on understanding and measuring of the companies' intellectual capital refer to that there is no generally accepted theoretical model for understanding and measuring of the intellectual capital. (*Petty-Guthrie, 2000*)

There are several methods that can be used to determine the corporate value of the intellectual capital, such as

- Economic Value Added (EVA),
- Market Value Added (MVA),
- Tobin's Q Ratio,
- Balanced Score Card,
- Skandia's IC Navigator,
- Intellectual Capital Services' IC-Index,
- Technology Broker's IC Audit,

- Sveiby's Intangible Asset Monitor (IAM),
- Real Option Theory.

Baruch Lev said in an interview about the model, which was used to determine the value of company's intellectual capital, the followings: "I've developed a way to measure knowledge assets, intellectual earnings, and knowledge earnings. It's a computation that starts with what I call "normalized earnings" -- a measure that's based on past and future earnings. … My approach looks at the past. Based on those forecasts, I create an average, and I call that average normalized earnings. From those normalized earnings, I then subtract an average return on physical and financial assets, based on the theory that these are substitutable assets. … So when I subtract from the total normalized earnings a reasonable return on the physical and financial assets, I define what remains as the knowledge earnings. Those are the earnings that are created by the knowledge assets." (*Webber, 2007*)

To construct the simulation model we used the Baruch Lev's model. To determine the normalized earnings we used five-year historical data and five-year forecast data. (Table 1)

Table 1: The historical and forecast data to determine the normalized earnings

Title of data	2004	2005	2006	2007	2008
Intangibles	269008	369 644	293 582	296 790	265 753
Fixed assets	1276713	1 179 555	1 066 681	987 611	1 024 243
Long term financial assets	1813964	2 055 525	1 206 779	1 543 117	1 498 149
Equity	6681536	7 252 647	6 987 583	7 351 433	5 590 996
Accounts payable	2600242	2 825 543	2 820 751	2 800 383	4 312 621
Net income	286 438	404 116	173 316	363 850	-1 760 436
Retained earnings	286 438	404 116	173 316	363 850	-1 760 436
Sales	12 508 716	11 801 157	14 013 320	12 194 963	13 893 871
Operating profit	5 352	258 924	-158 480	356 051	11 006
Inflation rate	6,80%	3,60%	3,90%	8,00%	6,10%
ROE	4,29%	5,57%	2,48%	4,95%	-31,49%
Visszaforgatási ráta	100,00%	100,00%	100,00%	100,00%	100,00%
Growth rate	4,29%	5,57%	2,48%	4,95%	-31,49%
Fixed assets/Sales	0,1021	0,1000	0,0761	0,0810	0,0737
Long term financial assets/Sale	0,1450	0,1742	0,0861	0,1265	0,1078
Normalized earnings	**286438**	336 158	281 695	265 330	-711 769
Forecast					
	1	**2**	**3**	**4**	**5**
Inflation rate	**7%**	**6%**	**5%**	**4%**	**4%**
Growth rate	**4,29%**	**5,57%**	**2,48%**	**4,95%**	**-31,49%**
Sales	**13 434 675**	**14 183 253**	**14 535 046**	**15 254 440**	**10 451 277**
Earnings after tax	379448,28	400591,0597	410527,0905	430845,6164	295185,3273
Fixed assets	1 371 222	1 417 651	1 106 394	1 235 383	770 458
Long term financial assets	1 948 243	2 470 438	1 251 708	1 930 255	1 126 941
Normalized earnings	378 682	395 785	412 401	357 339	
EAT/Total assets	8,53%	11,21%	6,75%	12,87%	-63,14%
EAT/Sales	2,29%	3,42%	1,24%	2,98%	-12,67%
EAT/Equity	4,29%	5,57%	2,48%	4,95%	-31,49%
Sales changing		-5,66%	18,75%	-12,98%	13,93%

4. The results of the simulation

A two-dimensional (or second-order) Monte Carlo simulation is useful to estimate the "uncertainty" in the risk estimates stemming from parameter uncertainty. A two-dimensional Monte-Carlo simulation is a Monte-Carlo simulation where the distributions reflecting "variability" and the distributions representing "uncertainty" are sampled separately in the simulation, so that "variability" and "uncertainty" in the output may be estimated separately.

To execute the simulation model we have used the 'mc2d'[365] package of R statistical system.
The statistical results of the simulation are presented in Table 2. The histograms and boxplot diagrams of the net income on the physical, financial and intangible assets are presented in Figures 1-3. The result of the intangible assets' estimation are presented in Figure 4.

Table 2: The results of the simulation

Statistical indicators	Required rate of physical assets	Net income on physical assets (million HUF)	Required rate of financial assets	Net income on financial assets (million HUF)	Net income on intangibles (million HUF)	Intangibles (million HUF)
Minimum	5,54%	61 999	4,35%	72 228	-6 682	-49 783
1st quartile	7,67%	85 893	6,18%	102 492	76 084	750 561
Median	8,92%	99 837	7,11%	117 896	99 723	1 106 770
Mean	9,15%	102 465	7,32%	121 479	98 062	1 165 025
3rd quartile	10,50%	117 513	8,38%	139 039	122 148	1 523 678
Interquartile range	2,83%	31 620	2,20%	36 547	46 064	773 117
Maximum	14,19%	158 908	11,35%	188 374	176 442	2 993 786
Standard deviation	1,88%	21 002	1,48%	24 579	32 244	548 243
Coeff. of variation	20,55%	20,50%	20,22%	20,23%	32,88%	47,06%

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[365] Monte-Carlo à Deux Dimensions

Figure 1. Net income on physical assets
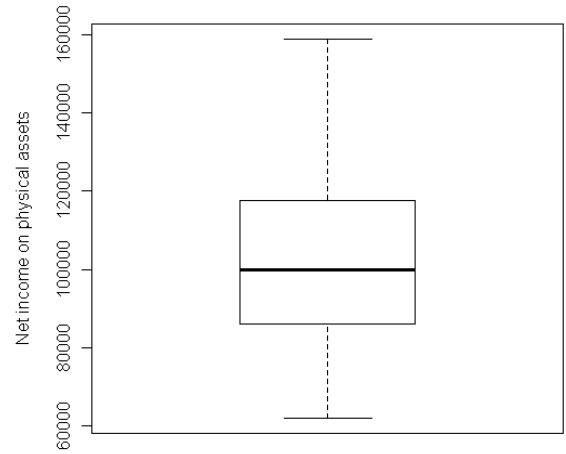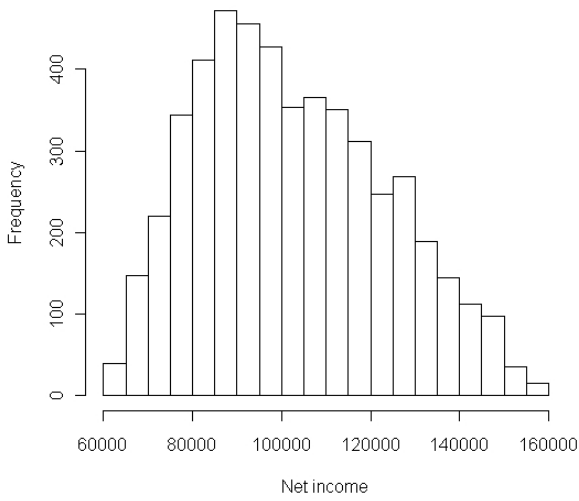
Figure 2. Net income on financial assets
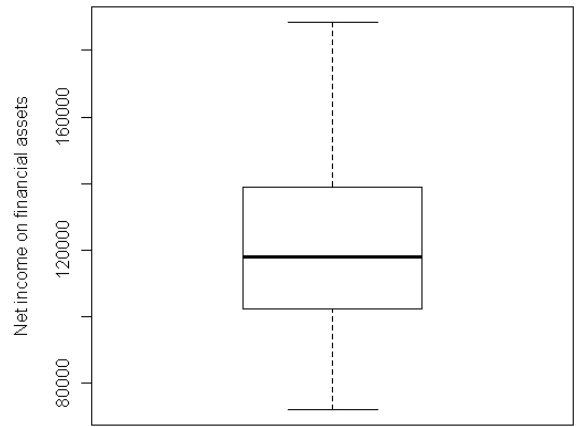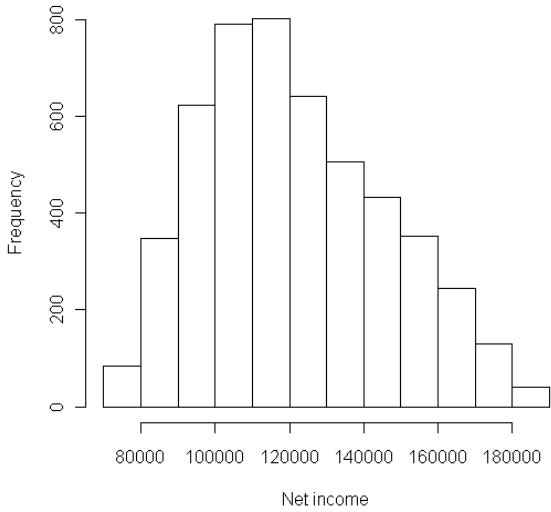
Figure 3. Net income on intangibles
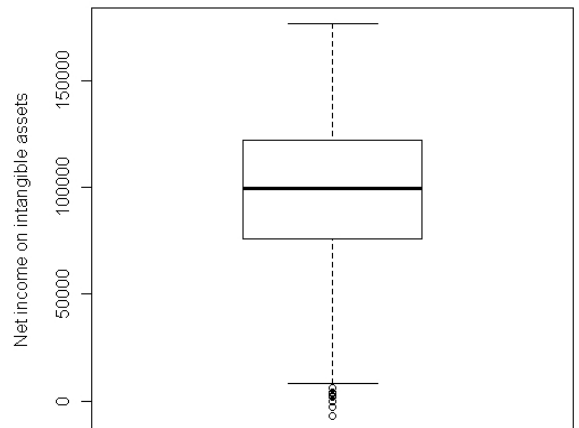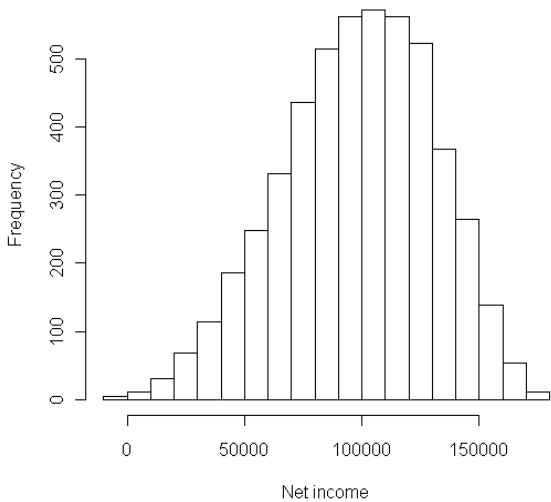
Figure 4. The value of intangibles
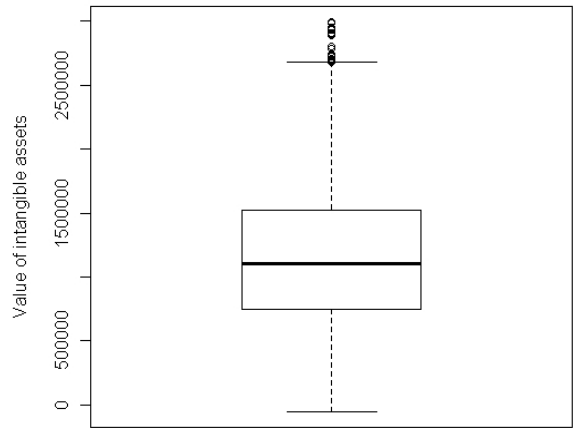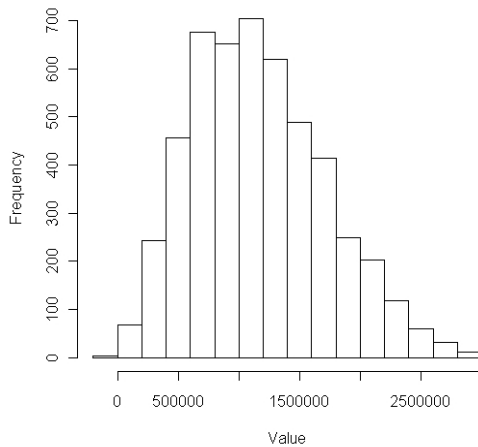
The calculation of modell:

       net income on intangible assets = Normalized earnings –

              (require return on physical assets * value of physical assets) -

              (require return on financial assets * value of financial assets)

value of intangible assets = net income on intangible assets / require rate on intangible assets

5 Conclusion

We present a simulation model in this paper to determine the value of intellectual capital. In frame of the simulation model we have used the Baruch Lev's intellectual capital valuation modell.We have built in the Baruch Lev model in a two-dimensional Monte Carlo simulation modell. We have determined the intellectual capital in case of a stock exchange company (Synergon).

To determine a 95% confidence interval for the mean was used the one sample t-test. The result of t-test in case of intangibles' value:

<div align="center">

1 149 825 – 1 180 225 million HUF

</div>

We can see that the interval has a very small scale. The sample estimate, namely the mean of intangible asset's value is 1 165 025 millioh HUF.

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[366] An interview with Baruch Lev, the Philip Bardes Professor of Accounting and Finance at New York University's Leonard N. Stern School of Business

FINANCIAL PROBLEMS IN A.D. XENOPOL'S WORK

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Many of Xenopol's studies, articles and economic papers fully prove his permanent interest in this area, so important for the life of a country.. This fact urged him to look into the economic state of his people, to search for its causes and formulate solutions, some of them among the most realistic ones, for its improvement, for the reduction of the gap that separated us from the most economically developed countries

While the foreign trade of a country is, in Xenopol's opinion "the most reliable mirror of its economic situation"[367], "the finances of a country are undoubtedly the most visible sign of the direction of its government. These mirror especially the competence or the incapacity of its rulers."[368] Xenopol made this statement in the Preface to "Situaţia financiară a României sub guvernul liberal în 1887", a paper where we encounter numerous economic arguments by means of which he intended to underline the qualities of the Liberal government in ruling the country's finances. Even if this paper, and many others, contains numerous supporting judgments as well as some erroneous assessments like those concerning the fact that the Romanian is the least tax-burdened among Europeans, that Romania's public debt is the smallest on the continent, that bimetallism is preferable to monometallism , we believe that it was not his desire to justify liberal politics which represented the main cause of this situation, but the compatibility of his economic theories with the economic policy of the Liberals. We also believe that this is the reason for Xenopol's political joining the Liberal Party – from this position he was able to influence decision making and put into practice some of his planed solutions.

In this paper he tackled the budget's problems, those of the public debt and the gold's overprice. Other financial-banking aspects such as: duties and taxes, loans, banks, usury were developed in other studies and articles such as: "The Beer Industry and Taxation", "The Rural Bank", "Misunderstood Demagogy", etc.

Just like in our days, in Xenopol's time the state's income came mainly from duties and taxes, a fact that sustained his argument that "where the private individual (as tax-payer – our note) is rich, the country is rich, and where the country is rich, the state is rich".[369] The state should have been rich because, as noted by Xenopol, the country needed roads, ports, railways, a strong army and many others for which the budgetary means had to be enhanced. But Romania's budget in 1880 was barely of 100 millions, to which one could add approximately 20 millions representing communal budgets, which proved to be far less than the country's need, thus one would often sell the state's estate, mortgage bonds, treasury bills.[370]

Xenopol's conclusion was that taxes were necessary, that it would be even dangerous "for the consolidation of the idea of state to undo this connection between the individual and the political

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[367] A. D. Xenopol, (1967), "Comerţul exterior al României", in *Opere economice*, Ed. Academiei Republicii Socialiste România, p.150 (Our translation).

[368] Id., "Situaţia financiară a României sub guvernul liberal în 1887", p. 209. (Our translation).

[369] Id., "Agricultură şi comerciu" in *Românul*,13 Septembrie, 1880, (Our translation).

[370] Ibid.

body", that is the tax.[371] Due to this reason, he considered humbug the proposals of Carp's government (a conservative one) to exempt from taxation the farmers who owned less than 6 ha of land. Since very many farmers were in this situation, the state would have been deprived of an income of approximately 10 millions lei that couldn't have been replaced otherwise, believed Xenopol. Besides that, such a measure would have opened Pandora's Box; the farmers would have claimed other exemptions from their obligations toward the state, and the idea of duty would have diminished significantly. On the other hand, the farmers' exemption from a few leis a year representing land taxation wouldn't have improved too much their fate. Thus, according to Xenopol, what determined the conservatives to propose such a measure couldn't have been but their attempt "to cling by any means to the power they had no longer".[372]

In what a country's budget is concerned, especially that of Romania, Xenopol believed that it should be balanced, i.e. neither in a deficit which leads to public debt, neither in a surplus because is this situation on the one hand the government would be accused that it demands more than it needs, and on the other hand "the people seeing that its finances are so brilliant, would become lazy".[373]

Even if he did not give sufficient details and nuances regarding this problem of the budget, Xenopol understood very well that it cannot always be in a balance, that budgetary balance is just a tendency in its evolution. Thus he admitted that the country's budget was in a deficit between the years 1884/1885 and 1885/1886; but not because of the poor management or unsuitable measures taken by the liberal government, but because of the general crisis in Europe which affected our country, respectively due to the poor crops from some agricultural years.

With the obvious goal of proving the wise management of the finances by the liberals, Xenopol analyzed the way budgetary income can be increased, despite the reduction of taxes, or on the contrary, based on the increase of national wealth.

Thus he showed that in the period 1862-1886 the country budget grew up three times from 47 to 138 millions lei, proportionally with the increase in national wealth – expressed in the amount of foreign trade, an approximate and poor indicator but a necessary one when lacking more exact and relevant indicators – from 172 millions in 1862 to 515 millions in 1886. Xenopol's conclusion was that during all this time, especially in the 11 years of the liberal government (1977-1888), the taxes were reduced more than they were increased. We are speaking here about the tobacco duty, the licenses duty, the tax on salt, land taxation, individual tax or that on the means of communication; the railways fees were reduced, the state property was diminished by the distribution of farm land to newlywed couples or by selling land lots to the farmers and by the establishment of the Royal Demsne, so that the amount of all the reductions came to a total of 88 millions lei.

If despite these reductions, the state income continued to grow, it was all due, in Xenopol's opinion to a much better administration. Thus, the high priced leased tobacco was bringing the state only 8 millions in 1876, but in 1887, under State supervision, it was bringing an income of 20 millions lei; the railways which before 1977 consumed all they produced, as a consequence of the reduction of administration expenses and of the development of new lines brought to the country an income of 10.5 millions despite fee reduction.

Even if the state had increased its annual income by 28 millions lei by chasing in the taxes, by collecting a tax of 5% over wages and by supplementing the tax on alcohol, there were still "60 millions lei left by the government for the use of the tax-payers, from the revenue it had its right to cash in".[374]

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[371] Id. „Demagogie neînțeleasă", in Opinia, VIII, No. 1216, 27 Ianuarie, 1911, (Our translation).

[372] Ibid., (Our translation).

[373] Id. "Situația financiară a României sub guvernul liberal în 1887", p. 213, (Our translation).

[374] Ibid. p. 217, (Our translation).

As a consequence, concluded Xenopol, the increase of revenues is based on their right administration and on the growth of national income, the latter being supplemented among others, by the increase of indirect taxation, including monopolies, from 28 millions lei in 1876 to 66 millions lei in 1887, without a substantial growth in their taxes. The increase of about 40 millions lei was due to the increase in consumption, therefore implicitly an increase of national wealth.

To show that Romania's population was no more burdened by taxes than the population of other countries, Xenopol made a comparative study between our country and several European countries similar to our own as surface and population, on the grounds that "the eagle doesn't resemble the frog"[375] , where he introduced two indicators: per capita taxation and per capita wealth.

Regarding the first indicator, with a 28 lei tax per capita (respectively only 19 lei per capita if one were to consider only the revenue from taxes), Romania was at the same level with Serbia but bellow the level of Denmark (37 lei per capita), that of Belgium (53 lei per capita) or Holland (62 lei per capita).[376]

Regarding wealth, with 100 lei per capita, Romania was at the same level with Italy, over the level of Serbia (50 lei per capita) but bellow the level of Belgium (527 lei per capita), of Holland (400 lei per capita) or Denmark (322 lei per capita).

Adding the two indicators, Xenopol reached the conclusion that the Serbian was 2.5 times more tax burdened than the Romanian as long as he paid 28 lei tax per year and traded for 50 leis, while the Romanian paid 19 lei and traded for 100 lei. More than the Romanian paid the Portuguese (1.5 times), the Italian and the French (2 times), and the Spaniard (3 times), and less than the Romanian paid the Belgian (4 times), the Dutch (3 times) and the Dane (2 times).[377]

That the population of our country was not burdened by taxes was proved according to Xenopol by the ease with which these were perceived, forgetting that most of the farmers paid along the taxes owed to the state, a part of their crop to the land-owner, large interest for loans and they were further cheated by merchants, so their situation was the very one Xenopol himself described a few years later in "Starea economică a ţăranului roman" (1903).

Another important aspect discussed by Xenopol regarding taxes and duties was represented by their functions, which, in his opinion, should not be reduced only to their fiscal function, but they should also have a contribution to encouraging the industry and even the hygiene state. For this it was necessary a differentiation among taxes and duties.

In the political context of the second half of the 19th century, Xenopol argued the fact that Romania couldn't afford applying protective duties at the border; in exchange it could give a series of facilities, deductions and exemptions from taxes, subsidies, loans with the purpose of encouraging and protecting some economic activities, especially industrial ones. There should be a similar differentiation of taxes, Xenopol argued, applied also to alcoholic beverages on grounds of health, hygiene with the purpose of protecting the population against the consumption of harmful drinks and for the stimulation of the consumption of beneficial drinks; all starting from the idea that "there is no such thing as a wise government which can kill its people because for the moment it can extract money from them by means of the poison it allows them to drink".[378]

In this respect, Xenopol makes an analysis in *Industria berei şi impozitul* of the influence of taxation on the consumption of three alcoholic beverages: spirits, wine and beer, in our country

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[375] Ibid. p.221, (Our translation).

[376] Xenopol mentions that in this estimation were not included the local taxes neither regarding our country nor the others– in our case the county and communal taxes).

[377] A.D. Xenopol, *Opere economice*, pp.219-220.

[378] A. D. Xenopol, V. C. Buţureanu, *Industria berei şi impozitul*, I.V. Socec, Bucureşti, 1895, p.18, (Our translation).

and in other European countries; a relevant analysis, much appreciated in the newspapers of those days.[379] He noticed that although beer contains much more nourishing substances than spirits or wine, thus being more useful, it contains less alcohol so it is less dangerous and, as opposed to spirits and wine it can hardly be forged; yet the tax on beer in our country of 40 lei per hectoliter was excessively large in comparison with other countries. The direct consequence of this situation was the fact that while beer consumption per capita in Romania was very low, of only 0.6 liters as compared to Holland – 50 liters or Belgium – 190 liters, the consumption of spirits per capita was among the highest, 4,56 liters compared to 4.20 l in Belgium, 3.50 l in Austria-Hungary, 1.04 l in Italy while only in Denmark, Germany, Switzerland and Holland was the consumption higher than in our country: between 4.58 and 8.25 l per capita. "In other words, our state protects the forgery of drinks, believes Xenopol, encouraging the spread of alcoholism and the population's intoxication; whereas the only drink that has the most advantages and the least drawbacks is put on the black list, treated as a dangerous ingredient and hampered in its consumption through taxes three times excessive."[380]

He also noted another fact, that spirits didn't obey the law of demand's flexibility, i.e. the rise in the price of this product as a follow-up of the increase of taxes didn't limit the consumption. He found the explanation in the fact that any rise of taxes on spirits is compensated or even overrun by the cheapening of production costs as a consequence of the forgery of this product. The same thing is valid for wine too, even more so as the tax for this product was taken from the producer and not from the innkeeper, the one who forged the wine.

In these circumstances, Xenopol believed that the only way to protect the population against the poisons contained by "forged and unclean" drinks would have been the monopoly on alcohol which would have allowed state's control over the alcohol production and the marketing of this product in closed bottles, therefore guaranteeing genuine drinks. Only then, a rise in price would have limited consumption, without causing state's income to diminish, because although it would have sold less, it would have sold more expensively.

Convinced supporter of beer consumption, but also a member of Anti-alcohol League, Xenopol militated in favor of encouraging the beer industry, an agricultural industry, by reducing the taxes on this product, the existing one being considered irrational, unjust and harmful for the state. Irrational because it rose the price of beer, "so much that it transformed it into an 'extra-luxury' drink, turning people towards the consumption of spirits; unjust because it was settled arbitrarily: neither according to the alcohol concentration as was the case of spirits, neither according to the cultivated surface as was the case of plum brandy or wine; harmful because despite the high taxation it brought little revenue due to the low consumption. Thus, despite a population comparable in size to that of Belgium, where 10 million hectoliters of beer were consumed despite the low tax on beer (2.32 lei), the state would cash in almost 17 million lei a year in Romania due to the consumption of only 37.000 hectoliters; even in the case of a very high tax, the state would cash in only 1 million lei a year.[381]

In opposition to M. C. Haretu, the author of *Degrevarea berei şi monopolul alcoolului. Răspuns la "Industria berei şi impozitul lui Buţureanu şi Xenopol"* (Bucureşti, Editura Gobl, 1869), Xenopol adopted the theory of demand's economy according to which the demand determines the production and since the tax is paid by the consumer, any rise of it would diminish the demand, limiting the production and the other way round. The exception to this rule is represented by forgeable drinks like spirits and wine, in the case of which the rise of the tax would lead not to an

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[379] "Industria berii", an article signed "Nerva" in *Evenimentul*, IV, nr. 1590, from July 31, 1898, and nr. 1592 from August 2, 1898; the Xenopol-Buţureanu and Haret trial in *Ecoul Moldovei*, VI; Iaşi, 1896, nr. 19 from November 14, p.2.

[380] A.D. Xenopol, V.C. Buţureanu, *Industria berei şi impozitul*, pp.58-63, (Our translation).

[381] Ibid., p. 86.

increase of the price but to the intensification of bootlegging and to the discovery of new methods of forgery meant to reduce the production costs, which in the end would threaten in an ever increasing degree the health of the population.[382]

An interesting and original proposition was formulated by Xenopol regarding the improvement of the farmers' fate by including their debts generated by agricultural contracts in a more efficient and accessible taxation system. Xenopol harshly criticized the unbearable situation where the tax collectors, the mayors and the sub-prefects, being aware that the farmers could not pay their taxes, in order to ease their own job, would sell the entire village community to land-owners or land agents in exchange for the work to be carried out. This would happen because the farmers accepted this deal which not only paid their duty towards the state but sometimes gave them back some leftovers, yet this measure was profoundly unjust as long as the value of work was arbitrarily established, sometimes representing only half of its real value. In this situation not only was the farmer in a perpetual debt, sometimes for 4-5 years ahead because he couldn't discharge all his work obligations and because sometimes he would take loans from land-owners for current needs, but furthermore he didn't work his land and as a consequence of poor crops he would have to take further loans from the land-owner.

This state of facts could have ceased in Xenopol's view through the taking over by the state of the farmer's debts, through the release of "percentage carrying bonds to each land owner or land agent in accordance with the sums of money recorded in formal obligations". [383] The state's compensation would have been realized through a special contribution of villagers, "compensation for debts". At that moment there appeared a difficulty regarding the taxation system itself: overall tax, easy to apply, would have been unfair because of the counties' debts, but also those of the farmers which were not the same and this would have meant that some of them would pay a part of somebody else's debt. Individual tax, on the other hand was impossible to apply. Thus Xenopol suggested a more equitable tax system, namely a type of taxation differentiated on counties, even on small rural districts or communes, all considering the number of inhabitants and the size of the debt. In fact, at the beginning of the 20th century, a series of judicial acts which were appreciated by Xenopol for their social impact would settle some aspects of the socio-economic filed: the Law on individual tax, the Law on income taxation, the Law for the control of precious material objects, the Law for pawnshops, the Law for wine industry loans, the Law for the amendment of the Agricultural Loan – all of them replicated in their text concerning the parliamentary debates, along with the depositions, with the ministerial application instructions and a relevant commentary, in a volume edited by Benedict Voinescu, a volume on which Xenopol would present a report for the Romanian Academy in 1906.[384]

Regarding the public debt resulting from the loans contracted by the state, Xenopol believed that although it was rather high according to the state's budget, respectively of 13-30, it was at the same time also necessary considering its destination, which was mainly connected to direct or indirect production activities and in a less measure meant to cover the budgetary deficit.

The pages discussing the public debt make Xenopol a real master of numbers; yet they are not about a game of numbers, but about a serious analysis of the problem of public debt based on statistics data. He revealed the fact that although Romania's public debt increased during the liberal government with over 200 million lei compared to 1876, the year when the government changed, the annuity it had to pay remained almost the same; respectively it grew up with only 1 million lei because simultaneously with the rise in the government's credibility, the contracted loans were increasingly advantageous, therefore obtained at an ever lower interest rate.

[382] The Xenopol-Buţureanu and Haret trial in *Ecoul Moldovei*, VI; Iaşi, 1896, nr. 19 from Nov. 14, p.2.

[383] A. D. Xenopol, "Studii economice" in *Opere economice*, p. 145, (Our translation).

[384] Id., "Raport asupra lucrării *Nouăle impozite şi nouăle legi financiare şi economice* by Benedict Voinescu", Bucureşti, 1906, in Analele Academiei Române. Dezbateri, s. II, t. 29, 1906-1907, p.435.

For Xenopol the most important aspect was represented by the destination of the borrowed sums. In this respect he showed that the greater part was used to build railways, bridges, docks, military and weapon constructions, educational institutions.

"It is obvious that both the constructions and the railways are productive capitals", Xenopol said, thus "the railways are expensive for the state, but the profit for the country increases tenfold."[385] He suggested the example of the railway that connected Feteşti to the rest of the country and which had as a consequence the leasing of the real estates from Bărăgan that had not been valued until then, with prices five times bigger. But even the expenses for the army or education, apparently unproductive, at a more careful analysis were proven to be indirectly productive. Thus Xenopol argued in favor of providing proper hygienic conditions both in barracks as well as in schools, so that the health of the young people would not be hampered. On the other hand, Xenopol reminded the reader of the negative effects of the neglect suffered by the French army before 1871, a fact that would cost France 10 millions in damages and two lost provinces, this underlining once more that these expenses are not really unproductive.

His deep love for the country that is visible in all his historical studies is to be met also in his economic studies, a fact that gives cohesion to all Xenopolian studies, regardless of the problem they debate.

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[385] Id. "Situaţiunea financiară a României sub guvernul liberal în 1887", p.231, (Our transaltion).

THE CORRELATION BETWEEN THE MARKET RISK AND THE LIQUIDITY RISK IN THE ROMANIAN BANKING SECTOR

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A series of studies on liquidity management have appeared during the financial crisis, many of them comparing the funding liquidity with the market liquidity. The paper offers a dynamic image about the liquidity in the Romanian banking sector and its integration with the market risk, comparing the Value at Risk approach with the Liquidity at Risk approach. The research also wants to highlight the most significant features to consider in order to implement an effective liquidity risk management and to achieve a more integrated supervisory framework.

1.Introduction

This paper analyze market risk behavior in periods characterized by extreme events and propose a liquidity model in order to quantify and manage the risk that arise from the trading book. The most used model for quantifying the market risk is Value at Risk (VaR) initiated by Jorion (1997), Dowd (1998), and Saunders (1999). Even though it replaced less standardized techniques such as Asset and Liability Management and Stress-testing, it lacks a rigorous treatment of liquidity risk. The liquidity risk has two main parts: funding liquidity risk and market liquidity risk. The first one has received the most attention from the banks for its significance. But, the market liquidity risk, described as the risk that a bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption (ECB, 2002) has gained more attention in the latest years.

A problem of the VaR models is that they don't take account of market liquidity risk, because they assume that the positions (currency rates, interest rates, stock index values, option volatilities) could be sold at a fixed market place, the midpoint quote, within a fixed period time (Laorence and Robinson, 1995). There are many studies in the related literature of incorporating market liquidity risk n the VaR models. Almgren and Chriss (2000) and Bangia et al (1999) proposed a dependent model strategy. Dubil (2001) proposed a model for determining optimal liquidation periods for different assets. Shamroukh (2000) highlight that scaling the holding period to account for orderly liquidation can only be justified if the holding period actually represents the liquidation period. Jarrow and Subramanian (1997) proposed a liquidity adjusted VaR measure that incorporates the liquidity discount, volatility of liquidity discount and the volatility of time horizon to liquidation, considering the effect of trade size and execution lag on the liquidation value of the portfolio.

In this article we present a framework for incorporating the liquidity risk into the VaR models. Section 2 presents the Value at Risk methodology, in accordance with the Basel II requirements. Section 3 describes the Liquidity at Risk methodology and reviews the techniques used to model the distribution of the returns. In section 4 is presented a case study which models the daily bid-ask spread for three important banks from the Romanian banking system, listed on the Bucharest Stock Exchange and section 5 concludes.

2. The Value at Risk methodology

Financial institutions have developed models for quantifying, comparing and aggregating the risk connected with different positions and portfolios. One of the most used methods is Value at Risk, which is defined as the expected maximum loss of a portfolio over some time period and for some level of probability. From a statistical point of view, VaR entails the estimation of the quantile of the returns' distribution. In other words, Value at Risk is the probability that returns or losses (ξ) are smaller than –VaR over a period of time (T):

$$P_{VaR} = P(\xi < -VaR) = \int_{-\infty}^{-VaR} P_T \cdot \xi \cdot d\xi \quad (1),$$

where P_T is the probability distribution of returns over the time horizon T.

For a 99% confidence level the worst value is:

$$P_{99\%} = P_t \cdot e^{[E(r_t)-2.33\sigma_t]} \quad (2),$$

where E(r$_t$) and σ_t^2 are the first two moments of the asset returns' distribution.

In order to compute the VaR for a portfolio first we have to mark-to-market the portfolio and then to estimate the distribution of the portfolio's returns, which is a very challenging statistical problem. When the returns are normal, which is very rarely in practice, it is used the variance-covariance approach. When risk is recurrent VaR can be estimated by using historical time series and for new situations it should be modeled through EWMA and GARCH models. When risk is sensitive to rare events it is preferred the Extreme Value Theory. The main limitation of the VaR methodology is that the assumption of normal distribution can lead to large underestimation of the probability of extreme events, which affects the capital requirements. Also, the estimated distribution tends to fit central observations, while falling in fitting the extreme observations. The accuracy of VaR depends on how well the underlying markets have been simulated and how well each security has been modeled. Recent studies propose to analyze only the distribution of extreme returns, instead of describing the behavior of all of the returns (Ferreira and Lopez, 2004; Burns, 2002; Rombouts and Verbeek, 2004). Related to these studies is the EVT, introduced in finance by Embrechts (1997), although the basics were initiated by Fisher and Tippett (1928) when proposing the Generalized Extreme Value (GEV) distribution. The modeling of the financial variables through EVT was also studied by McNeil and Frail (2000), by Danielsson and De Vries (1997) which computed a model for calculating the VaR, taking into account the inconsistency of extreme values and by Huisman et al. (1997) which proposed a new estimator for the tail index.

3. The Liquidity at Risk methodology

Banks should possess a funding liquidity contingency plan in order to prevent insolvency, pass through stressful situations and maintain their reputation and credit rating. From all the proposed definitions of funding liquidity and market liquidity the next two ones are promising. Funding liquidity is the ability of a bank to maintain a prospective equilibrium between cash inflows and outflows, ensuring appropriate coverage of payments on the bank's liabilities (Erzegovesi, 2002). Market liquidity is the discounted expected price concession required for an immediate transformation of an asset into cash or cash into an asset under a specific trading strategy (Neuman and Demsetz, 1968). Jarrow and Subramanian (1997) consider the effect of trade size and execution lag on the liquidation value of the portfolio, proposing a liquidity adjusted VaR that incorporates the volatility of liquidity discount.

In order to incorporate the liquidity risk into the VaR models we would make an assumption that in stressed market conditions extreme events in returns and extreme events in spreads happen concurrently. So, in calculating liquidity-risk adjusted VaR we incorporate both a 99th percentile movement in the underlying and a 99th percentile movement in the spread:

$$P_{99\%} = P_t \cdot e^{(-2.33\sigma_t)} - \frac{1}{2}\left[P_t\left(\bar{S} + a\tilde{\sigma}\right)\right] \quad (3)$$

Assuming that the expected return $E(r_t)$ is zero, that the Liquidity at Risk can be written as follows:

$$LaR - VaR = P_t \cdot \left(1 - e^{(-2.33\theta\sigma_t)}\right) + \frac{1}{2}\left[P_t\left(\bar{S} + a\tilde{\sigma}\right)\right] \qquad (4)$$

where S_T is the relative medium spread ((Ask-Bid)/Mid) over the time horizon T, $\tilde{\sigma}$ is the volatility of the medium spread and a is the scaling factor, a multiple of the spread volatility, in order to achieve 99% probability coverage and θ is a correction factor that take into account the fat-tailed distribution.

4.Empirical study: analyzing the market risk and the liquidity risk in the Romanian banking system

In order do determine the VaR and the LaR we have modeled the daily data of the stock prices for three important banks in the Romanian banking system, listed on the stock exchange: Erste Bank (EBS), BRD Group Societe Generale (BRD) and Transilvania Bank (TLV), from 01.01.2007 to 31.03.2010. The observations of the closing price, bid and ask spread, are available on a period longer than that we took in consideration, but we have considered that the recent observations provides a better estimation on the risk of the portfolio. Also, we divided the data into two samples: the first sample is from 01.01.2007 to 31.08.2009 representing the "pre crisis" period and the second sample is from 01.09.2009 to 31.03.2010 representing the "post crisis" period.

The daily rentabilities were determined by logarithmation of the series of closing prices and present a lot of extreme variations that took place on the stock exchange market. Applying the Jarque Berra Test we will observe that the normal hypothesis is rejected. The distributions are leptokurtic, more sharpen than the normal ones, for all of the samples, a fact shown by the kurtosis coefficient. Analyzing the skewness coefficient we will observe that the distributions are shifted to the left, compared with the normal distribution. Applying the ADF and the Philipe-Peron tests it will be observed that the series composed of the closing prices values have one unit roots, which means that it is needed a first order differentiation in order to become stationary.

Table 1: The moments of the distributions

	EBS sample I	EBS sample II	BRD sample I	BRD sample II	TLV sample I	TLV sample II
Observations	265	323	403	323	403	323
Mean	-0.000359	-0.000202	-0.000136	-0.000241	-0.001671	0.001543
Median	0.000080	0.000000	0.000000	0.000000	0.000000	0.000000
Maximum	0.051403	00.51403	0.113482	0.139762	0.062160	1.434721
Minimum	-0.369786	-0.468803	-0.099820	-0.158523	-0.501279	-0.501279
Std. Dev.	0.037123	0.060703	0.017438	0.027437	0.025827	0.060477
Skewness	-0.975164	-0.784071	-0.057078	-0.565357	-11.15595	17.00904
Kurtosis	98.41873	54.69923	9.606578	11.33078	200.8467	427.6909
Jarque-Bera	342687.5	30483.70	1366.191	2211.710	1240438	5680052

Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000

According to all these factors, the distribution of the rentabilities presents fat tails, which correspond to the extreme variations that took place on the money market. Using the historical simulation method can lead to an overestimation of VaR, especially that the method describes the maximum expected loss. Here appears the "volatility clustering" phenomena, which can be remedied by the heteroscedasticity models GARCH.

In order to eliminate the linear structure we propose some ARMA models studying the residuals' correlogram, for which the AIC and BIC criterions are minimum. In the pre-crisis period we found ARMA(7) for EBS, ARMA(3) for BRD and ARMA(4) for TLV and in the post-crisis period we found ARMA(5) for EBS, ARMA(6) for BRD and ARMA(7) for TLV. The remained residuals have a non-linear structure which was detected by the BDS test elaborated in 1987 by Brock, Dechert and Scheinkman, in order to check the stochastic non-linearity. The BDS test's values are strong, which sustains the rejection of the normal hypothesis. This tendency reflects a degree of heteroscedasticity, which means that the present volatility depends on the previous volatility. Unless the data is filtered, this dependence will undermine the value of VaR. In order to eliminate the correlation between residuals we had to find some GARCH models. The best models identified were: GARCH(2,3) for EBS, TGARCH for BRD, GARCH(2,4) for TLV in the pre-crisis period and GARCH(1,2) for EBS, GARCH(2,3) for BRD, GARCH(3,4) for TLV in the post-crisis period.

In order to calculate the banks' exposure to liquidity and market risk, we have incorporated the liquidity components into the VaR approach. It is observed that during the financial crisis the liquidity component has a higher contribution in the level of VaR. The results for the two samples taken into consideration are the following:

Table 2: Market and liquidity risk for the pre-crisis period

	EBS	BRD	TLV
Price on 31.08.2009	144.10	12.5	0.288
Return volatility (σ_t)	0.037123	0.060703	0.017438
Fat tail factor (θ)	1.2	1.3	1.25
Market component (VaR) $P_t \cdot \left(1 - e^{(-2.33\theta\sigma_t)}\right)$	4.3796	2.5634	0.0937
Liquidity component of (LaR) $\frac{1}{2}\left[P_t\left(\bar{S} + a\tilde{\sigma}\right)\right]$	0.0816	0.1043	0.0034
Total Adjusted Value at Risk	4.4612	2.6677	0.0971
% of liquidity component	1.8291%	3.9097%	3.5015%

Table3: Market and liquidity risk for the post-crisis period

	EBS	BRD	TLV
Price on 31.03.2010	125.10	15.6	2.31
Return volatility (σ_t)	0.027437	0.025827	0.060477
Fat tail factor (θ)	1.4	1.65	1.55
Market component (VaR) $P_t \cdot \left(1 - e^{(-2.33\theta\sigma_t)}\right)$	4.9872	3.0105	0.1032
Liquidity component of (LaR)	0.1207	0.2032	0.0048

$\frac{1}{2}\left[P_t\left(\overline{S}+a\widetilde{\sigma}\right)\right]$			
Total Adjusted Value at Risk	5.1079	3.2137	0.108
% of liquidity component	2.3630%	6.3229%	4.4444%

In order to test the post efficiency of the methodologies we have used the back-testing, by simulating the stress scenarios for the least 245 days. We have applied the quadratic loss function approach, calculating how many times the VaR has been exceeded. The results are presented below:

Table 4: Backtesting results for the market portfolio with and without liquidity risk

	Pre-crisis		Post-crisis	
Exceptions from of $VaR_{99\%}$	Market risk	Market risk & Liquidity risk	Market risk	Market risk & Liquidity risk
EBS	4	3	6	4
BRD	6	4	6	4
TLV	5	2	5	3

The best methods, which are in the minimum risk zone (which means that VaR has been exceeded for no more that 4 times), are those that take into consideration the market liquidity risk. The other models that count only the bank's exposure to the market risk are in the medium safety zone (from 5 to 9 violations of VaR), which means that the banks need more capital allocation in order to satisfy the Basel II Accord requirements.

5.Conclusion
We confirmed our hypothesis that only advanced VaR models that incorporate the liquidity risk (LaR) could adequately measure exposure of the bank to market risk and satisfy the BCBS criteria in periods characterized by extreme events. Also, in forecasting VaR for exposures in crisis periods it should be used a shorter sample of data, the most recent one, in order to capture the large movements on the market. With regard to accuracy, the risk managers should be concerned with whether the model's ex-post performance is compatible with the theoretically desired level, applying permanently back-testing criteria.

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CONSIDERATIONS ON MONETARY POLICY HELD BY THE CENTRAL BANK TO ADOPT THE EURO

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The current paper presents some considerations regarding the monetary policy held by the central bank in order to obtain the declared goal of joining the European Monetary Union. The paper refers to the strategies included in the National Accession Plan, and in the Convergence Program established by the National Bank of Romania. Furthermore, the paper presents some of the recent developments and the technical developments.

1.Introduction.

The Romanian National Bank has been subjected to a transformation process over the last few years, that manifested itself under the influence of 3 factors: the reorganization of the central bank by transitioning from the monobank, centralized system to a more descentralized model, more adept for a market economy; adopting the communitary acquis and the efforts made to reach the real and nominal convergence criteria in light of the future integration process and the adoption of the single european currency.

Along with the communist regime removal, the transition to a market economy has involved extensive changes at institutional level. Two-tier banking system reorganization involved the NBR to regain the traditional functions typical of a genuine central bank. Thus, its commercial bank specific activities have been abandoned, which were taken over by another newly created entity - Romanian Commercial Bank.

The new status of NBR in June 30th, 1998, provides price stability as basic objective and seeks to standardize legislation. Since 1999, the main objective of monetary policy, target inflation's reduction to gain competitive advantage to the devaluation of the leu against the euro. long with this, we wanted to stabilize the leu exchange rate, given its importance as a nominal anchor.

Since 2001, NBR announced that it abandoned to disperse efforts to multiple targets, and focus on reducing inflation, leaving the Government, through various means, especially in budgetary policy, to deal with maintaining the foreign payment's balance equilibrium. This means not only a major change in the monetary authority's practice, but also a distribution of tasks and concern for the trade balance situation.

EU integration process has been a stimulating factor in speeding up reforms, real and nominal convergence criteria become important landmarks in efforts to maximize the degree of functionality of the Romanian economy. Priorities and objectives in line with Romania's intention to join the European Union were addressed in the National Program for Accession of Romania to

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[386] "Investeşte în omameni!" doctorand bursier în "Proiect cofinanţat din Fondul Social European prin Programul Operaţional Sectorial Dezvoltarea Resurseloor Umane 2007-2013".

the European Union (PNAR). It provides: strong reducing inflation, ensuring a sustainable external position, maintaining the budget deficit under control, improve and reform its banking system stability.

Also, one of the main factors leading to repeated update of the Romanian banking legislation was the need to adopt the acquis communautaire. Legislative changes have mainly focused on issues such as: central bank independence, the adaptation of central bank's regulations to modernizing the payments system, prudential requirements on commercial banks' lending activity, bank accounts coding standardization, gradual liberalization of currency transfers, adaptation regulations to combat money laundering requirements.

NBR status in June 2004 contributed to the harmonization of Romanian legislation with the EU. News had in mind primarily the strengthening of central bank independence, price stability as a fundamental objective, prohibition of direct financing of public institutions by the Central Bank, harmonization of the NBR's procedures and instruments with the ECB's.

Strengthening NBR's independence is a prerequisite to achieve nominal convergence criteria, established by the Maastricht Treaty. In the literature, central bank's independence is defined as a series of restrictions regarding monetary policy, aiming government loans, the method of economic policies and the relationship between government and central bank, restrictions which favors the price stability objective.

Central bank's independence refers to a certain degree of independence in the choice of specific instruments for achieving objectives, not setting targets itself for monetary policy[387].

Hayo and Hefeker argues that central bank independence is not a necessary and sufficient condition for price stability, citing as an alternative, a possible agreement between central banks and governments on this objective, or setting up a fixed rate regime, by linking the national currency of another currency[388].

Both versions cannot be valid in the case of the CEB and at the same time, are unverifiable in the case of the NBR. Therefore, in the first instance, it could occur that both the Central Bank and the Government tacitly agree on the failure to comply with the price stability objective, at a certain time. This scenario could only turn out if the partners cannot call each other into account or be called upon by a third party. Also, judging by the way the European Central Bank System is organized each Central Bank should be in close contact with the Government, which could favor cartel behavior for certain members of the area.

The second alternative has been embraced in various forms by several transitioning countries, some of which have become members of the European Union in the meantime. Yet, it has been proven that there is no correlation between price stability and the fixed exchange rate system, the government's temptation to use exchange policy as a foreign commerce competitive edge could constitute an argument in this sense.

A certain practical miscorrelation between the NBR and the Government is easily visible, in so far as the independence of the Central Bank infers the joint setting of economic policy objectives. In certain instances, the Central Bank will try to patch up the Government's decisions.

The absence of a long term fiscal and budgetary strategy renders much more difficult NBR's attempt to reach its objectives regarding inflation rates, fact proven in later years by the repeated recalculation and failure to reach the set inflation target, due in most part to unilateral Government decisions regarding the enactment of a sole tollage rate. This measure has caused an increase in consumption rates which manifests itself by the augmentation of the non-

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[387] Debelle, G., Fischer, S., *How Independent Should a Central Bank* Se?, in: Jeffrey C. Fuhrer (ed.) *Goals, Guidelines, and Constraints, Facing Monetaiy Policymakers,* The Federal Reserve Bank of Boston, Boston, 1995. p. 195-221.
[388] Hayo. B., Hefeker, C., "Reconsidering central bank independence", *European Journal of Politica! Economy,* no. 18(4)72002, p. 653-674.

governmental credit especially the consumption allocated one, thence increasing the inflationist pressure on the economy.

In the attempt to better the decision-making process between the NBR and the Government, the inflation targeted regime adopted in the summer of 2005 by the Central Bank should find its correspondent in the multiannual budgetary scheduling strategy.

The NBR reform has also brought with itself a set of measures pointed at the betterment of the Romanian banking system, taking into consideration – in this sense – passing resolutions in regards to the minimum limit. As the disinflation, in Romania, entails drastic fiscal deficit diminution measures and a cautious income policy, economic specialists think it unwise to only keep the current deficit under control through budgetary and commercial policies.

NBR and the Government should choose to correct the entire setting of the economic policy to encourage durable economic growth, even though in the context of the current economic crisis [389] achieving this would be a difficult task.

Basel II, completed in June 2004 after a series of changes, is structured on three pillars: minimum capital requirements, capital adequacy supervision, strengthening the supervisor's role, and the third concerns market discipline, changing the central bank's reporting requirements.

The objectives of Basel II aims to provide a flexible framework for determining capital requirements, adequate risk profile of credit institutions and strengthen financial system stability assumptions. In this sense, the central bank set a clear calendar for adoption of the new Capital Accord in the national banking system, including four phases of implementation: initiating dialogue with the banking sector, development of means for banking supervision in the Basel II standards, internal rating model's validation by NBR used by credit institutions to assess clients and existing loan portfolio, provisions application's verification of the Agreement in whole banking system.

Since August 2005, central's bank monetary policy strategy pursued inflation targeting.

It was adopted after completing a training process, whose final stage was the development and functional testing framework for economic analysis and monetary policy decision specifically direct inflation targeting.

Were simultaneously satisfied and other requirements and criterias which determine the effectiveness of this strategy: lowering the annual inflation rate below 10 percent; building the central's bank credibility and consolidating it; strengthening the independence of jure (by the entry into force on July 30, 2004 of the new Statute of the BNR) and the *de facto* of the central bank; the restriction of fiscal dominance, the course of fiscal consolidation and improving coordination between fiscal and monetary policy; the relative flexibility of the exchange rate of MDL and reducing the vulnerability of the economy to fluctuations to this variable; healing and strengthening the banking system and the relative increase in banking brokerage; increasing the transparency and responsibility of the central bank as well as the intensity   of central's bank communication with the public and financial markets, including issues new regarding monetary policy strategy and the preparation of its adoption; clearer outline of macroeconomic behavior and of economic function mechanisms necessary to identify and increase the efficiency of monetary transmission channels.

In the relationship between commercial banks and the real economy, central's bank monetary policy impulses are transmitted rather imperfectly and after a time that depends on the structural features of the national economy.

Although the central bank can control short-term interest rates, the real economy is influenced by *medium and long-term interest rates practiced by commercial banks for deposits and for loans*

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[389] Anghel, Lucian , Sinteze macroeconomice trimestriale Aprilie 2009, BCR p. 34

offered to their customers. The level of the later depends on the monetary policy interest rate, but also on a number of other determinants (expectations on inflation, the outlook for economic growth, etc..) and is crucial for investment decisions, consumption or saving. Generally, lower interest rates stimulate investments and consumption over saving, while higher interest rates stimulate saving, inhibiting short-term consumption and investments. Thus aggregate demand is influenced by the economy.

The aggregate supply has a capacity for adjustment to the level of aggregated demand limited to a short time horizon. On a long term, the supply mainly depends on the dynamic of some fundamental factors such as basic production capacity, employment and level of technological endowment, and therefore it adjusts more slowly and longer-term it cannot be influenced by monetary policy. Under these conditions, on the short / medium term monetary policy can affect only the gap between the actual level of economic activity and the one that is long-term sustainable (real GDP deviation from its potential level, or, excess demand).

The set of instruments and procedures by which the central bank implements monetary policy to achieve its primary objective forms the operational framework of the monetary policy.

The main instruments of monetary policy that the central bank (BNR) has at its disposal aims: open market operations; standing facilities granted to credit institutions; minimal reserves (RMO). On the medium term, the main problem that arises for BNR is to design a monetary policy that will enable the participation in "II European Monetary System (EMS II) and respectively, the entry into EMU (U.E.M).

2.The Strategy of the National Bank of Romania (NBR) regarding the adoption of Euro

Before the entry into the EMS II phase and then in the participatory phase, the inflation targeting strategy would continue to function, given that it is consistent with exchange rate flexibility and ensures the gradual fulfilment of all the Maastricht criteria.

Romanian financial sector is substantially integrated into the broader EU sector, mainly due to a high participation of foreign investors to the social capital of financial intermediation firms. Taking into account the Commission's evaluations on legal compatibility and convergence criteria plus additional factors, Romania does not meet the requirements for adopting the Euro.

The date mentioned for admission into EMS II was chosen considering that an early admission could prolong the waiting period before Euro adoption, and excessive delay could weaken the incentives for sustained reforms. Thus, the mentioned instalments can keep - for a limited period - some flexibility in terms of monetary policy and exchange rate. That flexibility is needed to make some additional structural reforms, which must be undertaken to give greater flexibility to the Romanian economy that might improve its ability to cope with "asymmetric" shocks.

Also, the reminded planning has the advantage to maintain the motivation for further reforms and reinforcement of the macroeconomic discipline. The transitional period creates the possibility of determining the "pivot rate" (the central parity) based on a fair estimate of the exchange rate's level of equilibrium after surpassing the top of capital inflows caused by favourable expectations of entering the EU.

Among the arguments that advocate possible reduction of the period of participation in EMS II, we remember the following: increased reliability - performance afforded by the latest phases of the process - is absolutely necessary for the passage to the next stage (adopting the Euro), but cannot be maintained indefinitely if the process is not completed; possibility of volatile capital movements around the time of Euro adoption, which requires greater exchange rate flexibility; this involves a transitional period even between the participation in EMS II and entering into the Euro zone, period that, by nature of its purpose, can only be very short; monetary policy applied in the meantime (inflation targeting) implies an obvious subordination of exchange rate

movements to the inflation objective; or the requirements of exchange rate stability, specific to EMS II, may become incompatible with the inflation targeting.

As regards the NBR's strategy of adopting the Euro, by June 2009, NBR has not published such a strategy. Furthermore, the Board of National Bank of Romania decided to maintain the same monetary policy for 2009, the same interest rate and the current level of mandatory minimum reserve ratios applicable to liabilities in Lei (18%) and currency (40%) of credit institutions[390].

In this context, the consolidation of the disinflation process and ensuring sustainable financing of the Romanian economy amid the international crisis requires keeping the current conduct of monetary policy in order to support the formulation and implementation of a balanced mix of macroeconomic policies. NBR continues to monitor developments in domestic and global economic environment, so by using adequate instruments it would achieve the objectives of price stability and financial stability through the applied monetary policy. Valentin Lazea, NBR chief economist, said that the national bank intervened in three ways in an attempt to control inflation and exchange rates: "It intervened verbally, and this is a weapon that all central banks use; it intervened using the interest, which grew cumulative until now with one percentage, and intervened in the money market, sterilizing Lei, meaning drawing on central bank deposits the Lei excess on the market"[391]. Also, Valentin Lazea considers that NBR should get involved in the currency market, meaning to sell foreign reserves in order to stem the exchange rate, to meddle with the minimum reserve required, and to continue increasing Lei's interest that, together with reducing interest to other international currencies, like the dollar, will grant new desirability.

To act on inflation, in 2009, the National Bank has imposed (as a crisis situation) to commercial banks especially high minimum required reserves: 40% for liabilities in foreign currency and 18% for the ones in Lei. Reserves are at these levels in order to prevent the entering in economy of a massive amount of money that could not be absorbed and thus generate inflation, as lower consumption converts in an abrupt disinflation. During the first part of 2010, NBR lowered the minimum reserve requirements to relaxation which is meant to bring money in the market and restart crediting.

The main implications for monetary policy in EMU accession are: alignment of monetary policy in the Euro area to avoid shocks caused by sudden changes in monetary policy position; maintaining the efforts to reduce inflation in a realistic tempo; it is necessary the preservation of "direct targeting of inflation", i.e. both in the period up to the entry into EMS II and during this phase; currency policy should allow the adjustment of the Leu's real exchange rate; in the period up to the entry into the EMS II, it is necessary to find the equilibrium level of exchange rate, which is then used as a *pivot point;* complete adoption of the acquis communautaire in the following two areas - banking and supervisory procedures and improving the institutional framework, strengthening the central bank's independence and ensuring its status compatibility with the *"European System of Central Banks"*; developing the banking system and the overall financial system, in order to increase the rationality of resource allocation and ensure monetary policy with adequate transmission channels; modernizing the payment system and connecting it to the European system TARGET; full harmonization of monetary statistics.

It is impossible to define precisely the policy after entering the EMU, but some general features can be stated as of now with pretty much certainty. First, there will not be an independent national monetary policy, but the participation of NBR representatives to the

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[390] Anghel, Lucian , Sinteze macroeconomice trimestriale Aprilie 2009, BCR.
[391] Medrega, Claudia, *Inflaţia coboara in aprilie la 6,45%, ajutata si de intarirea leului.* Ziarul Financiar, 13.05.2009.

elaboration of the common monetary policy will be possible. In other words, the monetary policy will be subordinated to the common interest and therefore could not be used exclusively for solving specific problems of the Romanian economy. Secondly, we can make the assumption that until then, the national law which constitutes the framework for the adoption of monetary policy decisions would fully match the "European System of Central Banks" regulations.

3.NBR's Technical Preparation for the Euro Adoption in Romania

Preparation of Euro banknotes (denominations, graphics, technical features, safety features) will be conducted by Romania's Central Bank and European Central Bank. The manufacture of coins will be provided by the Ministry of Finance, as the legal issuer of currency will be the National Treasury, and NBR will adjust the amount of Euro coins that will enter the market. All coins of the same value will have the same size, colour, technical features, in all countries. At the moment, Romania provides harmonized statistical information, but some corrections are still necessary. For example, by the end of 2006, NBR used specific definitions of monetary aggregates (monetary base - M_0, narrow money – M_1, broad money – M_2 and quasi-money), but recently (March 2007) was decided to adopt the monetary aggregates definitions used by the ECB.

Furthermore, it would be indicated the realization of public information campaigns before the introduction of Euro. The NBR campaign will have to follow the mediatisation of the specific safety features graphics, and the fixed exchange rate[392].

The channels used by the NBR to transmit information can be the classical ones, used in any media campaign: the periodic publication of articles in high-circulation newspapers, conducting press conferences and symposiums, making posters and presentation folders, interviews with experts from the NBR and of course, publishing any information on the NBR website.

Especially for rural areas, banknote designs posters, identification elements and other essential information of this process may be displayed in postal offices, bank branches and subsidiaries. The presentation brochures could be made available inside the banks. For areas less connected to the mass media, local administration can be co-opted to publicise this process.

Problems that can increase the amplitude of the banknotes conversion process must be avoided, like the possibility of queues at bank counters, automatic vending machines or shops, and the problem of insufficient supply of cash in banks, the necessary of banknotes being difficult to estimate due to the psychological component - the novelty associated with this process.

4.Conclusions

The specialists' macroeconomic analysis found that Romania meets only one criterion for convergence, i.e. the public debt criterion, and that relatively, given the fast pace of Romania's indebtedness to overcome the economic and financial crisis. Consequently, in order to follow the established schedule, namely entering ERM II in 2012, and adopting the Euro in 2015, it is necessary to employ an appropriate monetary strategy, and developing economic policies that lead to fulfilment of all the convergence criteria.

As regards the monetary policy, it appears not to have changed so NBR will continue the same trend as in 2008 and 2009. However, alarming is that the NBR has not made public a strategy of monetary policy for adopting the Euro in 2015.

Central Bank's independence, reinforced by the latest status of NBR in June 2004, has not always as a support the collaboration with government authorities. A solution in linking monetary policy with the fiscal and financial plans would be the adoption of the strategy of multiannual budgetary

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[392] Chiru Liviu, Popa, BNR: Adoptarea unilaterala a euro nu este o opţiune pentru Romania, Ziarul Financiar, 01.05.2009

programming that would ensure the premises for the Central Bank to meet the inflation targets. Thus, good collaboration between NBR and the Government should create favourable conditions for the performance of both nominal convergence criteria, as well as those of real convergence.

Prospects for introducing Basel II involves an active collaboration with the banking community, an accurate assessment of internal rating models of credit institutions and strict surveillance conducted by the NBR.

Also, cooperation with monetary authorities, of supervision and regulation from other countries, especially those in the Economic and Monetary Union, is necessary.

In addition, it is recommended that, in 2014, NBR develops an information campaign for the Romanians to prepare them for the actual introduction of the Euro.

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NEW INTERNATIONAL FINANCIAL REGULATION: NECESSITY OR REQUIRED BY CRISIS

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The global economic and financial crisis showed the limits faced by the international financial system. International financial regulations in general, and especially the banking sector regulations, should be refined and adapted to build a stronger and stable international financial system. We analyze the main trends in international regulations: the proposed amendments on capital requirements, the introduction of a global standard for liquidity and indebtedness, the winding-up directive, as well as their impact on the Romanian financial system.

Keywords: international regulations, global standard, winding-up directive

JEL classification: G01, G21

Introduction

The actual economic crisis made it clear that the way markets, financial institutions and international financial agents function needs reanalyzing, which led to a different level of understanding the way these institutions function but also to realizing the need to establish new rules, regulations and procedures. Due to the fact that the crisis is constructed as following: banking crisis →financial crisis →economic crisis, it becomes stringent the need to establish the rules on financial and bank markets; so the concept of financial stability exceeds reporting on country level, a certain financial stability on international markets level is needed. What began as a banking crisis on the American market has all the chances to become countries' crises (the example of Greece). Romania was affected by the international crisis, first through the banking and financial channel, and then through the commercial channel; none the less the problems out country is facing are not due exclusively to the international situation but more to great existing unbalances: rapid growth of income as opposed to the level of productivity, the current account deficit of over 10% before the crisis, a oversized state apparatus etc. It is necessary to understand the concept of financial stability, so according to The National Bank of Romania, stability is : "…a financial system, indifferent to the its size or complexity, is stable when it has the capacity to facilitate economic performances and to correct eventual unbalances that could happen as a result of adverse shocks[393]" or in Cerna(2008) "financial stability is a characteristic of the financial system, which is the ability to absorb financial unbalances that can emerge as a result of endogenous or exogenous factors of relevant size and unanticipated, by this reaching specific performance[394]". On an international level there are different organisms, governmental and non-governmental, that trace, recommend or implement different actions regarding the stability of

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[393] Raport privind stabilitatea financiara, 2006 , http://www.bnro.ro .
[394] Cerna Silviu &altii in Stabilitatea financiara, pg.12, Editura Universitatii de Vest, 2008.

financial systems like: The Bank of International Regulations through Basel I and Basel programs, Financial Stability Board, International Association of Insurance Supervisors, International Association of Deposit Insurers, together with different commercial banks. In Romania, the Romanian National Bank writes, beginning 2006, "Reports on financial stability", a document that is interested in : the international economic and financial context, the financial market and its risks, the infrastructure of financial markets, the institutions of the financial markets. The main indicators used in analyzing the financial stability are[395]:

-the system of indicators proposed by the International Monetary Fund (financial soundness indicator);

-stress-testing, that means a series of response tests of the financial system, to the factors of speculative pressure;

-early warning systems;

-other methods of analyzing and evaluating financial stability.

Even though there is large number of indicators at the disposal of the national and supra-national surveillance authorities, the world economic crisis has showed that new regulations are necessary. Implementing the Basel II recommendations in the EU has been realized by[396] : Banking Consolidation Directive 2006/48/EC (BCD), Capital Adequacy Directive 2006/49/EC (CAD), which together have constituted the Capital Requirements Directive (CRD). CRD aims to ensure the financial soundness of credit institutions (banks, investment forms, etc) the Directive stipulates how much of their own financial resources such institutions must have in order to cover their risks and protect their depositors[397]. Basel II implemented through CRD, begining January 1st 2007, is based on 3 pillars[398]:

1. Minimum Capital Requirements. That aims minimum capital levels, credit risk, operational risk and market risk.
2. Supervisory Review. Regarding management risk and transparence of surveillance.
3. Market discipline. Completes the first two pillars by developing means of disseminating information to market participants giving them the necessary information regarding the level of capital, risk exposure and risk management.

Evolution of the world economy, the rise of interconnectivity at a global level, development of security and especially the economic crisis has made CRD out of date, new instruments and regulations being necessary in order to face the current challenges. So, beginning 2011, two new amendments, CRD 2 and CRD 3 will become effective, completing and bringing up to date CRD/Basel II, and also another amendment, CRD 4 is taken into consideration for the future.

Table 1. Capital Requirements Directive[399]:

CRD 2	CRD 3	CRD 4
quality of firms capital	higher capital requirements for re-securitisations	*further counter-cyclical measures;*

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[395] Dupa Cerna Silviu &altii in Stabilitatea financiara, pg.79, Editura Universitatii de Vest, 2008.

[396] Strengthening Capital Standards 3, Financial Services Authority, December 2009, pg.3, http://www.fsa.gov.uk/

[397] Ibidem.

[398] International Convergence of Capital Measurement and Capital Standards, A Revised Framework, June 2004, pg. 6, http://www.bis.org/publ/bcbs107.htm

[399] Strengthening Capital Standards 3, Financial Services Authority, December 2009, pg.7, http://www.fsa.gov.uk/

CRD 2	CRD 3	CRD 4
management of large exposures	upgrading disclosure standards for securitisation exposures	*dynamic 'buffering' of loans;*
supervision of cross-border banking groups	strengthening capital requirements for the trading book	*liquidity standards*

CRD 2	CRD 3	CRD 4
risk management of securisations		*foreign currency mortgages;*
different operation on the CRD hybrid capital instruments		*supplementary measures (possible leverage ratio)*

CRD 2 & 3

Improving the quality of firms capital will be made by establishing criteria for assessing the eligibility of hybrid capital to be counted as part of a firm's overall capital. The proposals specify the features that hybrid capital must have regarding permanence, flexibility of payments and loss absorbency to be eligible as Tier 1 capital. Hybrid capital is define as being " ... a form of debt that has been substituted for equity. This type of capital has both debt and equity features. This covers a variety of instruments, such as preference shares, that are not pure equity but have traditionally been deemed close enough to it to count towards a bank's tier one capital ratio - the key measure of financial strength''[400]

Table 2[401]: Characteristics of hybrid capital	
Type of instrument	Permitted features
Undated	Cannot have an option to redeem in the first five years
	No incentives to redeem allowed within first ten years
	Can be included within any bucket depending on features
	Calls allowed in 35% and 15% buckets
Dated	Must have an original maturity of at least 30 years
	No incentive to redeem allowed
	Must have a 'lock-in' feature (eg. may not be repaid if in breach of capital requirements at maturity) and supervisors may stop repayment
	Calls allowed after five years
	Included within the 15% bucket

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[400] According with http://lexicon.ft.com/term.asp?t=hybrid-capital
[401] Strengthening Capital Standards 3, Financial Services Authority, December 2009, pg.27, http://www.fsa.gov.uk/

Effects of this measure: rise in the capital cost for affected companies, but also they will lead to a rise in companies' capitalization, lower bankruptcy risk, reduces contagion risk, lowers the impact of future financial crises (reduces moral hazard).

Large exposures management regime will applies to exposures to counterparty or a group of connected clients. The basic limit is set to 25% of the company capital resources, but isn't considered that this limit could equal up to 50% of the TIER 1 (and up to 100% of the CORE TIER 1) CRD 3 will enhance CRD by adding higher capital requirements for re-securitisations (the 5% skin proposal), upgrading disclosure standards for securitisation exposures and strengthening capital requirements for the trading book.

CRD 4

If CRD 2 and 3 continue to base themselves on the Basel II paradigm, CRD 4 aims the strong reformation of the financial system, but especially the banking system, by introducing new requirements and measures like: counter-cyclical measures, dynamic buffering of loans, quantitative liquidity standards and systemically important financial institutions. foreign currency mortgages and possible an leverage ratio. One of the most important one is the liquidity standard which is set to be implemented with CRD 4. It will two components: liquidity coverage ratio and net stable funding ratio. The liquidity coverage ratio "identifies the amount of unencumbered, high quality liquid assets an institutions holds that can be used to offset the net cash outflows it would encounter under an acute short-term stress scenario"[402], so it will will deal with the liquid assets on the short-term. The net stable funding ratio measures " the amount of longer-term, stable sources of funding employed by an institution relative to the liquidity profiles of the assets"[403].

Dynamic buffering loans (dynamic provisioning) will help to deal with the pro-cyclical in the banking sector, allowing early detection of credit losses in loan portfolios, enabling bank to build up a buffer in good times that can be used in bad times. They have an anti-cyclical nature that enhances the stability of the banking system as a whole.

Table 3[404]

Historic cost accounting						Dynamic provisioning					
Balance sheet	1	2	3	4	5	**Balance sheet**	1	2	3	4	5
Loans balance sheet value	100	100	100	100	100	Loans balance sheet value	100	100	100	100	100
Stock of specific provisions	0	0	1	4	5	Stock of specific provisions	0	0	1	4	5
Loans balance sheet value net	100	100	99	96	95	Stock of expected loss provisions	1	2	2	0	0
						Stock of total provisions	1	2	3	4	5
						Loans balance sheet value net	99	98	97	96	95

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[402] International framework for liquidity risk measurement, standards and monitoring, BIS, December 2009,pg. 11, http://www.bis.org/publ/bcbs165.htm

[403] ibidem

[404] Exemple After Financial Stability Review- Dynamic provisioning: issues and application, pg 131, www.bankofengland.co.uk

Income statement						Income statement					
Net interest income	2	2	2	2	2	Net interest income	2	2	2	2	2
Specific provision charge	0	0	1	3	1	Expected loss provision charge	1	1	1	1	1
Total P&L	2	2	1	-1	1	Total P&L	1	1	1	1	1

Dynamic provisions are being already applied in Spain since 2000. The mechanics is as follows[405]: -the total provisions are the sum of specific (dot.espe) and general (dot.gen) provisions.

$$dot.gen_t = \alpha \, \Delta C_t + (B - \frac{dot.espe_t}{C_t}) * C_t$$

Where C_t is the stock of loans and its variation (positive in a lending expansion, negative in a credit crunch), covers the latent loss, and beta is the average specific provision for a full lending or business cycle. There are 6 risk buckets, each with a different alpha and beta, they are:

	Alpha %	Beta %
Negligible risk, represented by cash and public sector exposures.	0	0
Low risk – mortgages with a loan-to-value ratio below 80% and exposures to corporations with A rating or above.	0.6	0.11
Medium-low risk, mortgages with a ratio above 70% and other collateral loans.	1.5	0.44
Medium risk, other loans (corporate exposures below A rating, SME)	1.8	0.65
Medium-high risk, consumer durables financing.	2	1.1
High risk, credit card and overdrafts.	2.5	1.64

While there levels may not be able to cover the all losses in case of an economic crisis they have proved useful in Spain. In 2007 the level of accumulated provisions was[406] 1.3 % of the total consolidated assets, while the capital and reserve represented 5.8 %.

Fig. 1[407] The evolution of traditional versus dynamic provisions

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[405] Dynamic Provisioning, The experience of Spain, pg. 2, www.rru.worldbank.org
[406] Ibidem, pg. 6
[407] Ibidem, pg 4.

Provisions over total loans (%)
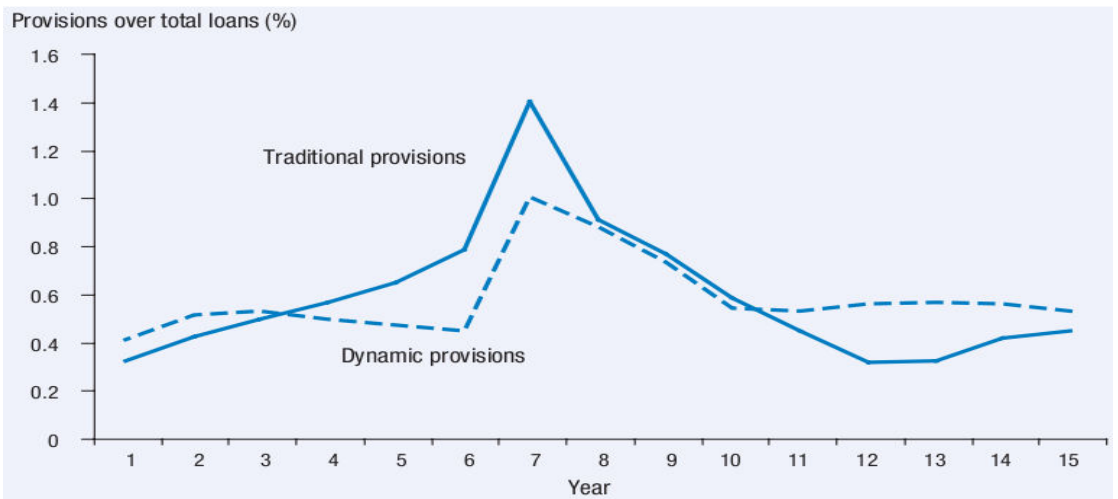
It can be observed that using the dynamic provisions the banks exposures is not so pro-cyclical, and it offers them a buffer to use in moments of stress. The experience of Spain is very important for implementing such a method throw CRD 4, even if know Spain has a level of unemployment close to 20% it's banking system is stable.

Conclusions

The global economic crisis has shown that current systems, especially Basel II, are no longer sufficient to cope with new type of challenges of global and financial type, even though Basel II was not the best safety net for the financial sector (or to the banking sector in particular) it was still better than the lack of any legislation. Thus the new rules and regulations issued by international supervisors are develop on the skeleton of Basel 2; CRD 2 & 3 & 4 will improve the current system, specifically by an increase in the stability of the financial sector. The CRD 2 directives which included proposals to be implemented by the end of 2010, but especially in discussions CRD 3 & 4, shows that we are heading towards a new approach both at micro as macro stability,

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SUBSECTION: ACCOUNTING

DOES FAIR VALUE REPRESENT A CONCERN FOR ROMANIAN RESEARCHERS?

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In the actual economic context, the fair value concept is of high interest .We tried to see if the concept is only talk about, or if research in Romania has been actually done on this theme. We have analyzed the Romanian Journals recognized by CNCSIS in order to see if this concept represents a concern for Romanian researchers. This article is a literature review of the economic Romanian journals recognize by CNCSIS in the field of "fair value".

Keywords: *fair value, CNCSIS, concern*

Cod JEL: M41

1.Introduction

Fair value has been treated, from the conceptual and methodological point of view, and its effects in accounting standards or regulations. At international level, the concept of "fair value" has aroused debates especially regarding how to obtain it. Although the FASB issued two standards dedicated to fair value- FAS 157 "Fair value Measurement" (2006), and FAS 159 "The Fair Value Option for Financial Assets and Financial Liabilities (2007), is now trying a collaboration with FASB to issue a more complete and complex accounting standard and "Fair Value Measurement " to clarify issues like: the definition of fair value, it determination at level 3.

If international concern for "fair value" is very high, in our country, the concept is still new. Yet, it is still difficult to clarify it at the conceptual level and even more difficult to implement it. Related to this, there are questions about appropriateness of introducing an accounting system which includes fair value. We ask ourselves: Are Romanian researchers interested in the concept of „fair value"?

2. Research methodology

To review the literature in a particular area of research it is necessary first, a list of journals surveyed. Thus, from the Romanian journals, recognized by CNCSIS(National Council of Scientific Research in Higher Education) were selected 3 economics journals indexed A (ISI Journals) and 25 economics journals indexed B + (BDI Journals). All research conducted is considering a period of 4 years, from 2005 untill 2009. This period was chosen because in 2005, CNCSIS introduced the classification of Romanian Journals in indexed journals A and journals indexed B. The 24 works that deals strictly with the aspects concerning the „fair value" were analyzed in terms of three factors: year of publication, article topic and research methodology.

3. Defining fair value

Considering that the article tries to evaluate the knowledge of Romanian researchers regarding the concept of fair value, it is necessary to define the concept.

The term , known in Romanian as "valoare justa" is the translation of the phrase "fair value" which, literally speaking, corresponds to "genuine value" rather than "fair value" (R. Obert, 2004).When speaking of the contents of the concept, there are some opinions that attributes its quality of assessment base, others who claim that represents a particular application of market value, others it considers some convention or accounting principle, finally it is also shown that fair value is an estimate and not a finding ,as in the case of the market value. Another variant of the previous definition is the sum for which an asset could be exchanged in a balanced transaction, between parties informed and determined, different than in a forced liquidation sale (G. Holmes, A. Sugden & Gee A. , 2002). IASB gives the following definition for fair value: *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
(IASB, 2006).

4 . Literature review study of the romanian journals recogniuzed CNCSIS

After analyzing all studies included between the period 2005-2009 from the 28 selected national journals, it was chosen 26 studies that directly addresses the concept of fair value. The table below shows the number of studies that treat the subject assigned to the exact time they were published:

Figure 1: Study on the concept of ,, fair value", published in the Romanian journals recognized by CNCSIS between 2005-2009
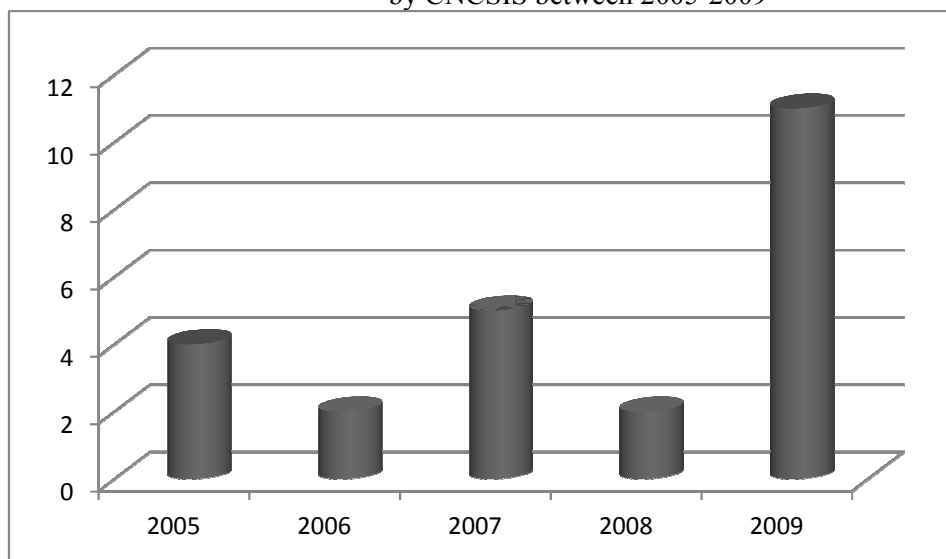
Source: autor's compilation

After reviewing all studies during 2005-2009, we can observe that in 2009 were published a larger number of articles compared to the other years, this shows the intense concern in 2009 for fair value. This situation can be explained through an increase desire to adopt, both, internationally and nationally a modern accounting system, characterized by increasing concept of "fair value. Also the large number of articles published in 2009 can be explained by the economic crisis , which has increased the " popularity" of "fair value". Going forward, to the second analyzing factor, the theme of the article, it can be considered that the selected studies can be split in this way: conceptual framework, research on international accounting standards, studies that reveal the "marriage" between: historical cost and fair value, studies that support or reject fair value, in this being included the studies that show the advantages and disadvantages of fair value. The results can be summarized as follows:

Figure 2: Studies on the concept of fair value classified by topic published in the Romanian journals recognized by CNCSIS
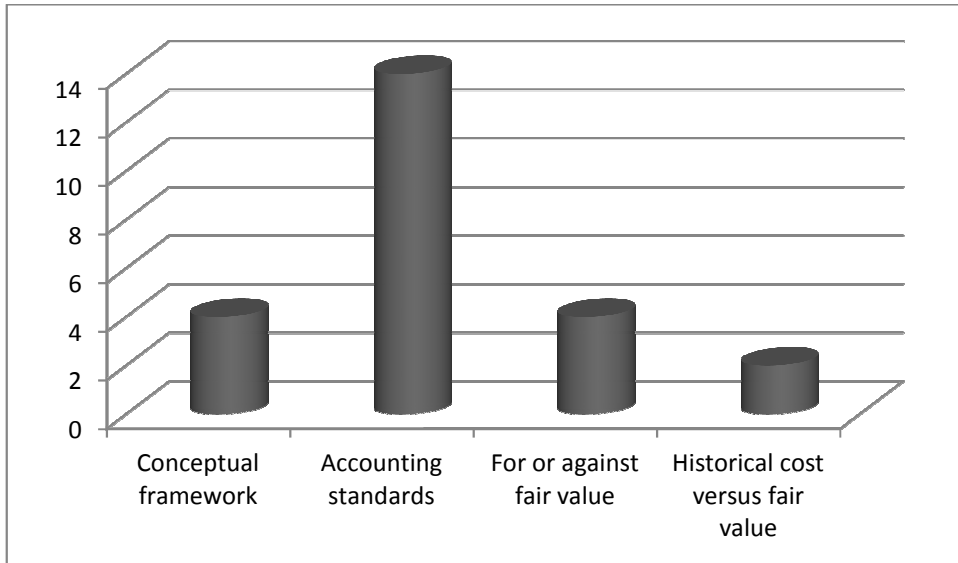
Source: Autor's compilation

As expected, the topic that caused the highest degree of interest among the Romanian researchers is the one concerning the fair value in accounting standards. This high concern can be explained by the activities undertaken by regulatory bodies accounting, FASB emitting FAS 157 in late 2006, followed by FAS 159 in early 2007, while the IASB issued Exposure Draft-measuring fair value in September 2009.

Analyzing, in terms of research methodology, selected studies, we can divide the articles in: qualitative articles and quantitative articles. We consider to be qualitative studies, the theoretical one, and quantitative studies, the empirical ones and those that describe case studies. The results can be summarized as follows:

Figure 3: Studies on the concept of fair value, classified by research methodology, published in the in the Romanian journals recognized by CNCSIS
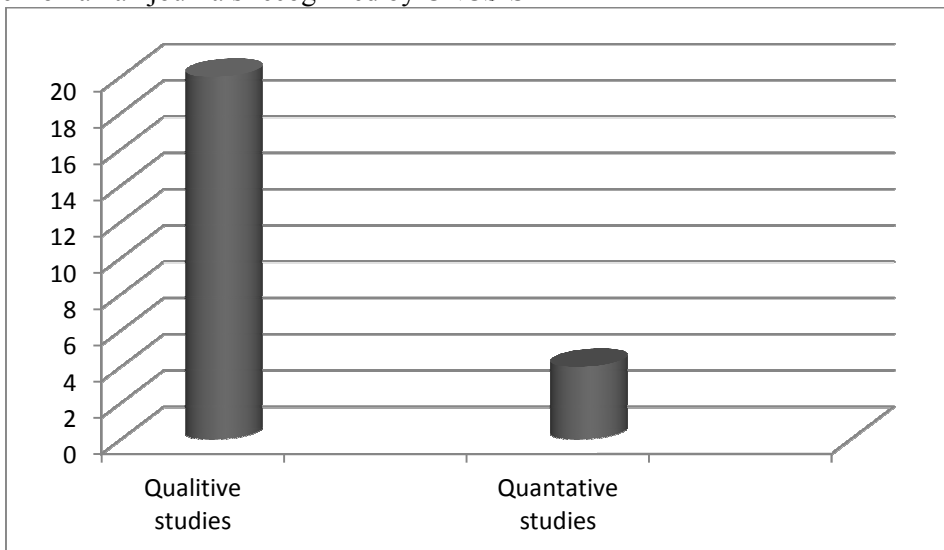
Source: Author's compilation

We can see that the qualitative studies exceed the quantitative studies, this being expected, because in Romania the area of interest, regarding fair value is only at the beginning.

4. Conclusions

Considering all aspects of analysis we can answer the question from the beginning of the study and we can assert that the concern for the concept of fair value is very high right now, but at the same time, the literature in respect to this aspect is only at the beginning of knowing it. Therefore, it prevails theoretical studies, published in 2009 with the predominant research theme: concept of fair value in accounting standards.

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ACCOUNTANTS ABOUT ACCOUNTING POLICIES. AN EMIPRICAL INVESTIGATION OF SMES FROM BIHOR COUNTY

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This paper examines the setting up of accounting procedures and policies in sampled SMEs from Bihor, county selected after criteria of size at the end of 2008. In order to conduct our research we have set up a questionnaire of 25 questions which has been applied to 100 SMEs. The obtained results showed that out of the 83 respondents, only 92,68% agree with the provisions of Article 10 of Order 3055/2009, according to which entities must develop their own accounting policies approved by the managers, only 75,60% of the respondents agree that the existence of written accounting policies at the enterprise level improves the quality of financial reporting and managers' decision making process and a significant number of respondents (21,95%) do not know the fact that during a financial year, a firm's accounting policies cannot be changed. The most relevant result of our investigative research consist in identifying the need to train the human resources involved in the process of writing and applying accounting policies and procedures in SMEs and the necessity to set up a manual of accounting department.

Key words: accounting policies, financial reporting, disclosure, SMEs

JEL codes: M41, M10, C81

1. Introduction

The latest decades in accounting research have been marked by empirical studies on accounting policies as well as by the reinstatement of the research methodology. Several papers which have been written on the theme of accounting options on the financial markets borrow their analysis frame from the financial theory: they use the efficiency hypotheses of the capital markets and the market model. The provisional character of the accounting information has often been associated to the truths resulting from what is considered to be obvious. Products of an *a priori* research, the accounting practices and standards lack any empirical validation. According to Casta (1997), at the end of the 60's, a part of the accounting research move away from the normative papers and approach a positive epistemology. Finding their sources in the financial theory, the positive approach has introduced, in the accounting research, a methodological sequence, not known so far, containing the stages regarding the observation of practices, the configuration, the wording of the testing hypotheses, of the empirical tests and their validation.

Our research hold forth to initiate a questionnaire based research in order to see the main perceptions of the accountant working in a small or medium sized enterprise, of their utility in providing the faithful image given by the accounting. The central objective of our research is to determine the degree of sensitivity regarding the formulation of written accounting policies by the Bihor county SMEs and the setting up of a manual of accounting policies and procedures at a certain entity level. We used directly applied questionnaires, on selected SMEs. Within each firm, we wanted to ask a person from the accounting department or from the management team to fill the questionnaire. Almost in all the cases the respondents belong to the accounting department, in

most of the cases being the chief accountant or the firm's economic director. The structuring of the questionnaire was made on 3 essential levels: 1. general information about the respondent; 2. questions testing the managers or the accountants' perception on the enterprise accounting policies; 3. personal data about the respondent. In total, the questionnaire had 25 questions out of which 19 open questions and 6 mixed questions. Of the 25 questions, 18 require answers from a scale from one to five, varying between strongly agree (5) to strongly disagree (1).

2. Explanatory grounds and literature review
Virtually, the accounting policy represents options regarding the specific principles, the evaluation stages, the rules and the procedures adopted for the setting up and presentation of the financial statements. As it results from the *IAS 1 "Presentation of Financial Statements"*, the **accounting policy** represents the *assembly of principles, conventions, rules and methods adopted at a national level or at the level of the accounting entities for the accounting recording and for the setting up of the financial statements*. To the extent to which these elements become imperatively applied norms by the legal texts, the accounting policy is reported and subordinated to the normative regulation system. Nationally, actually, the accounting policy is set up by the regulator and at enterprise level, the policy is set up and assumed by the enterprise managers. When there are no specific requirements, the management of the entity must adopt policies able to provide information through the financial statements, and the information should be: relevant for the users' needs in making decisions and credible. Lacking an explicit standard or regulation and an interpretation, the management of the enterprise will use the **professional judgment** in order to develop an accounting policy leading to the most useful information for the recipients of financial information.

Several researchers (Hagerman and Zmijewski, 1979; Zmijewski and Hagerman, 1981; Francis, 1987; Leftwich, 1981; Gopalakrishnan, 1994) have been trying to explain the motivation of the managers in choosing the accounting methods and why the capital market reacts to the accounting changes imposed. In the literature regarding accounting policies, the researchers have used the following perspectives in order to identify the determinants of the accounting policies: the opportunistic behaviour, the efficient contacting and the perspective of the information. It is known that "*long-term debts*" and *"political vision*" are important determinants of the accounting policies. Two hypotheses have been extensively tested in the choice literature in relation to the accounting policy. They are: debt/equity hypothesis: the larger a firm's debt/equity ratio, the more likely the firm's manager is to select accounting procedures that shift reported earnings from future periods to the current period; size hypothesis (or the political cost hypothesis): the larger the firm, the more likely the manager is to choose accounting procedures that defer reported earnings from current to future periods.

On the other hand, in other studies (Tarca, 2002; Gernon and Meek, 2001; Saudagaran, 2001; Schipper, 1999; Nobes, 2000) the impact of international harmonisation pressures on companies' choices of accounting policies is investigated. Demands for greater comparability in reporting have arisen from increased international business activities and greater participation in global financial markets. Companies may seek more harmony in their reporting if they expect greater comparability to have more benefits than costs. If a company selected policies that were consistent with IFRS, then it would increase comparability of reporting with other companies using IFRS. An interesting research in presented in Gietzman and Trombetta (2003) study regarding disclosure interactions: accounting policy choice and voluntary disclosure effects on the cost of capital. In their research the authors considered how disclosure of accounting policy interacts with subsequent choice over voluntary disclosure of a non-financial performance metric. In their model the case that accounting policy choice influences voluntary disclosure is dependent upon a complex mix of firm and environmental factors. The central contribution of this research, like the authors underline, is to make precise a formal setting in which acconting policy choice

has significant signalling value and moreover where the signalling value dominates the value of increased voluntary disclosure when accounting policies are chosen or mandated to be uniform.

Other previous research works (Myers and Majluf, 1985; Healy and Palepu, 2001; Lang and Lundholm, 2000; Paprocki and Stone, 2004; Levine and Smith, 2006) build their study on investigating or examining choices of critical accounting policies, testing whether the quality of critical accouting policy disclosures is significantly associated with a proxy for information asymmetry. Critical accounting policies are the three, four or five policies that are very important to the portrayal of the company's financial condition and results and that require management's most difficult, subjective or complex judgments often because they require estimates about the effect of matters that are inherently uncertain. Such disclosures are intended to reduce information asymmetry.

Domestic accounting literature is mainly preoccupied with the conceptual aspects of the accounting policies and the analysis of the motivations leading to the selection of a certain policy by the management of enterprise. Authors like Duţescu (2003), Feleagă and Malciu (2002), Cernuşca (2004), Diaconu (2004), Bunea (2006) are preoccupied in their research with the meanings of defining the concept of accounting policies as well as with the essential estimation criteria of accounting choices. Thus, according to Bunea (2006), if we make a review of the opinions regarding the content of the concept of accounting policies, in order to identify its nucleus, we will notice that it does exist and it is made up of an objective – restriction, represented by getting in the financial statements a superior quality piece of information, useful to different categories of users, but also from the estimation policies binomial – drafting and presentation policies of financial statements. Feleagă and Malciu (2002) are more incisive when referring to the delineation between the accounting policies and the estimation techniques: *„actually different accounting policies represent the same set of events in different ways or different aspects of the same set of events; on the contrary, the estimation techniques are used to get to the events that must be presented."* And Cernuşca (2004) considers that the accounting policy requires licit and concerted actions supported by the research of the objectives suggested by the managers of the enterprise, but it can also be the expression of some implicit accounting options. The enterprise management, through the accounting policy it draws up, sets up certain objectives regarding the size of the result. The accounting policy chosen by the enterprise management has consequences on the determination of the size of the result, represent a true decision of strategic management.

3. Methodology and research design

The methodology used in the current paper is the human behaviour research methodology, whose methods are the interview, the questionnaire, the survey, the laboratory studies, the experiments etc. Regarding the investigation of the perception of the Bihor county SMEs Romanian accountants on the necessity to set up written accounting policies at the enterprise level, we used a questionnaire based survey. Thus, the empirical research was based on a pilot study constituted on a questionnaire applied in the territory. We wanted in this way to take the pulse of the population studied which is constituted of Bihor county SMEs, sampled according to size criteria: the net turnover reported at the end of 2008 financial year and the average number of employees reported at the end of the same period.

In order to understand the economic environment in which these firms operate, we will proceed by doing a short description of the position of Bihor county within the North-West region from the point of view of the activity and the main economic indicators of the SMEs in this region. The North-West region contains 6 counties: Bihor, Bistriţa - Năsăud, Cluj, Maramureş, Satu Mare and Sălaj. The number of active SMEs in this region is of 88,168 approximately 14,30% of the entire SMEs sector. If the weight has remained constant compared to 2001, the absolute number has increased with + 39%. In the North-West region, the highest weight in the firm volume is held by

Cluj county with a percentage of 34,70%, followed by Bihor county with a percentage of 25,30%. According to the value volume of the turnover, the region produces almost 11% of the national volume produced by the SMEs, and from the point of view of the SME's profits, the North-West region has 9,50% of the total national mass. In the North-West region, Cluj has 43,50%, followed by Bihor which covers 21% of the total profit of the region (Nicolescu, 2009: 168).

From the point of view of (gross) profit's average value on the enterprise the average value is of 45,40 thousand lei on enterprise, the most profitable proving to be the enterprises in Satu Mare and Cluj, Bihor county being the fourth in this classification, with a value of 38,11 thousand lei/enterprise. Both at the average county level as well as at the regional level, the SMEs in this region prove to be less profitable compared to the national average. The equity ownership proves to be relatively well capitalized, because the rate of the equity ownership quotation the equity ownership established as a ratio between the turnover and the equity ownership is superior to some regions such as the Central and the Western parts or to the national average (348,60%). At one year level, the number of rotations was higher in Bihor and Sălaj, but more reduced in Bistriţa - Năsăud (3,7 times). Compared to the previous year, the rotation speed was reduced from 448,10% to 398,80%. Regarding the rate of the commercial profitability, the North-West region, with 6,91%, is situated below the national average level (7,25%), just like in the case of labour productivity, the rate of employment charges indicates a higher intensity of the payroll expenses in the North-West compared to the national average (99,60% compared to 113,70%).

The central objective of our research is to determine the degree of sensitivity regarding the formulation of written accounting policies by the Bihor county SMEs and the setting up of a manual of accounting policies and procedures at the level of an entity. Within each firm, we wanted to ask a person from the accounting department or from the management team to fill the questionnaire. Almost in all the cases the respondents belong to the accounting department, in most of the cases being the chief accountant or the firm's economic director. It is important to emphasize the fact that in our research we have used the aleatory sampling procedure. The structuring of the questionnaire was made on 3 essential levels: 1) general information about the respondent; 2) questions testing the managers or the accountants' perception on the enterprise accounting policies; 3) personal data about the respondent.

4. Descriptive statistics and results

Out of the 17 enterprises which have not filled in our questionnaire, 7 have been found in a difficult financial situation, meaning insolvency and 10 enterprises expressed their clear intention not to fill in the questionnaire. Out of the total of 83 questionnaires processed, in a number of 80, the general information section was filled in, but only 77 mentioned the name of the entity where the subjects work as well. We consider that is worth mentioning that out of the total of the answers received, a number of 65 subjects have declared that they have more than 5 year experience in making financial statements, these having a weight of more than 85% of the total of the sample, the rest having 1 to 5 year experience. Out of the 83 people interviewed, 66% were females and the distribution on age groups was the following: 41% were between 25 and 34 years old, 39% between 35 and 44 years old and the rest – over 45 years old. Regarding the subjects' professional qualification, the distribution of the sample showed that 44% of respondents are chartered accountants that have also economic college education, 7% of respondents are certified accountants with college education and 5% have economic average education.

The most interesting results have been obtained after processing the answers received at the second section of the questionnaire. Out of the 22 questions, 16 followed the acknowledgement of the provisions in the field of accounting policies of Order 3055/2009, 3 questions had in view the existence of accounting policies written at the entity level as well as their importance and 3 questions investigated the subjects regarding the training of human resources involved in drawing

up personalised accounting policies at the enterprise level. By processing the answers of this section, we have followed on one hand to get an as faithful as possible image of the situation at the SMEs' level in Oradea and Bihor county, and also to analyze to what extent our hypotheses were confirmed by the empirical data.

To appreciate the degree of familiarity with the concept of accounting policy, in the questionnaire we have included questions referring to the defining of the accounting policy, the structuring of the accounting policies, the defining of the general and specific accounting policies, respectively, afferent to financial reporting. Regarding the definition of accounting policy, the respondents, by choosing the answers, have proved that they master this notion (43,90% - strongly agree and 56,10% - agree), unfortunately, in what the structuring of the accounting policies concerns, a quite important part of the respondents is not familiar with the two categories of accounting policies (7,32%) or does not know the content of the two types of accounting policies – general and specific (2,44%). Figure 1 presents, synthetically, the percentages of the correct, vague or totally incorrect answers, afferent to the aspects mentioned above. We noticed that the highest deficiencies are associated with the structuring of accounting policies into general respectively specific accounting policies.

Figure 1. **Defining and understanding the notion of accounting policy in the sample**
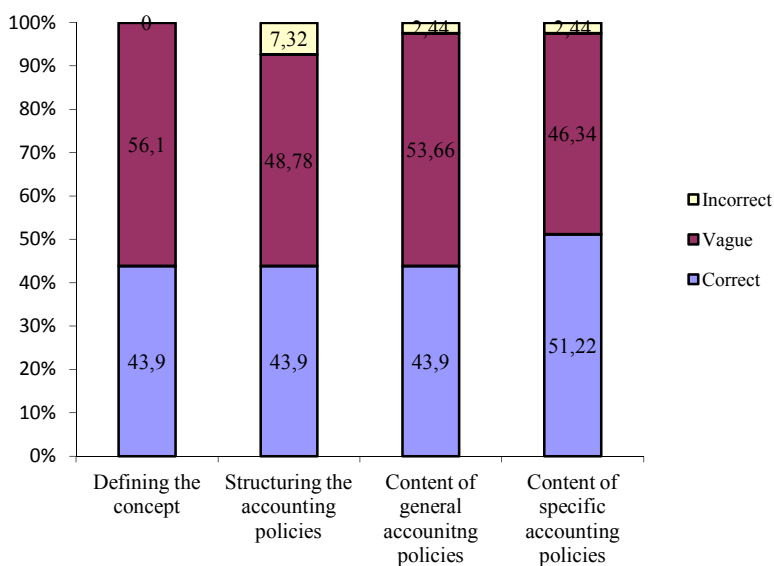
(*Source:* authors' calcullus)

The following questions followed the assuming of own accounting policies. Out of the 83 respondents, only 92,68% agree with the provisions of Order 3055/2009, according to which the entities must develop their own accounting policies, approved by the managers or the people in charge with that particular entity's management. On the other hand, the highest percentage of them believe that the entity's management should adopt policies ensuring the providing of information in financial statements, relevant for the needs of users in making decisions which are credible at the same time.

According to Order 3055/2009, information presented in the financial statement of an entity, in order to be credible, must be faithfully represent the financial results and position of entity, reflect the economic substance of events and transactions and not only the juridical form, be neutral, prudent and complete considering all the significant aspects. A significant percentage of

92,69% of the sample considered that they agree with this statement. Only 75,60% of the respondents consider that the existence of written company accounting policies is improving the quality of financial reporting and managers and other information users' making decision process.

According to Order 3055/2009, the general accounting policy, must be notified in the explanatory notes of the financial statements, section: Accounting Policies and Methods. In spite of all these, in the sample, almost half (48,78%) of the respondents do not totally agree with the legislative provisions. The dispersion of the answers is higher than in the case of the question referring to the change of accounting policies. For example, even though the majority of respondents (82,92%) think that the implementation of a new accounting policy can be done only starting with the financial year following the one when the change took place, a significant percentage of them think differently.

During a financial year, a firm's accounting policies cannot be changed, yet, just like in the case of the previous question, a significant percentage of the respondents (21,95%) are not aware of this provision of Order 3055/2009. The changes in accounting policies can be done at the entity's initiative, in this case this has to be justified in the explanatory notes of the annual financial statements but they can be determined also by a change in the regulation, case in which the justification is not compulsory, being only mentioned in the explanatory notes. 19,51% of the respondents in our sample do not know this provision. Regarding the reasons for the change in the accounting policies, Order 3055/2009 has explicit provisions. In spite of all these, as presented in Table 1, a significant part of the respondents, between 12,19% and 53,66% gave wrong or vague answers to questions.

Table 1. **The distribution of the answers regarding the change in the accounting policies in the sample**

The change in the accounting policies is justified in the following situations: / Answers	Correct	Vague	Incorrect	Total
Exceptional changes occurred in the entity's statement or in the economic-financial context in which it develops its activity and/or by the getting of some credible and more relevant information	87.81%	9.76%	2.43%	100%
The change of the shareholders due to joining a group of firms when providing more secret information	82.93%	12.2%	4.87%	100%
The mergers and other similar operations made at accounting values	70.73%	17.07%	12.2%	100%
The changes in the applied estimate basis	46.34%	34.15%	19.51%	100%

(*Source:* authors' calcullus)

According to the provisions of the same normative act, the change of the entity's managers does not justify the change in the accounting policies. In spite of all these, a significant percentage (17,07%) of those interviewed does not know it or disagree with it.

Attempting a synthesis of the degree of perception of the provisions of Order 3055/2009, we have grouped the first 16 questions of the questionnaire on essential aspects, as it can be seen in the table below. Each essential aspect has been associated with an average percentage, determined as

a simple arithmetic mean of the answers in each category. The highest percentage of the correct answers, 96,95% is associated to the defining of the concept of accounting policy, at the opposite pole being, as we have mentioned previously, the familiarity with the legal regulations regarding the change in accounting policies.

Table 2. **The degree of perception of the provisions of Order 3055/2009 regarding the enterprise accounting policies in the sample**

The nature of the problem investigated	Answers (simple average percentages			
	correct	vague	incorrect	total
Defining the concept of accounting policy	96.95%	3.05%	0%	100%
Assuming own accounting policies	96.35%	3.65%	0%	100%
The utility of accounting information	84.14%	12.19%	3.67%	100%
Communication of accounting policies used in order to draw up the financial statements	85.36%	12.19%	2.45%	100%
Change in accounting policies	76.52%	15.24%	8.24%	100%

(*Source:* authors' calcullus)

We have considered as correct the answers "Strongly agree" and "Agree", those vague are those answered with "Neither agree nor disagree" and the wrong answers had the answers "Disagree" and "Strongly disagree". The subjects from our sample had relatively divergent opinions regarding the people in charge with making the accounting policies at the firm level. The distribution of the answers revealed that 36% of respondents consider that a group of professional specialists appointed by the firm's management should be in charge with the writing and improving the accounting policies and procedures, 27% of respondents consider that the manager and a group of professional specialists would be much appropriate and 22% are of opinion that the economic executive or the chief accountant, 10% are for the accounting department and finally 5% are for an independent accountant to be responsible for elaborating and improving these policies.

5. Conclusions, limits and further research
As we presented in the previous sections, our study is a questionnaire based research, applied on a sample formed by 100 SMEs from Bihor county, selected using size, annual turnover at the end of 2008 as well as the average number of employees criteria. Only 83 of the applied questionnaires were validated. It is important to note that 65 of the respondents have over 5 years experience in financial reporting, that is over 85% of the sample, the others have an experience of 1 to 5 years, in the meantime, 44% of the respondents have economic higher education and other 44% are chartered accountants.
The most interesting results were obtained from the answers to the questions from the second section of the questionnaire. Out of the 22 questions in this section, 16 were designed to find out whether the respondents are familiar with the accounting regulations from the Order of Ministry of Public Finance no. 3055/2009, 3 questions were related to the existence of written accounting policies for each entity, and another 3 questions investigated the subjects' opinion with regard to the formation and training of human resources of the personnel involved in the elaboration of specific accounting policies in a firm. In order to obtain a synthesis of the degree of perception of the Order no. 3055/2009, we have grouped the first 16 questions using some essential features – the defining of the accounting policy concept, their assuming at a firm's level, the utility of

accounting information, the accounting policy disclosure and their modification. We have computed an average weight of the correct and wrong answers for each of these essential features. The highest weight of the correct answers, 96,95% is associated to the defining of the accounting policy concept, on the opposite pole we find, as we mentioned earlier, the knowledge of the legal stipulations regarding the modification of the accounting policies.

Perhaps the most important result of our investigative research on the SMEs from Bihor county sample is the identification of the need of specialists' formation and training in the development of specific accounting policies, according to the entity's features, as well as the necesity of specialized assistance in the elaboration of a policy and procedure manual(guide) for the accounting department, which should comprise the specific theoretical framework for the development of strong accounting policies, premise of a believable and comparable financial reports, reflecting the economic substance of events and transactions. The limits of our study are related especially to the elaboration of the questionnaire, the formulation of the questions as well as the choice of the sample. We intend to remove these weaknesses in future researches, that will be focused on the investigation of specific accounting policies used in Bihor county or even North West Romanian SMEs, their presentation in the financial reports and the motivations behind the choose of an accounting policy or method in the detriment of another one.

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LIABILITY TO SUPPLIERS REPORTING STANDARDIZATION - QUALITY GROWTH FACTOR OF ACCOUNT INFORMATION

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Under No.11 position paper "Economic and Monetary Union" Romania took responsibility of reporting according to European System of Accounts ESA 95. Public Institution classification is necessary to delineate the perimeter of general government (S.13), subdividing it into sub-sectors and to define how to consolidate their financial statements. To fulfill this research we used methods of documentary research, observation, analysis and empirical observation. Through the specific procedure of documents observation performed we accomplish delineating the problem in the general context. The empirical experiments produced practical data. The purpose of this study considered the practical applicability of a solution in offering a model of reporting that lead to increased correctness, forwardness, quality, of accounting information provided to their users

Framework

Through entity's relation with its environment the need for objectives, relevant information arises whose satisfaction is required adequate supply. Accounting information in an organized manner provided by practitioners of economic entities should be useful to all users of information products of accounting. Market information is the meeting place of demand and supply of such information. Informational demand represents on one side informational needs of different users, and on the other side the pressures they are putting on general information system. The informational offer represents the aggregate information obtained in the accounting information system, available to various users groups and forms and their transmission routes.

Compared to other information sources, accounting information has high credibility. This credibility is being helped by auditors intervention, which aim to certify the summary documents submitted to users by managers.

Romanian Framework

Accounting Law provides that al companies should record the transactions based on double-entry bookkeeping system, the categories of entities which record their transactions single-entry bookkeeping system being specified by law. The responsibility to organize and record all the transactions for public institutions belongs to credit release authority.

Public institutions organize the accounting system, in different compartments led by the chief financial, accounting officer, or other person empowered to perform this function.

These people should have BA in economics and jointly share responsibility with his staff in the organization and management accounting law. Public institutions to which accounting is not organized into separate compartments or does not have staff employed by individual employment contract, can establish separately work contracts, to organize accounting system, and to present the financial statements, with professional external to this institutions, authorized by law. Conclusion of contracts is subject to the regulations in force on public goods and services.

It is specific characteristic Romanian national accounts try positioning between two accounting cultures the traditional continental one and the Anglo-Saxon one.

Indebted customs, the communist doctrine, multiple legislative changes Romanian accountant from public system shows an aversion to new, need to be talked what/how/when to do.

International Accounting Standards (IAS/IFRS/IPSAS) come with a cultural inheritance difficult to be assimilated; it is based on professional reason (not a parameter in the communist era). The professional reason based on a set of general accounting accepted principles, can lead to a multitude of valid solutions to the same type of problem (controversy giving rise to supervisory bodies that may have another option).

The continuous change of International Accounting Standards, irrespective of their form, become in a paradox way more complex, and also more clarifying, lead to a new perspective for the Romanian Accountant whom is becoming a more international one. mastering the principles, and the terms of international accounting.

To converge means to moved toward the "to the same point, the same goal"; in the accounting domain *convergence* is a relatively new concept, appearing together with the internationalization of IASB objectives, in 2001. One of these objectives states: "To cooperate in an active manner with national regulatory standards board to identify quality solutions for the convergence of national accounting standards with standards developed by the IASB"

Compliance under explanatory dictionary of Romanian language is defined as: The ratio between two similar things or identical match, consistent identity. Accounting Compliance is the process by which compliance is assessed, and action consistency in content presentation rules and drawing up financial statements represent a harmonization of national regulations with the rules set by regional and international standardization bodies."

I agree with the conclusion reached „Convergence is following up on a national spirit of IAS / IFRS / IPSAS and conceptual framework, namely the adoption of the accounting treatment under international standards while normalizing the accounting means alignment, compatibility, for example at the European level, the accounting rules of different countries"

When it comes to economic account, many of member states of European Union, by lack of economic data, it so often referred to accrual with respect to financial, characterized by recording, the finding of income and expenditure obligations is adjusted to economic values on financial dimensions management based on economic accrual.

Public Romanian Institutions, using double entry bookkeeping system, records directly incomes and expenditure based on economic accrual to the reference period.

We number through the objectives of accounting normalization:

"...ensure regulatory accounting practices and thus lead to improved accounting

"...enable users of accounting information to make rational decisions based on accounting information

.. o serve as arbitrator between the various parties involved in economic life and, in particular between producers accounting information and accounting auditors who certify the quality of information thus ensuring the credibility of social accounting information;

To allow and enhance consolidation accounting in order to obtain an accurate accounting information for group companies;

..To assure the development of national statistics „

Reporting on sub sectors in Romania

Under No.11 position paper "Economic and Monetary Union" Romania took responsibility of reporting according to European System of Accounts ESA 95.

Given the internal and external reporting demands in 2009 by adopting the Minister of Public Finance Order nr.629/2009 Methodological Norms for the preparation and submission of quarterly financial statements of public institutions and of monthly financial reports in 2009 with amendments and supplemented (Omfp.nr 2290/2009, 2941/2009 Omfp.nr) was introduced the necessity of sub sectors reporting.

 The user of accounting information faces two sub sectors organization so when public institutions are grouped as sub sectors compiling annex for each sub sector they belong to:
   - Annex 40a "Statement of assets and liabilities of central government institutions,"
   -Annex 40b   "Statement of assets and liabilities of public institutions of local government"
   -Annex 40c   "Statement of assets and liabilities of public institutions of social insurance (State, unemployment, health).
And the reporting of their contents is performed as defined by sub sectors:

Sectors and sub sectors according to European System of Accounts (ESA' 95)	Name IN	User Annex 40	Code ESA'95
Non financial companies	Economic operators		S.11
Financial Companies			S.12
Central Bank	B.N.R.		S.121
Other monetary financial institutions	Institutions	Credit Resident	S.122
Other financial intermediaries, except insurance companies and pension funds	Other residents		S.123
Financial auxiliaries	Other residents		S.124
insurance companies and pension funds	Other residents		S.125
Public administration			S.13
public institutions of central government			S.1311
public institutions of local government			S.1313
public institutions of social insurance			S.1314
Other states	Non-residents		S.2
European Union	Non-residents		S.21
Member States of European Union	Non-residents		S.211
Institutions of European Union	Non-residents		S.212
Third countries and international organizations	Non-residents		S.22

Classifying the public institutions is necessary to delineate the perimeter of public administration, to share it in sub sectors, as well as to define how their aggregated financial statements.

ESA 95 Manual shares the sector of public administration in four sub sectors:
- Public institutions of central government (S.1311),
-Intermediate public institutions of government (S.1312), does not appear as such in Romanian division
- public institutions of local government (S.1313),
- public institutions of social insurance (S.1314).

S.13 sector structure component analysis is required to analyze sub-classification of the institutions mentioned above, to reflect the route transactions to / from government.

Demarcation of the universe of public government is essential to prepare consolidated reports of the respective sector and the public government sector under the standards identified in this respect in Europe and internationally.

It should be noted the difference between public and government that depends on the classification of institutions. According to ESA 95, an institution is included in sub S.13 on its financing arrangements and the so-called compliance with the 50% criterion. This criteria are purely statistical and therefore not include an institution on the public institution list is based not only on its economic and legal profile.

For Romania, the institutions included in the perimeter of government based on two elements:

- financing arrangements
- Legal personality.

Example of standardized reporting practice Liability to Suppliers

Next we illustrate the analytical models, disclosure of the Liability to Suppliers

Presentation in a synthetic balance sheet at this moment

40			Suppliers and similar accounts
	401		Suppliers
	404		Fixed asset suppliers
		4041	Suppliers of fixed assets under a year
		4042	Suppliers of fixed assets over a year
	408		Suppliers - invoices not arrived
	409		Suppliers - debtors
		4091	Suppliers – debtors purchases of goods inventories nature
		4092	Suppliers – debtors for service and execution of works

First version analytical on sub sectors it has been tried to complement the automatic export of data to balance the 'Annex 40 (a, b, c) Statement of assets and liabilities of public institutions, information related to "Annex 30 Delays" in which complement or encountered numerous errors.

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Non-current trade payables related supplies and services (ct.401+403+4042+405+4622). Total (rd.458+459+463+464), which:	Delays of public institutions of central government - (representing unpaid debt up to term) of commercial operations (ct.401+403+404+405+462). Total (rd.492+493+497+498)from which to:
-Economic operators (S11)	- Economic operators (S11)
-Public institutions from which (rd.460+461+462):	- Public institutions from which (rd.494+495+496):
- Central government (S1311)	- Central government (S1311)
- Local government (S1313)	- Local government (S1313)
- Insurance institutions (S1314)	- - Insurance institutions (S1314)
-other residents (S123,S124,S125)	--other residents (S123,S124,S125)
--Non residents (S21,S22)	--Non residents (S21,S22)

Current trade payables related to supplies and services (ct.401+403+4041 + 405+408 +419 +4621). Total (rd.466+467+468.1+468.2), din care cater:	Delays of payments to suppliers, creditors of commercial operations (ct.401, ct.403, ct.404, ct.405, ct.462) din care: (rd.07.1+08+09+10+11)	07
- Economic Operators (S11)	-under 30 days	7.1
-Public Institutions from which: (rd.467.1+467.2+467.3)	-over 30 days	08
- Central government (S1311	-over 90 days from:	09
- Local government (S1313)	-(ct.462)	9.1
- Insurance institutions (S1314)	-over 120 days	10
-Other residents (S123,S124,S125)		
- Non-residents (S21,S22)		
Debt from clearing operations, barter and economic cooperation (ct.462/5128)		

So being for the first case we have the following structure:

Synthetic account of first degree – suppliers was divided into the current and on current period, these accounts were in turn divided into accounts on sub- sectors, which were made taking account sub-division employment or settlement within the current period.

Inconvenient of this model are defined as follows.

A) Inability to develop synthetic unit balance and accounts of others to such a level of analytical representation

B) High degree of error which may occur in filling in the current settlement, the division generating difficulties, limits applying to future periods compared to the delayed pays report which was based on previous period

C) Many operations necessary to end of the month to their correct reporting and to fulfill its role to support the preparation of cash flow (ig Receive an invoice in 7 days settlement period, if received in the first days of the month, to its end where nonpayment was delayed, whether it was delivered in late fall into these categories)

To the second model we have the following grouping: current and non-current period

As found in dividing term solution to pay current period was chosen to make settlement within months of / analytical per month.

Thus a reduced employment opportunity for error in terms of the settlement payment is due in the same month and payment of invoices within 7 days, 30 even 180 days.

Problems arise when the health sector which are required by law for payment deadlines and troubleshoot the 180 days since July as the invoice will show the debt payment deadline non-current although less than a year and even pay up to end

As computing solution for avoiding the error of Completion from the calendar month following the expiry settlement accounts within months expired may not balance being blocked from completing fields (sub-account balance by the payment due date in January from the month February should be zero or as a result of payment or the transfer of category outstanding under 30 days)

Conclusions

SWOT analisys of this standardisation of liabilities to suppliers

Strengths

Provides a clearer picture, help in preparing cash-flow,
- Information on such debt indifferent is important.
- It facilitates a better assessment of management, procurement, suppliers of credit limits.

Weaknesses
- Original complex operations, human resources, insufficient training. Lack of specialized human resource endowment.

Opportunities
Reliability of the information provided internally and especially the risk of attracting internaţional. Reduce plan sanctions for exceeding the time limits for submission of the situation, or supplementing them with errors.

Threats
Insufficient allocation of human resources results in less relevant and reliable information delays in reporting information on bodies (inter) national, drawing penalties.

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RISK MANAGEMENT'S IMPORTANCE AND ROLE IN AUDIT

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The importance of treating this theme is proved by the current situation that economy and the entities activating on the market are confronted with.
Risk is present in all the actions and event of humanity. Risk is in a permanent change, it evolves in complexity, among the traditional exposures to hazard other risks are added: operational, financial, strategic, market, country, legal, human, fraud risks and its complex character can be attributed to a range of factors that are grouped by the specialized literature in macroeconomic factors, also called extern, and microeconomic factors, also called intern.
In the last few years, the importance of the corporate governance involvement in risk management is more and more recognized. The organizations are under the pressure of identifying all risks that it is confronted with starting with social risks, ethical and environment risks to those financial and operational, and also to the way it manages them at an acceptable level. In the same time, using integrated risk management procedures and politics at enterprise level (ERM-Enterprise Risk Management) has extended, in this way organizations are admitting the risk management approach advantages.
The internal audit, in both his roles of providing assurance and consultancy, contributes to risk management in various ways, its importance being increasing due to the current financial crisis.
For the financial auditor the term of risk has other senses, meaning that risks are regarded through the mission type and objectives. But still, identifying and measuring audit risks during the mission's planning are strong connected to the existing risk management of the entity. In this way, if the audited entity has an implemented risk management that is proved to be efficient, this will represent a starting point for the auditor in evaluating the risks connected to his engagement, meaning that the general audit risk will be lower and the assurance level will be higher. More than that, an efficient enterprise risk management determines a higher level of trust in the internal audit department's activity.

Key words: Risk, risk management, internal audit, audit risk, efficiency

JEL Code: M 42

Introduction

While liberalization, globalization and fast development of informatics technology generate new business opportunities, financial and economic entities are exposed to more diverse and complex risks then before. Risk identification, measurement and control have never been more important for organizational and strategic management then they are today.

The paper treats issues such as the existing risks for an entity, the efficiency and advantages of implementing a risk management, the internal auditor's play in risk management functioning and its connection with the audit risk determined by the financial auditor during his engagement.

The importance of treating this theme is proved by the current situation that economy and other entities on the market are confronted with. Since the financial crisis started and up until now we

could assist to the effects apparently produced by this situation, but even more by an inefficient management and by unreliable strategic plans.

Under these conditions, the entities that had developed an efficient risk management in the past had been capable to survive this period, and some of them even more, they managed to maintain profitable. It is also true that past can't be changed, but learning from it, some cautions can be taken, some decisions and plans that haven't been implemented can be reviewed.

Treating risk management and its impact in all aspects it becomes relevant for the entities which can still learn from mistakes and from other positive examples and also for those who analyze and study the market, being a subject of real interest and present.

1. About the risks

Risk has various definitions in the specialized literature. It can be defined as: "the possibility to get into danger, to face a mess or to support a damage".(I.Mihut & co.,2003:6), "the risk is practically the threat of an event to affect the ability of a company to function and to accomplish its strategic goals. The risk generally appears not from the probability that nothing is going to happen, but from the probability that something bad is going to happen" (I. Mihut & co., 2003:8). Also, "the economic life is governed by incertitude and any other view of further events is, by definition, susceptible not to fit in the predicted parameters" (I. Mihut & co., 2003:8).

The risk exists permanently and he produces or not depending of the created conditions. Risk is present in all humanity's actions and events. Risk is in a permanent change, it develops in complexity, beside traditional exposure to hazard, adding operational, financial, strategic, market, country, legislative, human, fraud risk, and the complex character of the risk can be referable to more factors that in the specialized literature are grouped in macroeconomic factors, named external factors and microeconomic, named internal factors.

Internal factors are:

- Economic, determined by: changes in interest rate, inflation, insurances, taxes, economic changes.
- Political, determined by: the ambiguous and changing legislation, some protective politics, regulations and respecting them, area political priorities.
- Competitive, determined by: the changes of the market, the pressure of big companies , the types and services offered, fashion trends, using the mass-media, the demanding and the expectations of the clients, contract requests.

Internal factors may be considered:

- Social determined by: employees' ethic and faith, individual culture of the involved people concerning risk, the pressure claimed by the employees for their compensation rights or performing inadequate activities, frequent employees' changes, to close relationships between employees.
- Economics, determined by: the changes in data processing , the material substitution, a better security for the new products and technology, a better system regarding the procedures and the new operating methods, the need to reduce the loses, the investors' and shareholders' expectations, the adopted strategy.
- Physical determined by: buildings' damages, the fraud made through the acts or intentions of the employees or clients employees.

2. Risk management's importance for internal audit

In the last few years, the importance of the corporate governance involvement in risk management is more and more recognized. The organizations are under the pressure of identifying all risks that it is confronted with starting with social risks, ethical and environment risks to those financial and operational, and also to the way it manages them at an acceptable level. In the same time, using integrated risk management procedures and politics at enterprise

level (ERM-Enterprise Risk Management) has extended, in this way organizations are admitting the risk management approach advantages.

The internal audit, in both his roles of providing assurance and consultancy, contributes to risk management in various ways, its importance being increasing due to the current financial crisis. People carry on activities of managing risk in order to identify, evaluate, manage and control all types of events or situations that might affect the organization. These may vary from individual projects to defining the types of risk, for example, the market risk, in order to measure the threats and opportunities that organization as a whole is confronting with. The principles presented in this statement can be used to guide the internal audit's involvement in all risk management processes, but we are especially interested in risk management at enterprise level, because this is the one able to improve the governing processes in an organization. Enterprise Risk Management is a continuous process, structured within the organization as a whole, which allows identification, evaluation, decision upon the answers and reporting regarding the opportunities and threats that affect accomplishing the its objectives.

The Board of Directors has the general responsibility to make sure that risks are properly managed. But, in practice, the Board delegates the risk management functioning frame to the management team. Within the team, a separate function may exist, that coordinates and manages these activities and contributes through competences and knowledge.

The benefits of implementing an Enterprise Risk Management include:
- a higher probability of accomplishing the organization's objectives;
- improving the key risk understanding and their implications;
- a management that pays attention to the real important meters;
- less unpleasant surprises or crisis situations;
- the capacity of taking a higher risk for a higher reward/benefit;
- extended informing about risks and making decisions regarding risks.

Any decision regarding the accomplishment of a new objective, developments and restructures, involves a risk in obtaining the estimated results due to the influence of changes that take place all the time in the technical, economical, social, internal and external environment. The incertitude conditions influence the events that concur to obtain some indicators that can be used to evaluate the versions of realizing a project and the decisions' fundamentals.

Risk evaluation is necessary starting with the highest levels of making strategic decisions -   for example, in al cases regarding of: what type of activities to be carried on, what assets to be bought or what markets to take in count- and continuing with the operational decisions- from accepting foreign currency payments to assuring a proper level of safety for the working place. Evaluation of risk plays a role even if an organization is or is not conscious of risk management (Likierman A., 2008).

Despite its complexity, risk management is actually a managerial instrument which helps the organization to hold the most proper control politics of the unfavorable results (Internal Audit Standard 1130). Even though, the general opinion saying that a good corporate governance determines management tot make the best decisions in risk conditions – meaning, well informed decisions are opposed to avoiding risk. Some specialists consider that in the current climate an attitude of adversity against risk once with the increasing importance of conformity, determined by the reactions of the regulators around the world regarding the corporate crushes (cases of Enron, Parmalat, Worldcom).

A good risk management has as a purpose the improvement of organizational decisions. This does not only refer to avoid or to minimize loses, but also to treat the opportunities in a favorable manner.

One of the key requests of the Board is to obtain the assurance that the risk management process is efficient, and key risks are managed at an acceptable level. It is possible that assurance may come from different sources, but from all of them the assurance provided by management is the

most fundamental. This aspect should be complemented by providing objective assurance for which internal audit is a key source. Other sources include external audit and specialized independent reviews.

Internal audit will normally provide assurance on three areas:

- risk management process, both for process projecting and process's good functioning;
- classified risks' management as "key-risks", including controls efficiency and other response to that;
- adequate and reliable risk evaluation and reporting upon risks' status and control.

Internal audit is an independent and objective activity of assurance and advisory. Its main role regarding ERM is to provide objective assurance to the Board regarding risk management efficiency. Research has shown that Board directors and internal auditors agree upon the fact that two of the most important ways through which internal audit adds value to organization consist in providing objective assurance that major business risks are managed in a proper way and providing assurance that risk management and internal control work efficiently. One of the consultant role in which internal audit engages involves:

- Making available for management some instruments and techniques used by the internal audit to analyze risks and control performing;
- directing the process for introducing ERM in an organization due to accumulated experience;
- providing advisory, facilitating work-shops, preparing the organization for risk area and promoting the development of a common language for understanding this area;
- supporting managers that have as an objective the identification of the best ways to minimize risks.

Any time the internal audit supports the managerial team in creating or improving the risk management process, its working plan should include a well defined strategy regarding the responsibility migration for these activities to the members of the managerial team.

If within the organization exists a management risk function, that works properly, then the work volume of the internal auditors will be substantially reduced. If this function is missing, the internal auditors may support and advice the superior managers upon risk identification, their evaluation and establishment of risk appetite.

3. The connection between risk management and financial audit

In analyzing the audit process, risk evaluation takes a very important place. In some authors' opinion (I. Graz & S. Manson, 2000), risk evaluation should be the main concern of the auditor. Shortly, risk audit could be defined as the risk that an auditor assumes to give an inadequate audit opinion regarding the audited financial situations. Audit Standards mention the following definition for audit risk: "the risk that the auditor attributes to an inadequate audit opinion, when financial situations contain information significantly misstated".

For this reason, the auditors especially follow, starting with the moment they accept the engagement, but also during the whole mission, the risks that might occur that might lead them to opinions that do not reflect reality as it is. After identifying the risks, the auditors establish their procedures depending on the risk areas.

Taking into account the audit risk establishment's importance, the audit standards contain very few indications regarding the technical manner for establishing this risk. In this way, the professional judgment of the auditor is almost exclusively used.

The main objective that the auditor considers consists in projecting and implementing some audit procedures to allow risk reduction at an acceptable level. Audit risk has to be very well evaluated, because not only a superficial audit, but also too detailed applied audit procedures can have negative effects on the audit process. The issue for the auditor is that, if he is not aware of the

risks he assumes, if he simply doesn't consider these risks, he might get some severe professional sanctions or payment for some significant material damages, as a consequence of being accused of bad-faith and negligence in accomplishing his attributes. All these explain the auditor's tend to allocate a substantial part of his time during the engagement to identify the risks involved in exercising his mission.

When the general audit risk is evaluated within the engagement, it divides in three components, measured separately: inherent risk, control risk and detection risk. The relationship between the three components is the following:

Audit risk = Inherent risk x Control risk x Substantive risk or AR=IRxCRxSR

Audit risk and its components can be established both in quantity (percents) and quality (low, moderate, high) terms. In practice the most used are the quality methods of measurement for risk levels.

a) Inherent risk represents the susceptibility that the closing balance of an account or of a category of transactions to contain misstated information that might be individually significant or when misstated information are cumulated from other closing balances or transactions, supposing that there weren't effectuated side internal controls (RCFA, 2000:123).

b) Control risk represents the risk of misstated statement, that might occur in the clogging balance or in a category of transactions and might be individually significant or cumulated with other information, and can not be detected, prevented or corrected in due time by the internal control and accounting systems (RCFA, 2000:124)

External auditors base their work on the internal auditors' work by using the audit risk model. When the activity of the internal auditors is efficient, external auditors significantly reduce the control risk, reducing at the same time the quantity of substantive tests and implicitly the improving the quality of the given opinion.

c)Substantive risk represents the risk that a substantive procedure performed by the auditor might not detect misstated information in the closing balance of an account or of a category of transactions, that might be individually significant, or cumulated with other misstated information from other closing balances or other categories of accounts (RCFA, 2000: 124). Substantive risk's level is strongly connected to the substantive audit procedures performed.

As we could observe, for the financial auditor the concept of risk has another sense, meaning that risks are regarded through the engagement type and objectives. But still, identifying and measuring audit risks within the engagement planning coexists in strong connection with the existent risk management within an entity. In this way, if the audited entity has implemented a risk management that has proved its efficiency, this aspect represent a starting point for the auditor in evaluating the risks connected to his engagement, meaning that the general audit risk will be lower and the assurance level provided by the auditor will be a higher one. More then that, an efficient ERM determines o bigger trust in the activity of the internal audit department that leads the financial auditor to:

- reducing the number of tests and procedures;
- less audit evidence to be collected;
- shorter period of time for the engagement;
- concentration upon really important elements to be tested;
- higher cost/benefit report both for the audited entity and for the auditor.

4. Efficient risk management – a solution for crisis situations

The entities that knew to apply at the right time an efficient risk management are those which now look with lucidity to the market an which can take advantage of the existing crisis. Those who let themselves carried out by the increasing economy wave, and who had lost from sight the elementary risk management measures, must redirect.

The financial crisis that we are passing through is like a coin with its two faces. So managers can let themselves influenced by negative news and by the general state of pessimism, and they can concept their future plans depending on these or they can act in a way to take advantage of the situation.

Within the market, everything works on the domino principle: the increasing of the credit cost will bring the disappearance of some companies, but will consolidate the position of others, negative examples will create tensions, and, potential investors will reorient to other geographical areas.

If a company will win or not upon this situation depends of how well did it know to evaluate its business and the impact of an unwanted event, of how well did it know to develop a plan that assures upon the business continuity. And this means exactly risk management.

After this period that we are crossing might have to win the enterprisers who knew to correctly quantify the money value, the ones who will manage to balance the expenses and revenues. Up until now the consequences of the inexistence of such a balance had been seen through extreme measures as: disposals, activity interruptions, relocation.

The entities which accumulate reserve funds or the entities which increase these funds and are leading for bay markets, professionalism in serving the clients, added value, will be the winners in the current situation. Risk management represents the art ok making decisions in a world governed by incertitude. More exactly, risk management represents a process of identification, analysis and answer to the risks that an organization is exposed to. The costs of implementing a risk management within a company depend on the methods of unpredictable events' managing.

Conclusions

It can be conclude that changing means insecurity, and insecurity means risk. The future belongs to the businesses based on an efficient risk management. The obtained results deserve the effort, because efficient risk administration brings important benefits for the company through: increasing the shareholders' trust, improving the company's image and the moral of the employees, increasing productivity.

The basic play that the internal audit has in connection with risk management should be providing assurance for the executive management and for the Board of Directors upon the efficiency of risk management. In the context of an extended role assumed by the internal auditor, additional protection measures should be applied.

There also is a strong relationship between the risk management's efficiency and the risk level and assurance level measured by the financial auditor. So, a risk management proved to be efficient leads the external auditor to establish a lower level for the general audit risk.

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HOW FINANCIAL AUDITORS USE CAATS AND PERCEIVE ERP SYSTEMS?

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The adoption, implementation and expansion of complex information systems [IS] have an important impact on organizations. To cope with this situation, financial auditors need to use more and more computer-assisted audit techniques [CAATs] especially when auditing organizations with complex information systems such as Enterprise Resource Planning [ERP] in place. In this article we investigate the way Romanian financial auditors use CAATs during their mission and their perception regarding the effects of ERP systems on financial accounting and reporting system evaluation. Results show that even though financial auditors consider that the existence of an ERP system is influencing at least "to a great extent" their ability to evaluate the client's information system, they are not using CAATs to the same extent.

Introduction

The adoption, implementation and expansion of information technology [IT] enhanced information system [IS] have an important financial and non-financial impact on business functions and their structure within a firm (Chatzoglou and Diamantidis, 2009). It is thought that the use of IT generates competitive advantage but meanwhile exposes organizations to new risks triggered by IT complexity.

Financial auditors need to develop and/or enhance their IT knowledge and skills in order to fulfill their mission as required by their professional standards. During audit planning they have to consider how the client's characteristics affect systems risk (Bedard *et al.,* 2005) and the possible misstatements (Bell *et al.* 1998). Also, IT complexity affects the nature of audit testing (Javrin *et al.*2009). To cope with this financial auditors are forced, by their professional standards and the current environment in which they work, to use more and more computer-assisted audit techniques [CAATs] especially when auditing organizations with complex information systems such as Enterprise Resource Planning [ERP] in place.

Enterprise Resource Planning [ERP] systems are generating unique risks due to business-process reengineering and customizations. This triggers control weaknesses which leads to financial statements errors and inaccurate internal information. These issues need to be addressed in the implementation process overcoming the problems arising from improperly trained personnel and inadequate process reengineering efforts (Wright and Wright, 2002).

The main objectives of this article are to investigate the way Romanian financial auditors use CAATs during their mission and perceive the effects of ERP systems on the evaluation of the financial accounting and reporting system. To achieve these objectives we used a questionnaire addressed to financial auditors in which they had to answer the following questions (on a scale ranging from 1 = to small extent to 5 = to a very great extent):
- To what extent are you using computer-assisted audit techniques (CAATs) for the evaluation of the financial accounting and reporting system? and
- To what extent the existence of an ERP system affects the evaluation of the financial accounting and reporting system?

Review of prior literature

The member bodies of the International Federation of Accountants [IFAC] are required to adhere to International Education Standards [IES] and Practice Statements [IEPS] in order to implement generally accepted "good practice in the education and the development of professional accountants" (IFAC, 2009:2). According to IEPS 2 *Information Technology for Professional Accountants* candidates to the profession have to be knowledgeable in CAATs consisting of: accounting packages; professional research tools; analytical tools and pattern matching/ recognition (IFAC, 2009:34). Further, International Education Guideline 11 *Information Technology for Professional Accountants*, a precursor for IEPS 2 requires for the professional development of evaluators/auditors of information systems to use CAATs in the planning phase: in order to design effective and efficient verification procedures to meet evaluation objectives; and during system evaluation when performing planned procedures (IFAC, 2003).

Information Systems Audit and Control Association considers that CAATs may be used in performing the following audit procedures:
- „Tests of details of transactions and balances;
- Analytical review procedures;
- Compliance tests of IS general controls;
- Compliance tests of IS application controls;
- Penetration testing" (ISACA, 2008:2).

During the audit plan the auditor should use an appropriate combination of manual techniques and CAATs. The factors that may influence the use of CAATs might be: computer knowledge expertise and experience of the auditor, efficiency and effectiveness of using CAATs over manual techniques; time constraints and level of audit risk (ISACA, 2008).

In the scientific literature there are only a few research papers describing the extent of CAATs use in the audit practice and the factors supporting their use (Curtis *et al.*2009). Javrin *et al.* (2008a) reported that financial auditors use extensively CAATs for analytical procedures, audit report writing, work paper management and sampling. Also, auditors perceived other audit applications as being important for audit planning, internal control evaluation and risk assessment, but used them less. In another paper Javrin *et al.* (2008b) identified performance expectancy and organizational and technical as factors that influence the auditor's acceptance of CAATs. They argued that CAATs usage can be increased by developing training programs within audit firms. Curtis and Payne (2008), found that audit firms influence the implementation of new technology by using long-term budgets and by communicating their support and encouragement to auditors. Hermanson *et al* (2000) investigated the extent to which internal audit departments are using CAATs for: system analysis and documentation; program testing or data integrity testing.

Regarding the ERP influence on the audit mission, Hunton *et al.* (2004) examined the extent to which financial auditor are able to recognize higher risks associated with ERP system in comparison to non-ERP systems and assessed financial auditors' tendency to consult with specialists when assessing ERP and non-ERP system risks during the planning stage of the audit. They observed that financial auditors "do not indicate a greater need to consult with IT audit specialists when auditing an ERP versus non-ERP system and they are equally confident in the ability of financial audit teams to assess risks in both computing environments" (Hunton *et al.* 2004: 7). They suggest that financial auditors are overconfident in their ability to assess risks in complex systems. In a previous research Hunton *et al.* (2001) found that financial auditors are unlikely to consult with specialists with IS risk management practice in their firm which suggests that potential financial statements errors and audit risks may not be identified.

Method used

This study was supported by the Chamber of Financial Auditors of Romania. A questionnaire was indicated to financial auditors addressing matters related to the perceived importance and their opinion or approach to several IT related activities they should be performing during their engagement. The questionnaire was emailed to 1.520 financial auditors, but due to invalid or wrong email addresses 232 emails were undeliverable. Of the 1.288 valid questionnaires mailed we received 96 answers (answer rate: 7.45%). To improve the answer rate we intend to have a second round of questionnaires sent out.

The questionnaire consisted of three main parts. In the first part, the respondents were asked to answer several questions related to their educational background, both academic and professional. The second part contained questions addressing the auditor's profile: the type of their main activity; years of experience; number of audit missions completed; the nature of the client organization's activity. In the third part, respondents were asked to answer seven questions related to: the perceived importance of several IT related activities; the way the identified IT related activities are carried out (by the auditor or by an IT specialists); the extent to which auditors apply analytical procedures or use CAATS during their mission; the extent to which ERP systems affect their ability to evaluate the client's AIS and the influence of AIS evaluation on the audit opinion (using an interval scale rated from 1 = not important/to a small extent to 5 = very important/ to a very great extent).

Results

The collected data showed that 44 respondents (45,8 percent) stated that the most frequently type of business audited by them is manufacturing, followed by services (19,8 percent) public institutions (11,5 percent) and banking (10,4 percent). The majority of the respondents (52,1 percent) have less than five years of experience, while 40 of them (41,7 percent) have between five and ten years of experience. Because the financial audit profession is still "young" in Romania none of the respondents have more than 15 years of experience.

The first question analyzed in this article was: To what extent are you using computer-assisted audit techniques (CAATs) for the evaluation of the financial accounting and reporting system? For this question the auditors had to choose between: to a small extent = 1; to some extent = 2; to a moderate extent = 3; to a great extent = 4; or to a very great extent = 5. The mean rating (see Table 1) for this question (2.8646) is close to the median value (3) suggesting that, on average, financial auditors use CAATs for the evaluation of financial accounting and reporting system ranging mainly from "to some extent" to "a great extent". But the mode value (2) suggests that most frequently the respondents chose the "to some extent" option (see Table 2).

The second question analyzed in this article was: To what extent the existence of an ERP system affects the evaluation of the financial accounting and reporting system? (available options: to a small extent = 1; to some extent = 2; to a moderate extent = 3; to a great extent = 4; or to a very great extent = 5. The mean rating (see Table 1) for this question (3.6979) is also close to the median value (4) suggesting that, on average, financial auditors consider that the existence of an ERP system is influencing their ability to evaluate the financial accounting and reporting system "to a great extent" (see Table 2). This is confirmed by the mode value (4).

Table 1. Descriptive statistics

	N	Mean	Median	Mode	Std. Dev.
Use of CAATS	96	2.8646	3.0000	2.00	1.25337
Influence of ERP	96	3.6979	4.0000	4.00	1.01691

Table 2. Frequencies of answers for the two questions analyzed

		Use of CAATs		Influence of ERP	
		Frequency	Valid Percent	Frequency	Valid Percent
Valid	To a small extent	15	15.6	4	4.2
	To some extent	27	28.1	7	7.3
	To a moderate extent	20	20.8	23	24.0
	To a great extent	24	25.0	42	43.8
	To a very great extent	10	10.4	20	20.8
	Total	**96**	**100.0**	**96**	**100.0**

From Table 3, presented below, we can see that of the 15 respondents who stated they use CAATs "to a small extent"; a third of them consider that the existence of an ERP system is influencing "to a very great extent" their evaluation of the entity's information system. From an opposite perspective, of the 42 respondents who considered that the existence of an ERP system is influencing "to a great extent" their ability to evaluate the entity's information system, 14 stated they use CAATs "to a great extent", while the same number stated they use CAATs "to some extent".

Table 3. Cross-tabulation CAATs x ERP

		The influence of ERP					
		To a small extent	To some extent	To a moderate extent	To a great extent	To a very great extent	Total
Use of CAATs	To a small extent	2	3	2	3	5	**15**
	To some extent	1	0	10	14	2	**27**
	To a moderate extent	0	2	8	6	4	**20**
	To a great extent	0	0	3	14	7	**24**
	To a very great extent	1	2	0	5	2	**10**
	Total	**4**	**7**	**23**	**42**	**20**	**96**

Conclusions

The above analysis suggests that even though financial auditors consider that the existence of an ERP system is influencing at least "to a great extent" their ability to evaluate the client's information system they are not using CAATs to the same extent. This means that a significant number of auditors still rely on a traditional approach "around the computer", by using tests of details and analytic procedures rather than "with the computer" by using CAATs, when they evaluate the financial accounting and reporting system or during their overall mission. As technology is constantly evolving auditors will be forced to be knowledgeable and use IT tools and techniques that will allow them to detect misstatements and by this properly changing their audit plan in order to avoid the possibility of issuing an erroneous opinion.

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THE RELATIONSHIP BETWEEN ACCOUNTING AND TAXATION: A BRIEF INTERNATIONAL LITERATURE REVIEW

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This paper analyses the international literature regarding the relationship between accounting and taxation in the last 20 years. To this purspose we reviewed the 3 international economic databases (EMERALD, EBSCO and SCIENCE DIRECT).
We have found various studies approaching this relationship, the main research being performed due to the differences between them in the accounting systems that govern the world countries.

Keywords: accounting, taxation, accounting systems

JEL Classification: H25, H29, M40, M41

Introduction

The relationship between accounting and taxation is a relationship that existed, exists and will always exist; the question is related to the intensity, interrelation and mutual consequences.
When accounting intersects with taxation, many topics can be discussed. Literature gives us a rich source of documentation at the crossroads of accounting with taxation and the relationship that exists between them, the last aspect representing the object of study undertaken.
The study is intended to be an analysis of key studies that have addressed this relationship in the international literature, waiting to identify the key areas that are approached, namely accounting paradigm within the studies undertaken may be included.

Research methodology

Methodology approached followed to identify the articles from economical databases (EBSCO, EMERALD and SCIENCE DIRECT) that treated the phrase "the relationship between accounting and taxation". It was selected only the items that meet the following requirements: (1) articles are written in English (2) articles are full text, (3) selected articles were cited at least twice in the other papers.
The achieved is a qualitative research using inductive method, longitudinal analysis, identified as the positivist current.

Key areas identified

A lot of studies have examined the relationship between accounting and taxation in last two decades. These studies cover both national and various European and international countries, in this respect, the analogue method was used. In this regard, studied like the following can be mentioned: Haller (1992); Radcliffe (1993); Hoogendoorm (1996), Blake *et al.* (1997); Lamb, Nobes and Roberts (1998); Porcano and Tran (1998); Aisbit (2002); Doupnik and Salter (1993).
Doupnik and Salter (1993) have developed a classification of countries based on accounting schemes, obtaining their classification based on similarities of accounting standards, similar features of capital markets, namely the similarities corporate governance mechanisms. Eight accounting regimes have been developed, thus: (1) North American; (2) Anglo-Saxon; (3) Nordic; (4) Latin developed; (5) Latin developing; (6) Germanic; (7) Japanese and (8) Asian developing. Francis *et al.* (2002) realized a classification of financial accounting and tax compliance in relationship between accounting and taxation, based on each of the 8

aforementioned accounting regimes. The authors identified 3 level of compliance which defines the accounting systems, as follow:

- *Low level of compliance*: North Amercian and Anglo-Saxon accounting systems;
- *Moderate level of compliance*: Nordic, Latin developed and Asian developed accounting systems;
- *High level of compliance*: Germanic, Latin developed and Japanese accounting systems.

The debate that surrounds the connection between accounting and taxation has been and still exists and as a consequence we can characterize it as being extremely intensive. Haller (1992) studied the development of the relationship between accounting and taxation in Germany treating it from an historical point of view. Moreover, Radcliff (1993) addressed the same relationship in terms of UK and France, using the analogue method. The author noticed some similarities between the two countries' accounting practices. The author focused on the example of adjustments deductibility for inventory distortion value, ordered but not delivered, even more, being the fact that both countries have denied the deduction for such adjustments. If the previous study was focused on determining the elements of similarity, the study conducted by Porcano and Tran (1998) focused on determining the factors founded in divergences surrounding the relationship between accounting and taxation. These divergences concerned the implications arising for the alignment of taxation rules with accounting rules. The study is one that can be qualified as being fundamental research and explores the relationship between accounting and taxation in countries were Anglo-Saxon accounting system is implemented: USA, UK, Australia, Canada and New Zealand.

The study conducted by Boross, Clarkson, Fraser and Weetman (1995), addresses issues regarding the new accounting system from Hungary since 1992. As a major difficulty discoveded in the steps taken towards to implement the new system,the link between taxation and accounting was mentioned. The authors mentioned that tax rules have priority in preparing financial statements or cost calculation judging under detrimental bases regarding the new accounting rules.

We also recall the fundamental type of research carried out by Alley and James (2006), which addresses the relationship between accounting and taxation in terms of different objectives pursued by each of the two areas, the difficulties encountered in applying economic concepts and evolutionary process involving by both areas.

The degree of independence varied temporal and territorial belonging among the classifications of Nobes and Parker (1981) (*macro-economic orientation*), and Choi and Mueller (1992) (*micro-economic orientation*).

Micro-economic orientation refers in fact to that financial statements that are prepared primarily for shareholders and their development is not influenced by tax rules. The financial statements portraint a true picture of companies, and also, such an approach generates two types of results: accounting and tax result.

Macro-economic orientation, on the other hand, acknowledges the influence of tax rules; the companies prepare financial statements, mainly to the interests of creditors or state in order to determine the results focused on tax purposes.

A first approach used in order to asses these debates was the distinction that is made when it comes to two groups of countries, thus: countries influenced by Anglo-Saxon accounting system (e.g. USA, UK and Canada) and those under Continental accounting system influence (e.g. Italy, France, Portugal, Spain).

Using the classification of accounting systems under the aegis of the two approaches mentioned above, it is what the literature refers as the disconnection between accounting and taxation. The disconnection is primarily explained by the method of calculating of accounting and tax profit.

Accounting profit is calculated applying the principles and accounting rules, while the tax profit is calculated taking into account the tax rules. The profit calculated using two different methodologies, connote major differences.

It can mentioned that the introduction of the Fourth European Directive has produced major changes in the legislation of many European Union (EU) countries, from macro-economic orientation to micro-economic orientation towards greater independence of accounting to taxation. The implementation of the Fourth Directive was seen as a genesis point of breaking the link between accounting and taxation (Christiansen, 1996).

Blake *et al.* (1997) focused on some dilemmas associated with the relationship between accounting and taxation, dilemmas and controversies such as:

- Tax considerations that support this link, and secondly, issues related to obtaining economic picture through the faithful representation of financial statements for some international users, and even fellow countrymen, which indicates that this goal can not be achieved as long as the link is a strong one;

- Addressing the issue of harmonization of national accounting practices at European level the fundamental link between tax and accounting rules, and accounting system is identified as a major obstacle;

- Main benefits from residing in "breaking" the link, experiencing large listed companies, while maintaining relations benefits are felt by small companies (since it not involves additional costs in the consolidated accounts as the large listed companies);

- In regard to this link, the practitioners supports the efforts of "breaking" this link, but this is not yet possible, maintaning the relationship having a major impact not only on accounting policies and practices but also spilling on the accounting conceptual framework.

The authors also highlights the fact that Sweden offers an unusual example of country that deals with two different pathways, as, legal system is based on a close relationship between accounting and taxation, while the private sector tries to "break" this link. The authors focused on ways regarding the directions in which Swedish accounting practitioners are willing to broke the link between accounting and taxation in order to develop relevant and comparable financial statements for accounting information users.

Two EU countries (Germany and United Kindom) were identified as distinctive and contrasting leaders in European accounting tradition of Anglo-Saxon and Continental origin, and an assesment was conducted regarding the major differences between those two countries. The differences are presented in **Table 1**.

Table 1 *The differences between Anglo-Saxon and Continental Accounting System*

Anglo-Saxon Accounting System (including United Kindom)	Continental Accounting System (including Germany)
Fair view	Legal view
Shareholder orientation	Creditor orientation
Disclosure of accounting information	Secrecy of accounting information
Tax rules separate	Tax dominated
Substance over form	Form over substance
Professional standards	Government rules

Source: *Nobes (1992) and Blake et al. (1997); Author projection*

The distinction between Anglo-Saxon and Continental accounting system, based on the relationship between accounting and taxation, is treated by Lamb, Nobes and Roberts (1998). The authors explained in more detail the two directions involved, as following:

- Historical link between accounting and taxation (the existence of taxation determin, to some extend, the existence of accounting);

- Degree of separation or rather contemporary connection between financial and tax reporting in respect of calculating the profit, an indicator considered to be very important in any economic activity.

Profit is the objective of empirical research conducted by Tzovas (2006). The author tried to identify the underlying factors designed to support decisions for a court accounting policies of Greece, where tax and financial accounting coincide. Study results revealed that the design decisions on accounting policies do not exclude the influence of tax minimization. Moreover, it highlights the fact that the project objectives on the profit value may conflict the objectives to minimize the tax burden supported by companies.

Hoogendoorn (1996) has developed a taxonomy regarding the relationship between accounting and taxation in major EU countries. 13 countries were selected according to the stringency of the relationship and the possibility of maintain this connection was taken into consideration. The taxonomy considered is presented as follows:

- Accounting and taxation are charecterized as being dependent and this relationship is not expected to change. In these cases we do not find deferred tax regulations, and as a result, several alternatives are allowed. Both individual and consolidated accounts are therefore influenced by tax regulations, and representing countries such as Belgium and Italy are mentioned;
- Accounting and taxation are dependent and this relationship is not expected to change. There are few deffered tax regulations and fiscal influences. France and Germany are included in this category (Germany also may be included in the first category);
- Accounting and taxation are still dependent, but the aim of breaking the relationship between them is desired. We do not find strict regulations regarding deferred taxation, and representing countries such as Sweden and Finland are mentioned;
- Accounting and taxation are formally independent; in practice the connection between them being characterized as very strong. We can find there strict deferred taxation regulations, and representing countries such as Poland and Czech Republic are mentioned;
- Accounting and taxation are independent. Alternative regulation allows deferred taxation, and as representative country is recalled Denmark;
- Accounting and taxation are independent and there are also specific deferred taxation regulations, representing countries such as Ireland, UK, Netherlands and Norway are mentioned.

Aisbit (2002) conducted a further study, based on the Hoogendoorn (1996) study. The author concludes that a close relationship between accounting and taxation lead to difficult interpretation of financial statements results. Referring strictly to the study conducted by Hoogendoorn (1996), the author highlights that this is a dynamic study and that changes have occurred in recent years regarding the classification of countries into one category or another, and the financial statements may not be fully independent from taxation. The road to independence is "paved" with good intentions by induced upon acceptance and application of IAS.

Remaining within this boundaries, Radcliffe (1993) discuss about the distinction between *tax compliance* (which necessitates of general assumption that taxable income is calculated under Generally Accepted Accounting Principles) and *financial compliance* (as a financial reporting practice involving substantial dependence on the choice of a specific accounting practice in preparing financial statements, to be conclusive for tax purposes, and also, the inclusion of specific items is a necessary condition for the granting of tax exemptions). The author explains that the existence of compliance indicate the fact that there is a close relationship between accounting and taxation, and that both of them have the power to influence each other.

On the scope of financial reporting systems correlated with taxation, we can mention a reference book for the international literature, *Comparative International Accounting (Fourth Edition)*, written by Nobes and Parker (1995). The authors identified seven factors contributing to the permanent existence of differences between financial reporting systems, as follow: legal systems,

capital providers, taxation, accounting profession, inflation, accounting theory and accidents of history (1995, p. 11).

The authors highlight as a crucial extent that tax rules may affect the accounting estimates in various accounting regimes. Deferred tax is an example, mentioning that it was an endless source of controversy in Anglo-Saxon accounting system (UK, USA), while in the Continental accounting system (France, Germany), where the controversy is minor (marked by the strong influence of tax accounting rules), (1995, p. 15).

Stoianoff and Kaidonis (2005) studied the accounting and tax system in Australia, in an attempt to identify the extent to which community may benefit from them (as social function) and the extent to which the both are emerging. The author's conclusion is bleak: both systems are disadvantages the society, supporting each other in an attempt to favor a certain class of society.

Gallego (2004) realized taxonomy of relationship between accounting and taxation standards, thus bringing into focus the concerns of Spain. The taxonomy realized by the author, aimed the regulations from USA, UK, International (IAS/IFRS) and Spanish regulations.

Oliveras and Puig (2005) proposed the following verifiable *statement*: "there was a great reduction in the influence of tax in Spain in the early 1990s" (not intentionally they used the term "hypothesis" instead of usual "statement" as the authors explain that they wanted to avoid the implications that are subject of statistical tests). Although we find the fact *stated* in the literature, as a result of reducing the tax accounting rule, the authors refuting this claim.

Making use by the classification introduced by Lamb *et al.* (1998), the authors tested the previous claim, concluding that the relationship between accounting and taxation has undergone major changes over the period before 1990, moving from a definite rule, to its dramatic reduction. Taking the sample as 16 items (including assessment of fixed assets, depreciation, leasing classification, research and development costs, long-term contracts, foreign currency transactions, pensions, financial assets, etc.), the authors followed their introduction in the five cases developed by Lamb *et al.* (1998) according to the specificities of each item, underlining the analysis for three years: 1989, 1994 and 2003. Half of items were placed in Case 3 "Accounting leads" in 2003, representing a decrease of fiscal rules compared to 1989, where only 2 of 16 items were classified in this case. For 2003 we have no item included in case 5 "Taxation dominates" unlike 1989.

For clarification we brought in carefully the classification of Lamb *et al.* (1998), which provides five criterias of classification for relationship between accounting and taxation, relationship characterized in terms of accounting rules, and taxation, as follows:

- *Case 1: Disconnection* (the acounting and taxation rules are pursued for different purposes to be fulfilled. Disconnection is possible when we have tax and accounting rules separate, independent and detailed);
- *Case 2: Identity* (this identity can be a *de facto* identity or when accounting is "leader". Regardless of which way we look accounting *prima facie* will affect taxation);
- *Case 3: Accounting leads* (it is possible when accounting rules or accounting options are adopted for financial reporting purposes and for tax purposes. This scenario is possible because of lack of specific tax rules to be sufficient);
- *Case 4: Tax leads* (it is possible when a fiscal rule or option is adopted for tax purposes and financial reporting purpose. This scenario is possible because of lack of specific accounting rules to be sufficient);
- *Case 5: Tax dominates* (a tax rule or option is imposed both for the financial and tax reporting, being in conflict with financial reporting rules).

Shaviro (2009) highlights the differences that arose between tax and accounting profit reported by companies, through the reporting of accounting profit semnficativ higher than fiscal profit. The author highlights that the problem of accounting manipulation is very present despite by implementation of the Sarbanes – Oxley Act. A recent study is conducted by James (2009), the

relationship between accounting and taxation being discussed both in UK and, from a wider perspective of it, in Europe. The author asserts the different goals pursued by accounting and taxation. According to author, the relationship between accounting and taxation is much more complex than it appears, and according to the jurisdiction where the relationship is dispute, there may be differences of perception or approach. The relationship between accounting and taxation is seen as the author characterized by progressive accents, since both, accounting and taxation, are dominated by permanent changes.

Conclusion

The relationship between accounting and taxation is conducted in the literature under various spectra or directions as: accounting standards, capital markets, corporate governance mechanisms, accounting procedures, in terms of transversal and longitudinal analysis, using analogue analysis , tax and accounting rules, the objectives of each of both scientific fields, micro-economic orientation versus macro-economic orientation, degree of independence that has a temporal and territorial accurate picture, tax compliance.

Accounting paradigms, identified as a result of browsing literature that treats the relationship between accounting and taxation, are: *The Antropological/Inductive Paradigm; Decision-Usefulness/Decision-Model Paradigm; Decision-Usefulness / Decision-Model Paradigm/ Agrregate-Market-Behavior Paradigm; Decizion-Usefulness/Decision-Maker/Individual-User Paradigm.*

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IS THERE ANY ROOM TO IMPROVE THE USE OF ACCOUNTING INFORMATION?

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In 2008 we have conducted a small exploratory case study regarding some factors that could lead to a better use of accounting information in the companies in Cluj area. The study was based on a small questionnaire. The test group was comprised by a group of students in the final year of study, students who already worked in financial or management positions in companies from Cluj-Napoca and the surrounding areas. The study has addressed a few technical, organizational and educational factors that – in our view – can improve the use of accounting information in managing a company.

Keywords: exploratory case study, accounting information, company management

JEL codes: M10 M40 M41

1. Research methodology

During 2008 we have conducted a small exploratory case study regarding different factors that can improve the use of accounting information in Romanian companies. A few technical, educational and organizational factors were chosen, based on the authors' personal experience.

The study has been conducted using a questionnaire on a small number of companies based in Cluj, represented by students in the final year of study who occupy management or accounting positions in these companies. The study was supposed to give an insight on the factors that could or could not impact the usefulness of the accounting information system for the purpose of managing a company.

The structure of the analyzed companies grouped by size is presented in table 1. Micro and small enterprises are under-represented as nation-wide they account for about 80% of the number of companies.

Table 1. The structure of the analyzed companies by size

	Absolute frequencies	Relative frequencies (%)	Cumulated frequencies (%)
Microenterprises	7	17.9	17.9
Small enterprises	9	23.1	41.0
Medium enterprises	11	28.2	69.2
Large Enterprises	12	30.8	100.0
Total	**39**	**100.0**	

2. Technical factors

The **technical factors** that could impact the usefulness of accounting information throughout an enterprise that were taken into consideration were: the use of a better accounting software, the use of more powerful computers and the usefulness of better accounting software manuals and procedures.

Responses to the question whether the use of better accounting software could lead to a better use of accounting information within the company are presented in table 2.

Table 2. The perceived usefulness of a better accounting software

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	57.1%	42.9%	100.0%
Small enterprises	55.6%	44.4%	100.0%
Medium enterprises	72.7%	27.3%	100.0%
Large Enterprises	66.7%	33.3%	100.0%
Total	64.1%	35.9%	100.0%

We observe that - in general – the respondents agree that better accounting software would positively impact the usefulness of accounting information throughout their companies. As the size of the company increases, the percentage of positive responses has increased from 57.1% to 72.7%. An explanation for this could be that with an increase in the volume of accounting information and in the degree of complexity of operations due to the size of the company, the accounting software must meet increasing requirements.

Table 3 represents the responses of the perceived benefits of the use of more powerful computers.

Table 3. The perceived usefulness of more powerful computers

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	71.4%	28.6%	100.0%
Small enterprises	22.2%	77.8%	100.0%
Medium enterprises	54.5%	45.5%	100.0%
Large Enterprises	41.7%	58.3%	100.0%
Total	46.2%	53.8%	100.0%

We observe a high percentage of people who consider this factor would impact the use of accounting information mostly in micro-enterprises (71.4%). On the whole we conclude that this factor is not perceived as useful (53.8% of the respondents disagree on the utility of this factor). The higher perceived usefulness in micro-enterprises can be explained by their small budgets for IT procurements and probably the use of old computers.

Table 4. The perceived usefulness of better accounting software manual and procedures

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	14.3%	85.7%	100.0%
Small enterprises	22.2%	77.8%	100.0%
Medium enterprises	36.4%	63.6%	100.0%
Large Enterprises	25.0%	75.0%	100.0%
Total	25.6%	74.4%	100.0%

Table 4 presents the perceived usefulness of better accounting software manual and procedures. While - in general – we can conclude that these manuals and procedures are sound (74.4% of respondents do not believe that better manuals or procedures could impact the degree of utilization of accounting information throughout the enterprise), we observe however, an increase in the percentage of positive responses from 14.3% in micro-enterprises case to 36.4% in the case of medium sized enterprises. A possible explanation of this variation can be the increase the

complexity of professional accountants work, in sync with the increase of company size. The decrease observed in the large enterprises case could be explained by better training of their employees.

3. Educational factors

The study has also taken into account a few educational factors that could influence the usefulness of accounting information for the management of these organizations. These factors were: accounting personnel training in accounting, accounting staff training in computer-use, accounting staff training in accounting software, management staff training in accounting, management workforce training in computer-use and management personnel training in accounting software.

Table 5 presents the perceived usefulness of trainings in accounting for accounting department staff.

Table 5. The perceived usefulness of accounting staff training in accounting

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	57.1%	42.9%	100.0%
Small enterprises	44.4%	55.6%	100.0%
Medium enterprises	63.6%	36.4%	100.0%
Large Enterprises	58.3%	41.7%	100.0%
Total	56.4%	43.6%	100.0%

By analyzing the data in table 5 we conclude that 56.4% of the respondents consider that accounting department staff training courses in accounting might lead to an improved use of information provided by the accounting information system in the management of enterprises. We also note that this factor's perceived usefulness remains relatively constant (around 57-60%) with the increase in the size of the enterprise.

Table 6 presents the responses to the question whether the attendance of training courses in computer use by accounting department personnel would be beneficial for a better use of accounting information.

Table 6. The perceived usefulness of accounting personnel training in computer-use

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	28.6%	71.4%	100.0%
Small enterprises	33.3%	66.7%	100.0%
Medium enterprises	45.5%	54.5%	100.0%
Large Enterprises	41.7%	58.3%	100.0%
Total	38.5%	61.5%	100.0%

Analyzing the data in the above table shows that the majority of professional accountants consider that their preparation in the use of computers is satisfactory. The highest percentage of negative responses (71.4%) was recorded in microenterprises and the lowest in the case of medium-sized enterprises (54.5%).

On the question regarding the perceived usefulness of training in the use of accounting software, the answers vary depending on company size (see table 7). Small organizations recorded the

lowest percentage of affirmative answers (22.2%). The total percentage of those who answered affirmatively is lower than those who responded negatively (43.6% vs. 54.6%), which shows that in general, the employees of accounting departments are well trained in the use of accounting software.

Table 7. The perceived usefulness of accounting staff training in the use of accounting software

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	57.1%	42.9%	100.0%
Small enterprises	22.2%	77.8%	100.0%
Medium enterprises	54.5%	45.5%	100.0%
Large Enterprises	41.7%	58.3%	100.0%
Total	43.6%	56.4%	100.0%

Table 8 shows the perceived usefulness of management training in accounting.

Table 8. The perceived usefulness of management training in accounting

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	42.9%	57.1%	100.0%
Small enterprises	55.6%	44.4%	100.0%
Medium enterprises	63.6%	36.4%	100.0%
Large Enterprises	58.3%	41.7%	100.0%
Total	56.4%	43.6%	100.0%

We see an increase in the percentage of positive responses from 42.9% in microenterprises to 63.6% in the case of medium size organizations and a slight decrease in the case of large enterprises. In general, accounting professionals consider this factor as being beneficial for improving the use of information provided by the accounting information system.

Table 9. The perceived usefulness of computer-use training for managers

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	28.6%	71.4%	100.0%
Small enterprises	33.3%	66.7%	100.0%
Medium enterprises	18.2%	81.8%	100.0%
Large Enterprises	8.3%	91.7%	100.0%
Total	20.5%	79.5%	100.0%

By analyzing data from table 9, we see a decrease in the number of people who believe that the organization of training courses for management in the use of computers will improve the way financial accounting information is used. A possible explanation for this result could be a better training of managers of medium-sized and large enterprises in this area of expertise compared with the management of micro and small enterprises.

Table 10 presents the responses on their perceived usefulness of organizing training courses in the use of the accounting software for management to improve the use of accounting information system in their companies.

We observe a decrease in the percentage of persons who considers this factor to be beneficial from 33.3% in the case of small companies to 8.3% for large enterprises. This could be due to the same factors as in the previous question, namely better training of managers of medium-sized and large enterprises in this area compared with the management of micro and small enterprises.

Table 10. The perceived usefulness of management training in the use of accounting software

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	14.3%	85.7%	100.0%
Small enterprises	33.3%	66.7%	100.0%
Medium enterprises	27.3%	72.7%	100.0%
Large Enterprises	8.3%	91.7%	100.0%
Total	20.5%	79.5%	100.0%

4. Organizational factors

The organizational factors that were taken into account by this study were: a better collaboration between the accounting department and management and a better collaboration between accounting department and other company departments.

The influence of a better collaboration between the department of accounting and the management of the enterprises is presented in table 11.

Table 11. The perceives usefulness of a better collaboration between the accounting department and management

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	57.1%	42.9%	100.0%
Small enterprises	44.4%	55.6%	100.0%
Medium enterprises	45.5%	54.5%	100.0%
Large Enterprises	41.7%	58.3%	100.0%
Total	46.2%	53.8%	100.0%

The highest percentage of positive responses is recorded in the case of microenterprises (57.1%). This is somewhat surprising because of the interpersonal relations that should exist in small organizations. In other categories of enterprises the percentage of positive responses is relatively constant and slightly below the percentage of negative responses.

Table 12. The perceived usefulness of a better collaboration between the accounting department and other departments of the enterprise

Company size	Agree (%)	Disagree (%)	Total (%)
Microenterprises	14.3%	85.7%	100.0%
Small enterprises	22.2%	77.8%	100.0%
Medium enterprises	54.5%	45.5%	100.0%
Large Enterprises	50.0%	50.0%	100.0%
Total	38.5%	61.5%	100.0%

By analyzing the responses to the question whether a better collaboration between the department of accounting and other departments of the enterprise would lead to an improvement in the use of accounting information by management staff we observe a steady increase from 14.3% in positive responses for microenterprises to 50% in the case of large companies. A possible explanation of this result is that as a company increases in size, the communication between departments is formalized and becomes increasingly cumbersome.

5. Conclusions

This study should be repeated using a larger and more statistically representative sample. It should also be interesting to observe whether the financial and economical crisis has increased the management interest in accounting information.

The factors that proved to be the most promising in improving the use of accounting information in the management of Romanian companies are mainly educational (management and accounting staff training in accounting) and technical (better accounting software).Small sized organizations (micro and small enterprises) could also benefit from using a better IT infrastructure. Large organizations (medium and large sized companies) should improve the collaboration between the accounting department and the other departments.

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DIVERSITY OF NATIONAL AND INTERNATIONAL ACCOUNTING PRACTICES: THE CASE OF INTANGIBLE ASSETS

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Although seven years have passed since the Norwalk Agreement has been signed, the global accounting standards continue to represent a goal for IASB and FASB, being far from the stage of practical implementation. More than that, the financial crisis made things worse, as it contributes to the unfavourable conditions for the development of convergence process. But despite all these negative elements, FASB and IASB continue to collaborate in obtaining a single set from the two distinct accounting regulations, which can serve for practical accounting purposes. The globalization phenomena imply the existence of a unique set of financial reporting standards. Thus, accounting diversity is to be reduced at international level, so that it would be in accordance with companies' interests. Therefore, one can state the importance of harmonizing both national and international accounting regulations.

1. Introduction

The term of intangible assets may have different meanings, depending on the nature of accounting reference. If we consider the international standards (IAS 38), there are three conditions or criteria for intangibility: identification, non-monetary and non-physical substance forms. The Romanian accounting regulation (OMFP 3055/2009) extends this definition, by mentioning that intangible assets are to be used in the production process or goods and services supply, as well as for rent to third parties or for administrative purposes. Beside this difference, there are many others, including elements of recognition, valuation and depreciation. The aim of this paper is to identify and thus present the concept of intangibles through both national and international perspectives. In what concerns the practical approach, we study the similarity and differentiation with respect to IAS/IFRS and OMFP 3055/2009. In addition, we have chosen a sample of 50 companies listed at London Stock Exchange for which we measured the harmonization degree using Pearson Coefficient, as H Index and Taplin's Index or E(H).

2. Methodology of Research

When determining the harmonization degree, we use measurement systems for both formal and material levels. In what concerns formal harmonization, it can be established by computing Jaccard Coefficients that stand for the correlation and association between national and international accounting regulations. The other main part of the research consists of material harmonization. This results in using the option concentration analysis, and this means including H Index and E(H), in order to obtain a synthesis of the harmonization degree at practical accounting level. According to national and international accounting standards, intangible assets contain some peculiarities with respect to similarity as well as diversity degree, recognition methods, valuation and depreciation. Therefore, Jaccard Coefficients represent the most suited elements for illustrating the comparability of IFRS and RO GAAP regulations. Regarding the firm practices comparability, it evolves from statistics analysis. Thus, we determined H Index as well as Taplin's Index. In addition, our research is based on a sample of 50 companies with FTSE 100 stock index that stands for the relevance of analysed data.

3. Literature Overview

Many scientists have signalled an evolution in accounting standards, by underlying their relevance as well as professional judgment and future orientation. There is a need for a simplified accounting system, based on historical information and transactions (Rieger, 2006). Further on, we should adopt reconciliation at reporting level, by reducing diversity and thus increasing harmonization. Chand and White (2007) describe harmonization as being the process through which contradicting accounting rules are decreasing and finally it results a better comparability of financial reports. This paper underlines certain aspects regarding formal and material harmonization. When measuring the diversity between two elements we use Jaccard similarity coefficient, so as to obtain the compatibility degree of two accounting systems (Georgescu & Co, 2009).

The analysis of optional concentration implies the usage of H Index and E(H) or Taplin Index. Van der Tas (1992) has conducted some research in the field of material harmonization degree, demonstrating the importance of these indicators, that can be successfully used in determining firm practices comparability. For instance, H Index and E(H) can be determined for a group of companies, randomly selected, by computing the frequency of accounting methods usage, as well as the relative frequency. In addition, the indicators should have a value between 0 and 1, indicating the harmonization level. According to some researchers, it seems that H Index comes from an idea launched by Hirsch, who sustained the existence of H publications as a set of articles written at high performance standards. These "high performance publications", are known in literature as "Hirsch Core" (Thompson, 2009:2). Nowadays, H Index continues to be a subject of interest for many scientists. Egghe L. (2010) mentions in his paper on information technology the influence of adding or eliminating sources belonging to H Index. Another recent study, this time conducted by Fiorenzo Franceschini (2010), explains some peculiarities and limits of this indicator, as well as the situations when it is not used in a proper manner.

Thus, we can estimate that H Index will become an objective measure of comparability of national and international accounting practices in the near future.

4. Study on Accounting Regulations Comparability: IAS 38 Intangible Assets and OMFP 3055/2009

4.1. Comparability for Regulations- Jaccard Coefficients

Figure no. 1: Accounting regulations analysis and coefficients computation

	IFRS	RO GAAP	S_{ij}	S_{ij}	D_{ij}	D_{ij}
A) Recognition						
-Set up costs	0	1				
-Development costs	1	1				
-Goodwill	1	1	**0.67**	0.67	**0.33**	0.33
-Brands	1	1				
-Licenses	1	1				
-Clients' lists	1	0				
B) Valuation						
B1) Initial valuation						
-Acquisition cost	1	1	**1**		**0**	
-Production cost	1	1		0.75		0.25
B2) Revaluation						
-Book value	1	1	**0.5**		**0.5**	
-Value after revaluation	1	0				
C) Impairment						
C1) Determination models						
-Impairment testing	1	0	**0.5**		**0.5**	
-Amortization	1	1		0.625		0.375
C2) Amortization methods						
-Linear	1	1	**0.75**		**0.25**	
-Digressive	1	1				
-Accelerated	0	1				
-Production units	1	1				
TOTAL				0.68		0.32

The above figure presents the accounting treatments according to international regulations or IFRS and Romanian regulation or RO GAAP. The notation system involves using the score "1"

and "0". Thus, we give "1" point if the accounting standard allows the usage of a certain treatment, while denoting with "0" the case when the treatment does not occur. The formulas for the coefficients are: $S_{ij} = a / (a + b + c)$, $D_{ij} = (b + c) / (a + b + c)$, $S_{ij} + D_{ij} = 1$.

4.2. Interpretation of results

The results from the computations show a similarity degree (S_{ij}) of 50% for both *revaluation of intangibles* and *models of impairment determination*. On the other hand, in what concerns the *recognition* stage *methods* and *amortization methods,* the level of diversity (D_{ij}) is very low and common methods are predominant in 75% of the cases, respectively 67%. These phenomena could be explained by the frequency for recognition options or the one for amortization methods. If in the first situation there were four common elements (*development costs, goodwill and licenses*), the issue of *amortization* implies a single set of methods (*linear, digressive and production unit*), which is representative for IFRS as well as RO GAAP. In what concerns the *initial evaluation*, national and international accounting regulations contain the same methods. Thus, in this situation, the diversity degree is zero, while recording a maximum similarity. Therefore, through the previous analysis, we have delimitated three main cases. The first refers to the one in which Jaccard Coefficients are different and includes intangible assets *recognition* issues as well as *amortization* methods, as part of impairment. In the second case we can observe a minimum diversity point for *initial evaluation,* while the last one corresponds to a medium similarity degree.

For each of the three main issues discussed in this paper (recognition, valuation and impairment), we find the average of diversity and similarity degrees. The values of 32%, respectively 68%, or total averages, corresponding to the last row of the table, were computed as sum of the previous mentioned averages, divided by three. When calculating the average for Jaccard Coefficients, by considering the importance and thus weight of the three issues as being equal, we obtain a value of 68% for similarity, which means that there is a harmonization tendency in what concerns intangibles.

5. Study on Accounting Practices Comparability for FTSE 100 companies
5.1. Analysis of financial reports for the chosen companies

Figure no. 2 was developed using the same notations as in the previous analysis of Jaccard Coefficients.

5.2. Interpretation of results[408]

The first element of our analysis consists of intangibles' *recognition*. In what regards *set up costs*, 49 companies do not use them. *Development costs* and *brands* are used by most of the firms (94%, respectively 98% usage degree). Further on, we can observe that all the 50 companies use goodwill and licenses as accounting treatments, generating a maximum level of harmonization of 100%. By calculating E(H), we obtain similar results, which leads us to the idea of harmonization tendency. Regarding *valuation at acquisition cost*, both indicators show 100% harmonization degree. In contrast, only 38% of the companies valuate their intangible assets at production cost, although when computing E(H) the level of harmonization overcomes the medium threshold. In case of *revaluation*, 90% of firms use *book value* and the accounting treatment of *value after revaluation* has an H Index of 0.5, which implies that there is a large group of companies not using it. Concerning *impairment of intangible assets*, most companies use the same treatment, the majority of them choosing *linear amortization*. For all the issues regarding impairment, the indicators values exceed 0.8, demonstrating the harmonization of accounting practices.

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[408] This section applies to results obtained in Figure no. 2: Indexes Computation.

Finally, if we compute the average for H Index and E(H) for every accounting treatment, we obtain 0.82, respectively 0.91. In addition, we consider them having equal weights. The values are very close to 1, so that we can state the image of harmonized accounting practices for the listed companies.

The results of our analysis show a high level of harmonization degree for intangible assets, and in some cases we can even find perfect similarity between international standards.

The formulas for indexes are: H Index $= n \, p_i^2$, $E(H) = n \, p_i^2 + n \, p_i * (1 - p_i) / n$, for i $=$ 1,n.

Figure no. 2: Projection of IAS 38 applicability

Figure no. 3: Global Calculations of Indexes

Accounting Treatment / Accounting Option	H Index	E(H)	H Index	E(H)
RECOGNITION				
Set up costs	0.961	0.980		
Development costs	0.887	0.944		
Goodwill	1.000	1.000	0.912	0.957
Brands	0.961	0.980		
Licenses	1	1		
Clients Lists	0.661	0.840		
VALUATION				
INITIAL VALUATION				
Acquisition cost	1	1		
Production cost	0.442	0.764	0.721	0.882
REEVALUATION				
Book value	0.815	0.902	0.659	0.810
Value after reevaluation	0.503	0.717		
			0.690	0.846
IMPAIRMENT				
DETERMINATION METHODS				
Impairment testing	1	1	0.905	0.951
Amortization	0.810	0.902		
AMORTIZATION METHODS				
Linear	0.815	0.902		
Digressive	0.815	0.902	0.824	0.907
Accelerated	0.850	0.921		
Production units	0.815	0.902		
			0.864	0.929
			0.822	0.911

Data Source: www.londonstockexchange.com

Figure no. 4: Indexes Computation

Accounting Treatment	Accounting Option	No. of companies	Frequency	Pi	H Index	Adjusted Options	No. of companies	Adjusted Frequency	Adjusted Pi	E(H)
RECOGNITION										
Set up costs		50	100%	1			50	100%	1	
	a) used	0	0%	0						
	b) not used	49	98%	0.9800	0.961	a) + b)	49	98%	0.9800	0.980
	c) not mentioned	1	2%	0.0200		c)	1	2%	0.0200	
Development costs		50	100%	1			50	100%	1	
	a) used	47	94%	0.9400		a)	47	94%	0.9400	
	b) not used	3	6%	0.0600	0.887	b) + c)	3	6%	0.0600	0.944
	c) not mentioned	0	0%	0						
Goodwill		50	100%	1			50	100%	1	
	a) used	50	100%	1		a) + b) + c)	50	100%	1	
	b) not used	0	0%	0	1					1
	c) not mentioned	0	0%	0						
Brands		50	100%	1			50	100%	1	
	a) used	49	98%	0.9800		a)	49	98%	0.9800	
	b) not used	0	0%	0	0.961					0.980
	c) not mentioned	1	2%	0.0200		c) + b)	1	2%	0.0200	
Licenses		50	100%	1			50	100%	1	
	a) used	50	100%	1		a) + b) + c)	50	100%	1	
	b) not used	0	0%	0	1					1
	c) not mentioned	0	0%	0						
Clients Lists		50	100%	1			50	100%	1	
	a) used	40	80%	0.8000		a)	40	80%	0.8000	
	b) not used	6	12%	0.1200	0.661	b) + c)	10	20%	0.2000	0.840
	c) not mentioned	4	8%	0.0800						

Accounting Treatment	Accounting Option	No. of companies	Frequency	Pi	H Index	Adjusted Options	No. of companies	Adjusted Frequency	Adjusted Pi	E(H)
IMPAIRMENT										
DETERMINATION MODELS										
Impairment testing		50	100%	1			50	100%	1	
	a) used	50	100%	1		a)+b)+c)	50	100%	1	
	b) not used	0	0%	0	1					1
	c) not mentioned	0	0%	0						
Amortization		50	100%	1			50	100%	1	
	a) used	45	90%	0.9		a)	45	90%	0.9	
	b) not used	2	4%	0.04	0.810	b)+c)	5	10%	0.1	0.902
	c) not mentioned	3	6%	0.06						
AMORTIZATION METHODS										
Linear		50	100%	1			50	100%		
	a) used	45	90%	0.9		a)	45	90%	0.9	
	b) not used	2	4%	0.04	0.815	b)+c)	5	10%	0.1	0.902
	c) not mentioned	3	6%	0.06						
Digressive		50	100%	1			50	100%		
	a) used	2	4%	0.04		a)+c)	5	10%	0.1	
	b) not used	45	90%	0.9	0.815	b)	45	90%	0.9	0.902
	c) not mentioned	3	6%	0.06						
Accelerated		50	100%	1			50	100%	1	
	a) used	1	2%	0.02		a)+c)	4	8%	0.08	
	b) not used	46	92%	0.92	0.850	b)	46	92%	0.92	0.921
	c) not mentioned	3	6%	0.06						
Production units		50	100%	1			50	100%	1	
	a) used	2	4%	0.04		a)+c)	5	10%	0.1	
	b) not used	45	90%	0.9	0.815	b)	45	90%	0.9	0.902
	c) not mentioned	3	6%	0.06						

Accounting Treatment	Accounting Option	No. of companies	Frequency	Pi	H Index	Adjusted Options	No. of companie	Adjusted Frequency	Adjusted Pi	E(H)
VALUATION										
INITIAL VALUATION										
Acquisition cost		50	100%	1.0000			50	100%	1.0000	
	a) used	50	100%	1.0000		a) + b) + c)	50	100%	1.0000	
	b) not used	0	0%	0	1					1
	c) not mentioned	0	0%	0						
Production cost		50	100%	1.0000			50	100%	1.0000	
	a) used	19	38%	0.3800		a)	19	38%	0.3800	
	b) not used	27	54%	0.5400	0.442	b) + c)	31	62%	0.6200	0.764
	c) not mentioned	4	8%	0.0800						
REVALUATION										
Book value		50	100%	1			50	100%	1	
	a) used	45	90%	0.9		a)	45	90%	0.9	
	b) not used	3	6%	0.06	0.815	b) + c)	5	10%	0.1	0.902
	c) not mentioned	2	4%	0.04						
Value after revaluation		50	100%	1			50	100%	1	
	a) used	32	64%	0.64		a)	32	64%	0.64	
	b) not used	15	30%	0.3	0.503	b) + c)	18	36%	0.36	0.717
	c) not mentioned	3	6%	0.06						

6. Conclusions

On the basis of theoretical background and quantitative research, we can underline the tendencies of both convergence and harmonization processes in what concerns national and international regulations, as well as accounting practice of the analysed companies.

Through this study, we aimed to present the concept of intangibles from national and international perspectives. The practical approach involved a research in the similarity and differentiation with respect to IAS/IFRS and OMFP 3055/2009 as well as in accounting practices. The latest assumed a study on 50 listed companies for which we measured the harmonization degree.

In the first part of the research, we investigated the harmonization level corresponding to the national and international accounting standards. Thus, the findings imply three main aspects: different Jaccard Coefficients for *recognition* and *amortization methods*, minimum diversification level in case of *initial valuation* and the medium similarity degree of *revaluation* and *impairment determination models*.

The average for Jaccard Coefficients, calculated for the whole accounting treatments, show a harmonization tendency in what regards the intangible assets.

The second part of this paper relies on measuring the comparability degree of accounting practices corresponding to the companies from the analysed sample. Therefore, we determined H Index and Taplin Index or E (H) for the accounting treatments and options, and finally we computed an average of these indicators.

Further on, the obtain results suggest the following: a high level of harmonization for *recognition* of intangibles, a tendency to reconciliation for valuation of these assets, as well as common practices concerning impairment.

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COMPARATIVE INTERNATIONAL PERSPECTIVES ON MARKET-ORIENTED MODELS OF CORPORATE GOVERNANCE

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The study of corporate governance requires not only the knowledge of economic, financial, managerial and sociological mechanisms and norms, but it must also incorporate an ethical dimension, while remaining aware of the demands of various stakeholders. The interest towards good governance practice is very present in the company laws of many countries. National differences may lead to specific attributes derived from the meaning that is given to the role of competition and market dispersion of capital. Based on a research consisting of a critical and comparative perspective, the present contribution is dominated by qualitative and mixed methods. In conclusion, it can be said that a market-oriented corporate governance model, though not part of the European Union's convergence process, may very well respond to the increasing importance of investors' rights and to the gradual evolution of corporate responsibilities, beyond the national context, with the aim of ensuring market liberalization.

1. Introduction

Corporate governance is a subject that is notoriously difficult to define in one sentence. Some view corporate governance in the narrow sense, dealing with the structure and functioning of the boards of directors, and their relationship to management. This narrow definition is the one often found in corporate governance codes and the *OECD Principles of Corporate Governance*, issued in 2004. A broader definition includes a company's relationships with shareholders, especially in organisations with concentrated ownership. Finally, academic studies dealing with governance broaden the definition to all internal relationships within a business, including the issues raised by the conduct of shareholders, especially institutional investors, the functioning of the general meeting and the company's relationship with the financial markets (Wymeersch, 2006).

No matter how complex the concept of corporate governance is, it can be eventually reduced to a simple formula by which to optimize its primary objective, the creation and distribution of wealth. Company law and the authorities regulating the financial markets are trying to formulate this optimization equation, thereby helping to design the rules by which to achieve a balance between various interests of corporate stakeholders. The different legal systems of the European Union are engaged in a convergence process: in each Member State, companies are properly functioning due to the harmonization of capital, personnel structures, sales and production opportunities. Conceptual differences relate to several aspects: the shareholders' involvement is connected to the postulate that managers are primarily appreciated for pursuing the investors' interests rather than those of other stakeholders, i.e. the degree of protection for employees and

creditors.

The local characteristics of economic entities are strongly rooted in national culture, which induces crucial features that are resistant to change. Whereas some EU Member States grant a certain privilege to the property rights of investors, a majority of countries in continental Europe are placing a particular emphasis on factors of a social nature. The issues outlined above are deemed to motivate a comparative approach to corporate governance systems. Such comparative analysis leads to the identification of two major models: one derived from a liberal approach, under which the company is considered the property of shareholders, and a second model, articulated on the financial and economic peculiarities of the Rhinelander area. The latter acknowledges the fact that the enterprise is a social community dominated by solidarity expressed by all its members, (i.e. the actors of the agency theory: the principal – the shareholders – and the agents: the managers, employees and, generally, all other stakeholders).

Supplementing the example of the social model and analyzing the cases of Germany, France and Japan, we find that large commercial banks, insurance companies and the governmental institutions play a dominant role in this system of governance, beyond the fact that these three major instances of economic power are backed up by the presence of financial markets. The gradual evolution of business beyond its national context is a commitment to provide market liberalization. The framework of globalization imposes the existence of an international benchmark for multinational companies. Many entities are striving to reach an optimal size, allowing them to achieve economies of scale which are necessary for better performance and increased foreign market presence. Therefore, the European economic environment is getting more and more accustomed to takeover bids which grant the transfer of economic control from smaller entities to larger conglomerates.

2. The analysis of market-oriented corporate governance

In order to analyze the events that have taken place since the second quarter of 2000, and taking into account their influence on corporate governance systems, it is possible to see further steps in the improvement of these systems, namely the institutional components and the way the agents concerned are involved. The two steps must be combined, since reducing institutional integration is a fundamental component of the profile and actions of the corporate agents. However, both the behavioral and institutional failures could be examined for each of the drivers of corporate governance system. In this respect, one could examine not only the corporate components involved but also the supporting elements, whose purpose is important in corporate governance. Some of these components bear the attribute of adjusting devices (Pérez, 2009).

If an entity's manager is also its creator and sometimes its major shareholder, the mechanisms of governance are either quasi-inexistent, either strictly peripheral. The opposite situation, when the investors' engagement leads to the formation of large companies managing a considerable fortune, is placed in the area of considerable success. In other words, to the extent that individual success can be easily explained, large enterprises have as sole concern not to be a barrier for independent development that would lead to the flourishing of new successful investment. This continuous monitoring of independent action in the context of financial markets clarifies the purpose of the securities commissions, i.e. the prevention of misleading interpretations, as it has been observed, for example, in the Microsoft case. However, the results are diametrically opposite when there is a separation between the managers and the legal rights expressed by business owners.

Two fundamental elements, both well established as American values, can be highlighted in this context. Firstly, the culture of entrepreneurship enables the managers to achieve their investments goals when confronted with new challenges related to shareholders' requests. Secondly, the primacy of property rights leads to the setup of several governance mechanisms designed to ensure that the owners are not harmed and that the entity's activities are conducted to their advantage. These two developments are more or less compatible, but they definitely lie within the

larger picture of political, ideological and cultural values of the American economic environment. They justify the implementation of specific corporate governance systems in the United States, considering the multiple facets of different historical periods under consideration.

The media implications of stock evolutions in the last decade and the increasingly significant involvement of financial analysts have led to the expansion of managerial opportunism which, in some cases, was a major driver towards the entities' bankruptcy. Some cases of accounting and auditing fraud became heavily publicized, i.e. Enron and Worldcom. The long-term vision of the company implies a strategic direction of a rational nature, leading to an enhanced performance of the entity. Profitable choices will thus contribute to improving the competitive situation for a larger market share or group of companies, primarily aimed at reducing the risks of all activities of that group. Legal representation in the short-term derives from the fact that shareholders have fixed contractual links with the entity and, as such, they can easily give up the capital they have committed. In the event of resale, the costs shall include any losses of value (when the sale price is less than the purchase price) and transaction costs (costs incurred during the buying and selling of shares). Shareholders will aim at improving financial indicators (cash flow, earnings per share), and will not take into account other indicators which point to increasing the long-term performance of the entity (Finet, 2005).

3. International perspectives on corporate governance models

The manager has a significant role in the debate concerning corporate governance because she/he is a major player in the economic process that aims at creating and distributing value. Agency theory in a formal sense originated in the early 1970s in the United States, but the concepts behind it have a long and varied history. Among the influences are property-rights theories, organization economics, contract law, and political philosophy, including the works of Locke and Hobbes. Some noteworthy scholars involved in agency theory's formative period in the 1970s included Armen Alchian, Harold Demsetz, Michael Jensen or William Meckling.

Agency theory raises a fundamental problem in organizations: a corporation's managers may have personal goals that compete with the owner's goal of maximizing shareholder wealth. Since the shareholders authorize managers to administer the firm's assets, a potential conflict of interest exists between the two groups. Countries with more concentrated ownership structures often have majority shareholders who significantly influence the board. Consequently, an 'agency' conflict arises between controlling 'majority' shareholders who may extract private benefits at the expense of minority owners. In the UK and US there is an emphasis on creating wealth for shareholders. That said, while approaches may differ, there is global appreciation of the OECD's generic corporate governance principles of responsibility, accountability, transparency and fairness.

Studying the models of corporate governance in various countries allows the determination of differences between Anglo-Saxon countries, where financial markets have a strong position, and countries belonging to Continental Europe where financial structures are a mix of three elements: bank financing, market-oriented capital and governmental intervention.

Corporate governance practices in the **United States** are not regulated by any one particular statute but instead are affected by the governing instruments, the corporate law and the court decisions of each issuer's state of incorporation, and, in the case of many publicly-owned issuers, by the U.S. federal securities laws and requirements of the national securities markets. Matters governed by state law include the voting rights accorded to shareholders, the functions of the board, and the ability of board members and executives to enter into transactions with the company. U.S. federal securities laws also affect corporate governance practices, primarily in the areas of disclosure and financial reporting, proxy voting, and the submission of shareholder proposals for consideration at shareholders' meetings. In addition, the national securities markets impact corporate governance practices through their requirements applicable to issuers of securities traded on their markets. Subject to all of these different laws and regulations as

applicable, corporations may establish their own governance practices in their corporate charters and bylaws. Stakeholders in a U.S. company may participate as shareholders (e.g., through employee stock ownership plans) and through service as directors. In the United States, the rights of stakeholders are established by a variety of laws, such as labor law, contract law and insolvency law. If their rights as established by these laws are violated, stakeholders can obtain effective redress through the courts and, in some cases, administrative agencies.

British incorporated companies listed on the UK Stock Exchange are subject to the Combined Code on Corporate Governance. The most recent (2008) version of the Code combines the Cadbury and Greenbury reports on corporate governance, the Turnbull Report on Internal Control (revised and republished as the Turnbull Guidance in 2005), the Smith Guidance on Audit Committees and elements of the Higgs Report. The changes which have taken place in British corporate governance over the past decade, both in the composition of boards and in the behavior of institutional investors, have been incremental rather than radical, and fall well short of the systemic reform which some observers believe is necessary. The Cadbury Code is a global landmark achievement in terms of financial governance, by encouraging listed company with generally recognized "best practices" in accordance with the comply-or-explain principle (Feleagă et al., 2009). British corporate governance is often described as a system of control by outsiders, rather than the insider control system which – at least until recently - has prevailed in Germany. This reflects, among other things, the larger role which the stock market plays in Britain and a different ownership structure. Germany has fewer publicly quoted companies than Britain, and most of them have at least one large shareholder who is represented on the supervisory board and takes a close interest in management decisions.

The **German** corporate governance system is different from that of the Anglo-Saxon countries insofar as it is based on the notion that it is possible, or indeed necessary, to integrate lenders and employees into the governance of large corporations. German corporate governance is shaped by a legal tradition that dates back to the 1920s and regards corporations as entities which act not only in the interests of their shareholders, but also have to serve a multitude of other interests. A narrow orientation toward shareholder value in the sense of an exclusive commitment of management to shareholders' interests is still not part of German business culture, nor is it in line with actual practice or with the law (Charkham, 1994). The German corporate governance system is generally regarded as the standard example of what Franks and Mayer (2001) have called an insider-controlled and stakeholder-oriented system. The past decade has seen a wave of developments in the German corporate governance system. Two of the factors which drive the evolution of financial systems in general, and specifically of national corporate governance systems, are European integration and globalization. It is often argued that these factors expose countries to the pressure of adopting a 'good' corporate governance system, and very often a good system is assumed to be one that comes as close as possible to the capital market-based Anglo-Saxon model of a financial system and the outsider-controlled model of a corporate governance system.

Following the publication of the two Vienot reports in July 1995 and July 1999, **France** now has a very extensive set of rules of corporate governance, promoting both efficiency and transparency. The aim of a corporate governance revolution in France was improving the workings of company bodies for management or the supervision of management, in particular the audit committee; the adequacy of accounting standards and practices; the quality of financial information and communication; the effectiveness of internal and external controls (by auditors and regulators); relations between companies and the various categories of shareholders; and the role and independence of various other market players, such as banks, financial analysts, ratings agencies. In the case of France, a broadening of corporate ownership has led to the opening of the Paris stock exchange to foreign investors and major. For some, it became necessary to reform the legal framework in order to impose greater transparency in the field of corporate governance. The internationalization of corporate ownership in French companies lead to the convergence of

reporting practices on matters such as proxy voting and shareholders' rights. In France, the debate on corporate governance sprung out of the financial market's opening to foreign and domestic investors. Broadening the ownership of the companies resulted in a request for greater transparency and the need to accommodate investors' expectations.

The working hypothesis is that the disclosure of accurate and timely information by the issuers of securities builds sustained investor confidence and constitutes an important tool for promoting sound corporate governance throughout the **European Community**. To that end, it is important that listed companies display appropriate transparency in dealings with investors, so as to enable them to express their views. The Council and the diverse Committees opted, in company law regulation, to provide for a framework for competitive business. This calls for flexible rules and forms of rulemaking, for light regulatory regimes where possible, scope for party autonomy and for less cumbersome and burdensome procedures. The system of harmonising company law through Directives - that have to be implemented by Member States - may have led to a certain 'petrifaction'. Simultaneously however, the "shelf life" of law tends to become more limited as society is changing more rapidly, and company law is no exception. Fixed rules in primary legislation may offer the benefits of certainty, democratic legitimacy and usually strong possibilities of enforcement. But this comes at the cost of little or no flexibility, and disability to keep pace with changing circumstances. EU Directives are in practice even more inflexible than primary legislation. That is the reason behind the diversity of legal instruments concerning corporate governance, when it comes to the binding power of each type of instrument.

In this respect, takeover bids are a threat to uncompetitive managers and an efficient mechanism to create shareholder value. However, in the **European Union**, Member States are reluctant to give a greater say to shareholders in the context of takeover bids. To prevent this from happening, the Takeovers Directive was adopted on 21 April 2004 and lays down, for the first time, minimum EU rules concerning the regulation of takeovers of companies whose shares are traded on a regulated market. The Takeovers Directive is one of the measures adopted under the EU Financial Services Action Plan. It aims to strengthen the Single Market in financial services by facilitating cross-border restructuring and enhancing minority shareholder protection.

4. Conclusions

The corporation has been the object of scientific research since the first decades of the 20th century. Professional management and dispersed ownership have driven the corporation into becoming the major form of business organization, mostly because it is believed that it favours a better allocation of resources. However, the classical theory that shareholder value maximization is the ultimate corporate goal has been challenged by the proponents of stakeholder theory, who argue that the satisfaction of corporate constituencies is of primary concern for managers and directors (Dragomir & Ungureanu 2009).

The institutionalization of mass shareholding through the involvement of investment funds has led to the development of a new perspective on corporate governance. The rise in the proportion of people's savings through acquisition of financial instruments has turned the attention of larger social groups to the principles of corporate governance and to the issues of shareholder value protection. On the other hand, a transnational and liquid capital market is an easy target for speculators and short-sighted investors. The last two decades of the 20th century have witnessed a series of bubbles and market contractions easily attributable to an 'irrational exuberance' (Greenspan, 1996).

In conclusion, corporate governance is intimately connected to the effect of strategic decisions on value creation (Pérez, 2009). Considering that managers are the authors of any corporate policy, the process of value maximization is almost entirely their responsibility. Within a market-oriented model, the role of corporate governance is to use various incentives and control mechanisms tailored to align managerial behaviour to the interests of shareholders. Shareholder primacy cannot be separated from the economic paradigm of the stock market; hence, the stock

market has a primordial role in the disciplining of managers and in reducing agency costs, thus creating value for the stakeholder society at large.

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INSTRUMENTS THAT ARE NEEDED TO ENSURE THE CREDIBILITY OF ENVIRONMENTAL DISLCOSURE

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The main objective of the paper is to bring to the forefront the environmental audit and the environmental risk when auditing financial statements, in order to obtain an image on what environmental aspects represent in the field of audit. The study is based on a fundamental, theoretical research and on a questionnaire applied to financial auditors regarding their involvement in providing environmental audit. Objectivity of environmental information can be achieved only by means of the audit process. The paper supplements previous studies regarding environmental audit and brings a model for environmental accounting and audit of information.

1. Introduction

The industrial development, sustained by the economic and technological progress, has been criticized for its devastating impact on the environment companies having been urged to become responsible as far as their impact on the environment is concerned. In response, many companies have begun to report ecologic activities and environmental performance and these aspects fall under the attention of the company's management, accounting professionals, researchers, regulation bodies and media. Large scale use of environmental reporting for a variety of purposes poses the problem of whether this information is objective or not. Checking the objectivity of such information can be performed by means of audit process. The same as for environmental information included in the financial statements the information presented in the environmental reports and sustainable reports are also the subject of audit process. In a study conducted by KPMG regarding the publishing of environmental information, it has been proven that most companies audit the environmental reports independently from the financial reports and that the number of companies auditing their environmental reports is increasing (Benţianu and Georgescu, 2008).

2. Research methodology

The objective of the research paper is represented by the presentation of environmental audit and environmental risk when auditing financial statements, in order to have an image of what environmental aspects mean in the audit sphere. During this research we have raised questions which we tried to answer to: Which are the environmental aspects that an auditor must have in view when auditing financial statements? What is the role of environmental audit in evaluating the way environmental aspects are being controlled and managed? Which are the similarities and differences between environmental and financial audit? What is the involvement of accounting profession in the performance of an environmental audit?

The presentation of the role of financial and environmental audit in reflecting the objectivity of environmental information supplied is based on a fundamental, theoretical research. Also, by

means of a questionnaire applied to financial auditors in Romania we have analyzed the involvement of accounting professions in the performance of environmental audit.

3. Financial Audit and Environmental Aspects

The parties that are interested in a company's financial statements need to be certain that these reports reflect a clear and complete image of the company's performance and position. Auditing financial statements or financial audit provides such assurance, thus playing an important part in providing credible and objective information to interested parties.

The specific role of financial audit process is to evaluate and report the conformity of information included in the financial statements to a series of preset criteria. The objective of financial audit is to give the auditor the possibility to express an opinion regarding the degree in which financial statements are being elaborated in conformity, under all significant aspects, to an identified accounting reference system. When environmental aspects are significant to a company, there is a risk for occurrence of significant misrepresentations or inadequate or incomplete presentation of information within the financial statements. In such cases, the auditor must pay proper attention to environmental aspects during audit of financial statements.

After having brought environmental aspects to the forefront of financial audit and the importance of financial audit related to environmental performance management, we have analyzed the aspects an auditor must have in view in order to discover the risk of significant misrepresentations in the financial statements due to environmental aspects: getting to know the client, evaluating the risks and the internal control, the role of valid legislation and regulations, the basic procedures.

As shown in studies conducted by Gray and Bebbington (Gray, 2006; Bebbington and Gray, 2001) the financial statements are incomplete or insufficient in order to reflect an accurate image of the company's environmental impact. Environmental management accounting and the environmental reporting represent the two pillars supplementing the shortcomings of the traditional financial accounting system as far as company's environmental impact is concerned. If the environmental aspects included in the accounting standards and regulations are certified by means of financial audit, as presented above, we have questioned ourselves: who handles the certification of information provided by environmental management accounting and information included in the sustainable reports, more precisely the environmental reports, in order to offer environmental information users an assurance regarding the accuracy of such information? The response to this question is the environmental audit.

4. Environmental Audit

The increasing number of voluntary environmental reporting by the developed countries companies, as well as the legal requirements related to reporting certain environmental aspects in many European countries (Denmark, Holland, Norway, Sweden etc.) and more (USA, Canada, Australia etc.) raised issues regarding the certification of information included in these reports. The *environmental audit* is the response to such issues, becoming more and more accepted in various sectors of activity, because its greatest benefit is the gradual reduction of the company's environmental risk (Unhee, 1997; Stanwick and Stanwick 2001, Mishra *et al.,* 1997).

Environmental audit represent a basic pillar for ensuring an accurate image on the environmental impact of a company. From our point of view, environmental audit represents an evaluation of how environmental aspects are managed within a company, with the purpose of improving environmental management and securing a certain level of credibility for the environmental information provided. Therefore, environmental audit can be performed either for internal reasons, representing an instrument for evaluation, control and improvement of environmental management, or for external reasons, in order to ensure a reasonable level of assurance that environmental information evidence a clear and complete image regarding the company's environmental impact. No generally accepted principles have been issued to a similar purpose as

the accounting-financial regulations to the financial audit because of the character of environmental audit which is regulated to a very small extent (Dittenhofer, 1995; De Moor and De Beelde, 2005).

Even if environmental audit is not profitable from a financial point of view, the non-financial benefits it brings (increase of company's public image, competitive advantages, assurance of credibility before clients and investors, sense of security given to the management with regard to the environmental aspects management) turn it into a profitable process or activity especially for the companies operating in industries or sectors regarded as heavy polluting or within companies that due to the activities performed or products supplied are subject to highly significant environmental laws and regulations.

There are a large number of purposes environmental audit can be conducted for. The types of audit mentioned before are not performed in full by internal or external auditors. They can be conducted individually or in combinations, as they are useful to the operating units, management and individuals using environmental reporting, in order to ensure credibility of environmental information. In the context where sustainable reports and especially environmental reporting have experienced a particular development lately, there's the question of objectivity for the data included in such reports. Thus, a distinct importance in ensuring the objectivity of environmental information is given to auditing environmental reporting, mostly conducted by external auditors, to increase interested parties confidence.

We have also conducted a comparative approach of environmental and financial audit. The regulatory status of environmental audit is quite different momentarily to the financial audit, for which most countries have elaborated sets of standards. Although focused on financial audit, some of these standards are directly relevant for environmental aspects as well. As a result of lacking a set of general set criteria and the complex nature of environmental information users creating a multitude of purposes and objectives for the report, auditing an environmental report, respectively a sustainable report, is a much more difficult of a process compared to auditing financial statements, which makes the accounting profession to avoid involvement in the performance of environmental audit. From what we mentioned above, it appears that, in case of environmental report auditing, it is almost impossible, or at least inefficient from a financial point of view, to supply a high degree of assurance regarding the quality of the environmental report taken as a whole. The auditor's opinion can include several degrees of assurance for different sections of the environmental report (Wallage, 2000; Karapetrovic and Willborn, 2001).

5. Accounting profession and environmental audit

After defining the environmental audit and its role in assuring objectivity regarding environmental information presented in annual and environmental reports we analyse the involvement of accounting profession in the performance of an environmental audit. There were many study that demonstate the important role of an Internal or external auditor in conducting environmental audits (Taylor et. all., 2001; Cahill, 2002; Tucker şi Kasper, 1998; Picard, 1998; Kite et.all., 1996). The involvement of financial auditors in performing environmental audit in New Zeeland have been explored by Chiang and Lightbody (Chiang and Lightbody, 2004) who conclude that although the audit proffesion could have an important role in performing environmental only a few of them explored this possibility.

For analysing the involvement of accounting professions in the performance of environmental audit we have used as a research tool the questionnaire applied to financial auditors in Romania. The auditors were selected from www.cafr.ro which is the official site of The Chamber of Financial Auditors from Romania. From a total number of 2234 financial auditors to whom we sent the questionnaire in the period 27 July-15 August 2009, we received answers from 276, representing over 12 percent, which can be statistically validated. The questions and the responses are presented in Table1.

Table1. The involvement of financial auditors in performing environmental audit

No.	Question	Multiple choice response	Number of auditors who respond	Percent
1	What is from your opinion the importance given by the Romanian companies to environmental aspect?	Consider important	**23**	8%
		Not consider important	**106**	38%
		Limited importance	**147**	53%
2	Should environmental risk be considered when assessing the inherent risk?	Yes	238	86%
		No	38	14%
3	Have you been involved, along your professional experience in performing environmental audit?	Yes	23	8%
		No	253	92%
4	Do you consider that accounting profession and financial auditors should play an active role in performing environmental audit?	Yes	**203**	74%
		No	**73**	26%
5	In the next 12 months, are you going to get involved in performing environmental audit?	Yes	113	41%
		No	163	59%
6	What are the factors that hinder the involvement of a financial auditor in performing environmental audit?	The lack of a guide or standard for environmental audit	**167**	61%
		The lack of technical knowledge in the field	**160**	58%
		The lack of professional skills necessary for carrying out environmental audit	**77**	28%
		Other factors	**64**	23%

Source: representation of the responses obtained

Following the conducted study we can conclude that in the financial auditors' opinion, Romanian companies give an insignificant importance to environmental aspects, the information they provide being general, insufficient and unclear to be able to reflect the company's environmental

impact. The Romanian financial auditors, although they would wish to get involved in such missions (74%), very few of them take part in certification of sustainable reports, environmental balance sheets or other environmental audits (8%). Perhaps this is due tot the very small demand for certification of sustainable or environmental reports (such reports in Romania are not mandatory), as for the other types of environmental audit, the accounting profession and financial auditors feel that non-existence of a guide on how to perform an environmental audit, as well as the lack of certain necessary technical knowledge are the biggest impediments to their involvement in performing environmental audits. We consider that the involvement of financial auditors alongside with engineers, physicists, biologists, ecologists and other professions in the performance of environmental audit would represent a significant gain especially when it comes to auditing environmental information of financial nature, like environmental costs, environmental debts, provisions and environmental contingent debts.

6. Results and conclusions
Objectivity of information can be achieved only by means of the audit process. Thus, we have tried to supplement the accounting model for environmental information presentation with the mechanism meant to ensure the objectivity of information provided, in order to reflect an accurate image on the environmental impact within a company. As a result, we have created *the responsible model for environmental impact presentation* represented as follows (Figure1):

- The model is based on environmental management accounting, functioning within an environmental management system, on which an internal environmental audit should be adequately performed;
- The second pillar, within the model, should be represented by traditional financial accounting, financial statements being subject to financial audit;
- The third pillar should be represented by environmental reporting and auditing thereof within the external environmental audit.

Figure1. The responsible model regarding the company's environmental impact
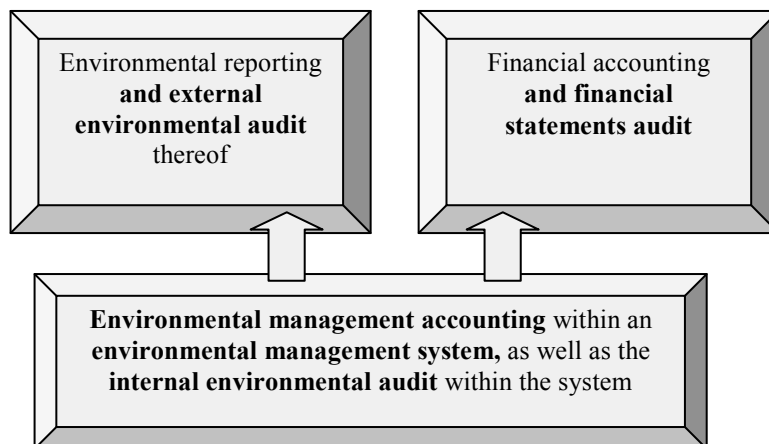
Source: representation created by the author

Following a comparative analysis between financial and environmental audit, we were able to point out that, due to non-existence of generally set criteria as well as the complexity of environmental information users, creating a multitude of objectives and purposes for the report, the process of auditing an environmental report and a sustainable report respectively is a much more difficult process by comparison to the auditing of financial statements, which determines the accounting profession to avoid involvement in conducting environmental audit.

At the national and international level, only a small portion of accountants and financial auditors are effectively involved in environmental audit as a result of the accountants reserve with regard to the uncertainty coming from lack of a mandatory general framework. Lacking regulations and general reporting frameworks for environmental information determine auditors to avoid the fields where their expertise might prove useful. This can also explain why professional bodies focus this much on developing general frameworks and standards in their publications. An environmental audit requires different types of abilities and as a result, the most reasonable way to organize this type of audit appears to be teamwork, by involving auditors, accountants, engineers or other experts in environmental aspects.

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THE INFLUENCE OF GLOBAL FINANCIAL CRISIS ON THE ACCOUNTING POLICIES

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Accounting practices are deeply implicated in the current financial crisis and in proposals for recapitalizing financial institutions and restoring stability to the global financial system. Noting that very little research has been done on the accounting policies implications of such crises, particular consideration is given to exploring the significance of and potential for research on this topic. This article discusses the changes that occur in the accounting policies starting with 2007 when the economic catastrophe begins. The empirical results suggest that companies introduced new components on their accounting policies with the emergence of financial crisis and there isn't a trend of changes in accounting policies depending on the activity of a company.

Keywords: Accounting policies, economic-financial crisis, financial statements, management decisions

1. INTRODUCTION

While it has become common place to blame bankers and their bonuses for the current global financial crisis, as the economic ruin deepens and spreads more fundamental questions will undoubtedly be asked about our economic system and the institutions upon which it is founded. The magnitude of this financial and economic crisis calls for a fundamental reassessment of all areas of business and economic scholarship, including accounting research.

The current economic and financial crisis has significant implications for accounting, both for practice and for the research community. In the areas of financial accounting, auditing, management accounting and the regulatory institutions that oversee accounting and auditing practices there are genuine worries that the crisis has revealed numerous problems and inadequacies.

There is a sample of companies that have already responded to the requirements of changing the components of the accounting policies caused by the current economic environment, this is the reason why we consider a study to quantify and analyze the changes in accounting policies.

2. RESEARCH METHODOLOGY

The importance of having accounting policies well presented and the relation between costs and benefits trigger the interest of all the professionals in this field. In the qualitative stage, in order to deepen the knowledge of this theme, we used the method of documentation, through rigorous analysis of the specialized literature, the international regulations (IAS 8 and IFRS with direct implication into the accounting policies). Based on our findings we try to establish a trend in terms of accounting policies for 23 entities listed on the New York Stock Exchange.

3. LITERATURE REVIEW

The world of accounting practice is implicated in the current financial crisis in a number of ways. The most obvious is through financial reporting requirements governing asset valuation and off-balance sheet entities (Ryan, 2008). The importance of these seemingly mundane accounting rules is underscored by the fact that the solvency and survival of our major financial institutions now turns on how accountants value bank assets and the extent to which auditors require firms to consolidate off-balance sheet entities.

The number reported on the various financial statements provide important information to decision makers, but most users require additional details to facilitate their analysis. All financial reports include additional information in notes that follow the statements.

The first note is typically a summary of significant accounting policies. The summary of significant accounting policies tells the user which accounting methods have been adopted by the company. It is impossible to analyze a company's financial results effectively without first understanding the various accounting methods that have been used. It would be similar to discussing a swimmer's time in the 100 freestyle without knowing if the race had been measured in yard or meters. (Short D., 2003)

PricewaterhouseCoopers and KPMG have been conducted a study, in 2009, regarding the significant accounting policy disclosures and the result of their research is summarized above:

- PwC noted that information around the decision to consolidate (or not) was largely inadequate. For many of the banks surveyed they found that the significant accounting policy disclosures surrounding SPEs failed to provide a tailored discussion of the specific policies. Quite often, disclosures took the form of a repetition of the wording in the consolidation standards. Of the banks surveyed, 20 disclosed securitization activity as well as their accounting policies surrounding derecognition. However most of the banks provided only a brief repetition of the derecognition standard as opposed to providing a tailored discussion of the judgments made in applying accounting policies.

- KPMG figures that 9 banks provided a detailed description of their accounting policy in relation to the consolidation of SPEs. Only 6 banks provided detailed descriptions of the reasons for not consolidating some vehicles, or the nature of changes that led them to consolidation.

Accountants inevitably make many accounting estimates and policy decisions when preparing financial statements. They must select depreciable lives for long-lived assets choose: inventory costing method, make assumptions about pensions, and make many more judgments. These accounting estimates are driven by an entity's accounting policy as it applies to the issues at hand. These decisions could significantly affect a company's financial statements and how users understand a company's results and financial position. (Holtzman M., 2007)

Financial statements must be clear and understandable. They are based on accounting policies which vary from enterprise to enterprise, both within a single country and among countries. Disclosure of the significant accounting policies on which the financial statements are based is therefore necessary so that they may be properly understood. (International Accounting Standards No. 1, paragraph 10)

Accounting standard setters argue that information about the accounting policies used by a reporting entity is essential for financial statement users in interpreting financial statements. (Hope O., 2007)

4. QUALITATIVE ANALYSIS OF REGULATIONS REGARDING THE ACCOUNTING POLICIES

IAS 8 Accounting policies, changes in accounting estimates and errors is the international regulation which prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. When an IFRS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall

be determined by applying the IFRS and considering any relevant Implementation Guidance issued by the IASB for the IFRS.

IFRSs set out accounting policies that the IASB has concluded result in financial statements containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from IFRSs to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an IFRS specifically requires or permits categorization of items for which different policies may be appropriate. If an IFRS requires or permits such categorization, an appropriate accounting policy shall be selected and applied consistently to each category. An entity shall change an accounting policy only if the change:

(a) is required by an IFRS; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. (Technical Summary of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IASB , 01.01.2009)

From a substantive viewpoint relating to IFRS, this is so in that addressing global business changes that are uncertain, uneven, ongoing and evolving requires the application of judgment in assessing financial performance and position beyond mere reliance on the application of pre-defined rules.

5. QUANTITATIVE ANALYSIS REGARDING THE ACCOUNTING POLICIES CHANGES

Based on theoretical considerations and previous empirical research we developed a series of hypotheses that link the company's accounting policies changes caused by the current crisis. Quantitative research methodology initiate with choosing the investigated population. In this respect we have consulted the website of the New York Stock Exchange to identify the entities that have a major role in the international economy, and we choose those companies which were most active on the financial market from NYSE. To form a representative sample we have chosen 25 companies listed, but only 23 of companies have remained in our analyze because 2 of them haven't published on their website the financial statements for year 2006. In addition, each company from our sample is relevant and representative for the sector in which it is operating, and financial data is available to the general public as proof that we were able to achieve their financial reports for years 2006 (before financial crisis), 2007 (the year when financial crises arise) and 2008 (the second year of financial crisis), by accessing their website.

After analyzing the information that entities provided on their website, regarding changes in accounting policies caused by the current crisis, we developed 2 hypotheses that we considered relevant to our investigation:

H1: Companies introduced new components on their accounting policies with the emergence of financial crisis.

In an accounting context, materiality refers to the relative importance or significance of an item to an informed decision maker. An item or event is material if it is probable that the judgment of a reasonable person, relying on that information, would have been changed or influenced by its omission or misstatement. Many decisions regarding materiality call for the careful application of the accountant's judgment. The application of materiality often depends on the size of the particular item in relation to the overall size of firm. Obviously, what is material to Smith's Shoe Store is not material to General Motors. (Flamholtz. E., Diamond M., Flamholtz D.). Taking this into consideration, our research do not intend to compare the number of components of

accounting polices from one company to another, it intends to compare the evolution of components of accounting policies for each company over 3 years.

H2: There is a trend of changes in accounting policies depending on the activity of a company.

Astami E. concludes in her research that companies which belong to the same industry are directed towards the same direction when it comes to change their accounting policies.

6. RESULTS

We can state that all companies have been modified their accounting policies after the financial crash, 15 companies, out of 23, have been introduced new components on their accounting policies, which means that the managers considered the new economic environment a reason for introducing new elements in the financial statements.

FIGURE 1. COMPONENTS OF ACCOUNTING POLICIES CHANGES
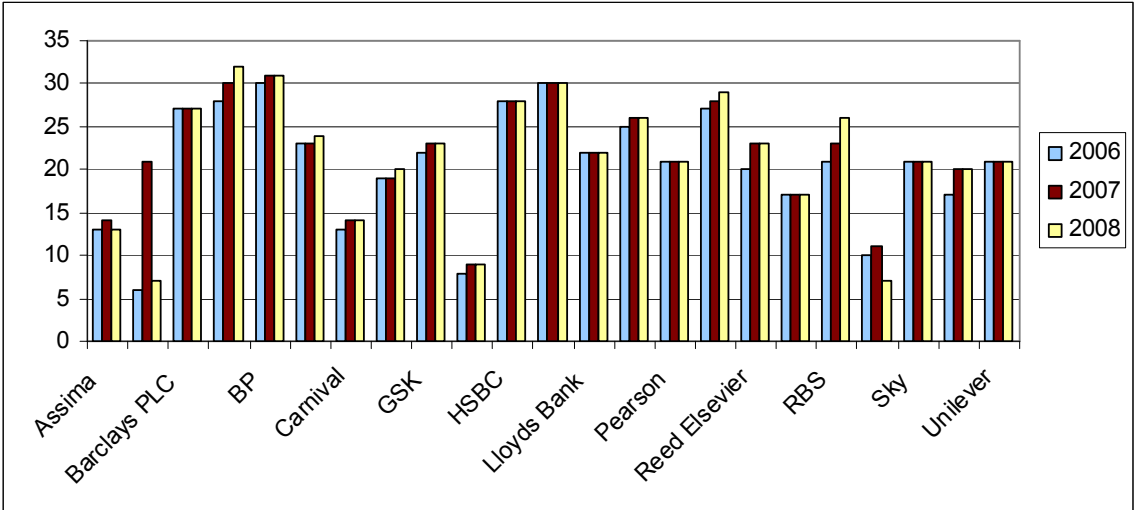
Source: Compiled by author

Taking into consideration the above table we can not conclude that there is a trend of changes in accounting policies depending on the activity of a company and we believe that this occurs because our research have been done on a few number of companies.

TABLE 1. COMPONENTS OF ACCOUNTING POLICIES CHANGES TAKING INTO ACCOUNT THE ACTIVITY

Activity	2006	2007	2008
IT	13	14	13
Pharmaceutical	6	21	7
Financial services	27	27	27
Industry - natural resources	28	30	32
Industry - oil	30	31	31
Confectionery	23	23	24
Tourism	13	14	14
Drinks	19	19	20
Pharmaceutical	22	23	23
Construction	8	9	9
Financial services	28	28	28
Tourism, hotels	30	30	30
Financial services	22	22	22

Activity	2006	2007	2008
Industry - energy	25	26	26
Education	21	21	21
Insurance	27	28	29
Science and medical information	20	23	23
Industry - natural resources	17	17	17
Financial services	21	23	26
Construction	10	11	7
Media	21	21	21
Industry - automotive	17	20	20
Industry - food	21	21	21

Source: Compiled by author

7. CONCLUSION

The crisis, thus, challenges us to re-evaluate our research agendas – and perhaps also the institutional incentives and unexamined assumptions that drive them – so that accounting research can contribute to a broader social and political analysis of the financial crisis.

Financial reporting standards that are seen to adapt to the role of mitigating the risks of interpreting the increasingly complex global business environment and which find legitimacy on the grounds of both market imperatives and political and institutional alignment, will potentially achieve a sustained global presence in the future. If companies use a range of different accounting methods, stock market participants may have to devote considerably more resources to analyzing and comparing the companies' financial statements.

As a summary of our research we can state that for 23 listed companies from New York Stock Exchange only one hypothesis was accepted and this leads us to affirm that:

1. companies introduced new components on their accounting policies with the emergence of financial crisis; and
2. there isn't a trend of changes in accounting policies depending on the activity of a company.

With today's business environment of complex transactions and the recent crop of complicated accounting standards on derivatives, business combinations, stock-option compensation, postretirement benefits and income taxes, it is more difficult than ever to understand how underlying uncertainties affect the financial statements. New disclosures about accounting policies are supposed to meet this need. Thus, the paper adds both to the literatures on accounting policies changes of analysts' forecasts and to the international accounting literature.

Finally, it is important to recognize that accounting rules and changes in them are shaped by political processes (like any other regulation). The role of the political forces further complicates the analysis. For instance, it is possible that changing the accounting rules in a crisis as a result of political pressures leads to worse outcomes than sticking to a particular regime (e.g., Brunnermeier et al., 2009Brunnermeier et al., 2009). In this regard, the intense lobbying and political interference with the standard setting process during the current crisis provide a fertile ground for further study.

A useful direction for further research would be to increase the number of companies upon which we would do the research and also to introduce new variables that would quantify the reasons which determines the management to changes the accounting policies and if those changes are reliable for the company.

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THE ACCOUNTING REGULATION PROCESS IN THE FIELD OF FINANCIAL INSTRUMENTS

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Our paper develops an analysis on the accounting regulation process by considering the field of financial instruments as one of the most controversial areas of financial reporting. After a brief introduction, comprising aspects related to the accounting regulation process, we first stop upon the historical evolution of the two main accounting referential that currently collaborate through the convergence process. Our analysis focuses both on standards first issuance and on their amendment process. A special emphasize is given to the international accounting referential. The obtained results enhance the complexity of the approached field and indicate significant steps still needed to be taken.

Introduction

Approaching the accounting regulation process in the field of accounting can be done by using a large range of attitudes, starting with the vision of a free market and ending at the other extreme of excessive regulation that in our opinion can also be correlated with the typology of rule-based accounting systems. The fundamental assumption that lays at the basis of the "free market" approach when it comes to accounting regulations says that accounting information should be treated like any other economic goods. This implies that forces of demand and offer should be allowed to act towards that point that generates the optimal offer of information related to a certain entity (Deegan and Unerman, 2008, p. 57). In other words, those opinions militating for the reduction or even elimination of the regulatory process bring as an argument the fact that when someone wants to obtain a certain information regarding a certain entity he/she will also be prepared to pay for it, while the demand and offer would be the ones leading to the creation of the informational optimum. We will further develop a detailed analysis in the field of accounting for financial instruments as being one of the most controversial areas of financial reporting.

Research methodology

Our paper is based on analyzing accounting standards being issued by significant accounting standard setting bodies in the accounting arena. This involves on one hand closely considering the results of the accounting regulation process and on the other the development of the process itself. Once the particularities of the accounting regulation process were established, it also helped us organize our paper. Since the IASB work plan includes amending already existent standards, after presenting their first issuance, we needed to insist on corresponding amendments. This was not an issue for the American accounting referential issuing a new standard once an

amendment is needed. The developed analysis allowed the identification of the most problematic areas in reporting for financial instruments.

Historical evolution of two great accounting referential
Developments taking place within financial markets that become more and more sophisticated from one day to another, allowing entities to trade innovative contracts that significantly transform their risk profile, represent maybe the only factor within the business cycle that brings significant problems when it comes to traditional financial reporting practices (Bonham *et al.*, 2008, p. 1131). All these aspects started to make their presence obvious from some time now, IASB (International Accounting Standards Board), former IASC (International Accounting Standards Committee) commenting since back in 1996 on such aspects and emphasizing that:
At the root of the necessity of changing the accounting for financial instruments, we must place fundamental changes that appeared within international financial markets. An entity can significantly and instantly change its profile from the financial risk's perspective, therefore imposing careful and continuous supervision. Meanwhile, an entity can use derivatives as speculative tools in order to multiply the effects of changes taking place in interests, exchange rates, commodities' prices of securities, therefore multiplying their earnings if prices move in an advantageous direction or, similarly, multiplying their losses at a contrary evolution. Accounting for financial instruments did not keep pace with these informational necessities of market participants. Existent practices are grounded based on some principles that were developed when accounting's main preoccupation were production entities that combined different forms of inputs (materials, labour, machinery, etc) and transformed them into outputs (goods or services) with the purpose of selling them. Accounting for these processes generating incomes was first preoccupied by achieving a certain connectivity of expenses with revenues. A key element of this process is represented by the moment of revenues obtaining, representing that point when a company may consider that it has transformed its inputs into cash or rights on cash. These traditional concepts of valuation being based on realization and costs are not suitable for recognizing and measuring financial instruments. By recognizing this aspect, many countries have made a significant step towards acceptance of fair value accounting in the case of certain financial instruments (IASC, 1996).
Recognizing these issues more than a decade ago was actually clearly delimiting the challenges that were going to fully solicit accounting standard setting bodies for some time. More precisely, it was necessary to accept new approaches to financial reporting if wanted to keep pace with particular features of financial instruments. Moreover, identifying to what extend would this new approach also generate implications in other areas of the activities being developed by entities, therefore being necessary to abandon traditional accounting methods. Direction for actions to be taken that were chosen by the IASC and afterwards IASB indicate the fact that these issues were closely considered, developments within the field of financial instruments also affecting other areas. A particular attention was also paid to creating some models that were to be used in measuring fair values for some balance sheet elements such as those in the field of insurance contracts, agriculture and even recognition of revenues (Bonham *et al.*, 2008, p. 1132).
If we are to make reference to that point in time when accounting regulations in the field of financial instruments were initiated, we must take into consideration the American accounting referential whose development in the considered area was actually imposed through the level and complexity of transactions taking place within the American capital market. At least after World Word II, USA occupied a leading position when it comes to financial innovation and corresponding regulation in this field (Veron, 2007, p. 22). The domination of American capital markets and unprecedented powers being concentrated in the Securities and Exchange Commissions' (SEC) hands represents a clear proof of the fact that the American financial environment exerts a significant influence on a global level, regardless if we make reference to SEC's representatives or American members of the accounting profession.

A turning point in the history of accounting regulation was created once with Enron's bankruptcy back in 2001 and other financial scandals manifesting in 2002, but also the unforgettable '90s bubble. Previous to these events, there was also a series occasional criticism towards certain standards within the American accounting referential, but in generally it was still considered to be, in America and other areas of the world, as being the best available set of accounting standards (Veron, 2007, p. 23). We also mustn't forget the fact that US was the first to issue accounting standards (in 1930) and also the first (once with the establishment of the Financial Accounting Standards Board – FASB in 1973) to be based on an accounting regulatory body that claimed independence towards the accounting profession and towards direct political pressures. Although FASB was the one to initiate a series of projects in different problematic areas from an accounting perspective, Enron's collapse shook to the grounds all perceptions on what quality of accounting standards meant, bringing to surface a series of shortcomings of the American accounting referential.

It was therefore reached a totally different context, recent endorsement of the international accounting referential by UE favoring its acceptance as an alternative to the American one, now being more doubted than ever. In February 2002, president of IASB David Tweedie was explicitly criticizing the rule-based approach that was predominant within US GAAPs. In contrast, he was presenting the principle-based vision that IASB had approached. Shortly afterwards, the possibility of introducing a principle based system (such as the International Financial Reporting Standards - IFRS) within USA was being analyzed, the Sarbanes-Oxley Act (SOX) asking SEC to consider this issue (SEC, 2003).

Since 2000, FASB and IASB started to work on eliminating existent differences between US GAAP and IFRS. They decided to entitle this process as convergence, bearing in our opinion a particular character if we are to consider just the involved parties. The principle being incorporated within the Norwalk agreement in September 2002 (also known as Memorandum of Understanding - MoU) and renewed in February 2006 sustains that both parties should make significant efforts towards reciprocal closeness of the two accounting referential.

Analysis focusing on accounting for financial instruments

Starting with the grounding of other studies approaching this issue of great accounting referential (Hail *et al.*, 2009, Veron, 2007) we will also approach a presentation that focuses on the international accounting referential, but while also making numerous references and parallels with other accounting referential where their content or the considered moment impose it. A parallel approach of all aspects in accounting for financial instruments through the perspective of great accounting referential would generate an unjustified dimension of the presentation. We therefore chosen to particularize the manner in which information will be presented based on authors' professional judgment.

Considering the fact that each accounting referential has its own rules regarding the way the regulation process takes place, it would be rather difficult to achieve a parallel, but yet unitary presentation, of all preoccupations in the field of financial instruments. Our objective is to follow the main moments in time that were marked through an accounting regulation being issued, while considering three accounting referential. Choosing the three accounting referential was done with the aim of enhancing global representativeness. We therefore obviously chose the international accounting referential being issued by IASB, the American accounting referential issued by FASB, and also the Australian accounting referential issued by AASB (***Australian Accounting Standards Board***), which often proved some significant particularities. We must mention the fact that within the international accounting referential we now[409] find three distinctive standards whose objective is directly represented by financial instruments. These are IAS 32 *Financial instruments: Presentation,* IAS 39 *Financial instruments: Recognition and Measurement* and

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[409] We only considered the three standards currently being effective. Furthermore, within its project of replacing IAS 39, IASB has already issued in 2009 a new standard, IFRS 9 having January 1, 2013 as effective date.

IFRS 7 *Financial instruments: Disclosures*. According to IASB's work procedure, these standards have often been amended and for this reason, we will first stop at pointing those moments when standards have first been issued and afterwards come back for a detailed analysis. The American accounting referential on the other hand issues a new standard each time it wishes to amend an already existent standard, and for this reason, it is necessary that we enumerate a significant number of distinctive standards (SFAS[410]). Still, we must keep in mind that there are some situations when more of the mentioned standards approach the same aspects. In accordance to our methodology of presenting those moments when financial instruments standards have been issued we must distinctively present all of them. As previously mentioned, the corresponding attention will also be granted to those moments that brought standards' amendment, also within the international accounting referential, even if it did not represent new standards, implications still being significant.

The Australian accounting referential involves a similar working procedure to that of IASB, therefore having some moments that involve distinctive standards being issued, while since January 1, 2005 the so-called Australian equivalent standards for IAS/IFRS became effective. The following figure 1 presents the manner in which the three considered accounting standard setting bodies acted in time in order to regulate the field of accounting for financial instruments. Figure 1 reflects each regulatory body's manner of working, but also its preoccupations in the field of financial instruments. A closer analysis on the significant moments in our figure demonstrates the fact that the American accounting referential seems to be taking the initiative most of the times, while representing a valuable source of inspiration for the international one. Creating accounting standards in this field is challenging for all regulatory bodies for some time now. As figure 1 proves it, a series of developments were initiated in US that also paid special attention to the requirements related to the use of fair value measurements of financial instruments. The purpose would be to better reflect both risks and rewards connected to those instruments. The Australian approach is also interesting, developing its own specific accounting standards that are tailored to suit their need, while also beneficiating from the evolutions within the international accounting referential that they keep pace with.

Despite the fact that based on their methodology of amending existent standards, our figure seems to reflect a clear and easy approach of IASB on accounting for financial instruments, a content analysis proves the contrary. Difficulties constantly raised from practice have often determined the international accounting referential to move away from the declared principle based approach towards rules that made the standards extremely complex, difficult to apply and also controversial. In order to catch the dynamic of the approached field and the complexity of the corresponding accounting regulations, we will further graphically represent those moments that imposed significant amendments of the international accounting referential in time. Figure 2 mirrors IASB's reaction in time during the difficult task of establishing financial reporting standards for financial instruments.

Conclusions and further developments

The below presented figures both reflect the complexity of the approached area and also the difficulty of developing the accounting regulation process in this field and reach the desired true and fair view. When closely analyzing the international accounting referential we notice that three standards were necessary and are still not sufficient. Figure 2 details their development in time, but also the correlations between them with regard to responsibilities each one should face. IASB's first efforts within the accounting regulation process in the field of financial instruments, or better said back then IASC, manifested staring September 1991 through Exposure Draft E 40 *Financial instruments*. This was afterwards modified in the shape of Exposure Draft E 48 *Financial instruments* that also

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[410] We have chosen to use the old FASB codification because we considered the new codification, having only been introduced since last year, is not yet very popular. The correspondence between the old classification and the new one is provided by the FASB on its official website.

generated the first version of IAS 32 *Financial instruments: Disclosure and Presentation*. Meanwhile*, analysis within the field of accounting for financial instruments continued to be developed with regard to recognition and measurement issues. These researches also soon took the shape of an Exposure Draft, namely E 62 in 1998, shortly becoming IAS 39 *Financial instruments: Recognition and Measurement*. IAS 32 was also revised with this occasion.

Figure 1. *Accounting regulations in the field of financial instruments*
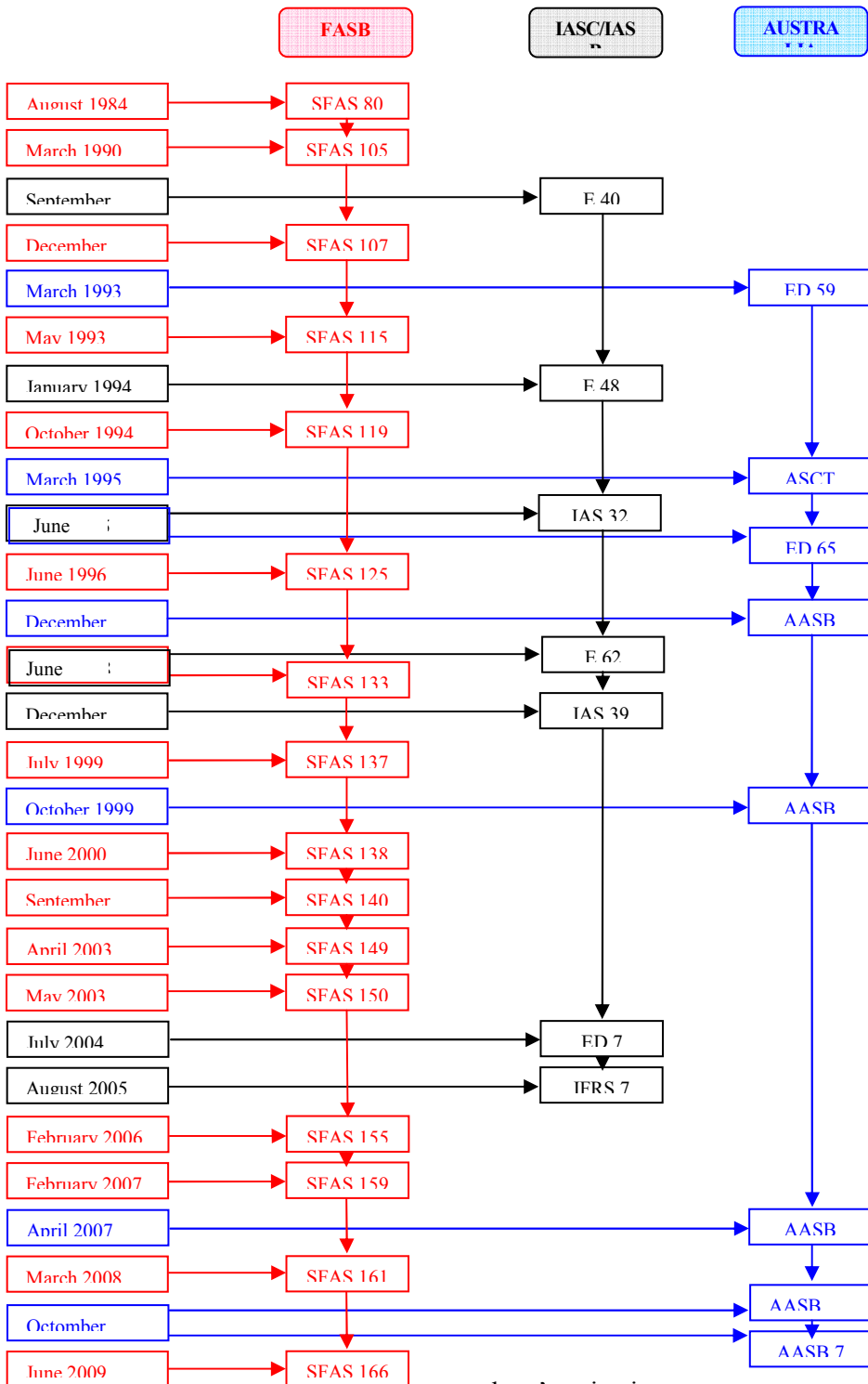
Source: authors' projection

Figure 2. *Evolutions of the international accounting referential in the field of financial instruments*

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Sorce: authors' projection
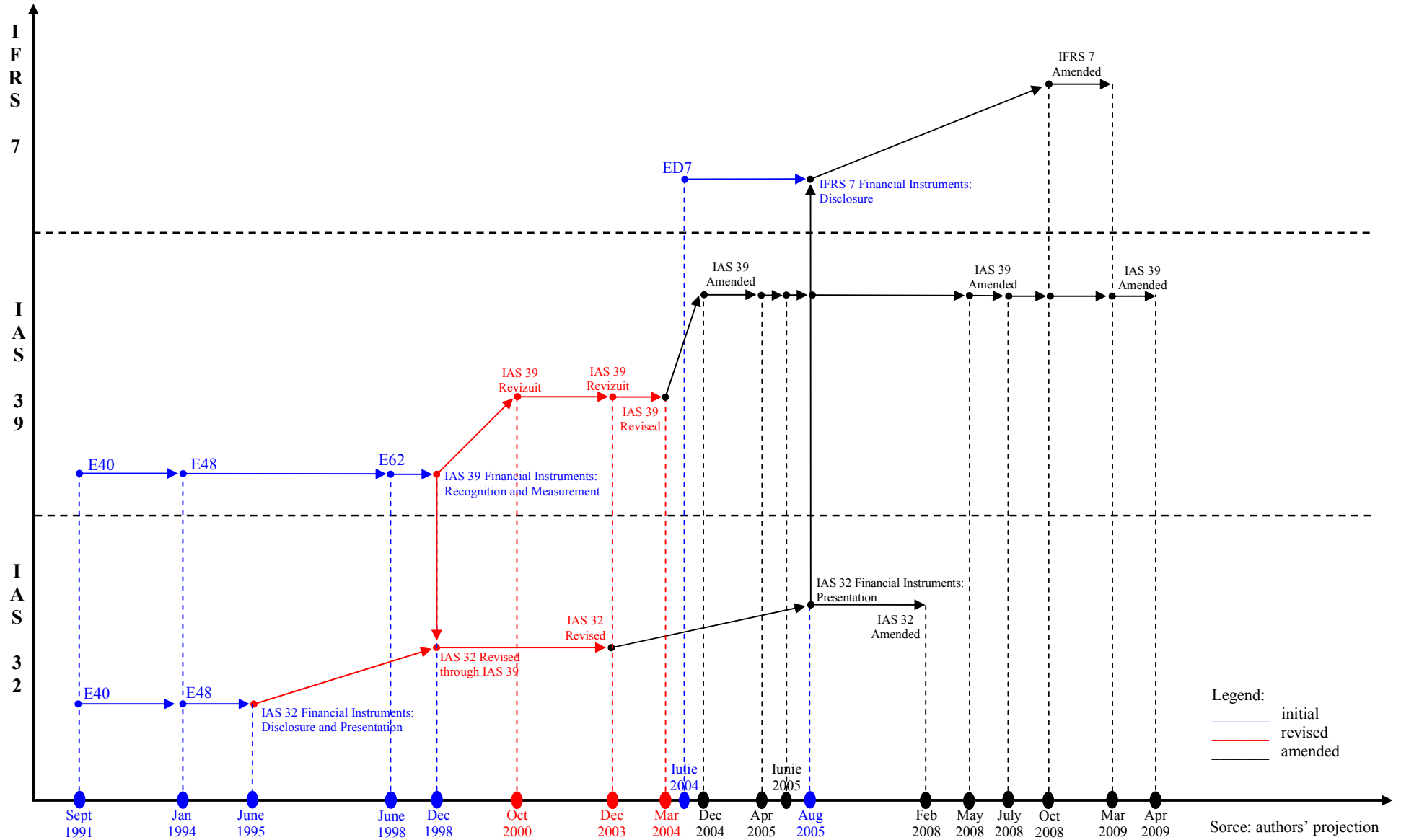
It is now more than obvious that IAS 39 represents the most revised and amended standard being issued by IASB. This does not come as a surprise considering the controversial aspects this standard deals with. Recognition and measurement have always represented a difficult aspect of financial reporting, but the current financial crisis enhanced its importance. Therefore, IAS 39 was amended with regard to the reclassification of financial assets. Significant pressures were made due to the fact that classifying a financial asset within a certain category also dictated its valuation at fair value or amortized cost. Considering the resulting inactive financial markets due to crisis circumstances, entities required for the right to reclassify arguing that current circumstances have also determined them to change their intentions upon their financial assets. But on the other hand, allowing them to reclassify also offers the opportunity of avoiding fair value measurement with manipulation purposes. This decision of amending IAS 39 was very much criticized ad brought damage to IASB's formal independence, especially since it was done very urgently and without respecting the complete due process. European banks were also among the first to put pressures on IASB. The problem of financial instrument's measurement remains open, the new IFRS 9 *Financial Instruments* seeking to replace IAS 39 and eliminate their classification determining the measurement attribute. The problem is even more difficult do to the context now surrounding fair value that took some of the finger pointing for the current financial crisis. While already being a sensitive topic, fair value measurement brought even more controversies due to the circumstances generated by the impact of the financial crisis on capital markets around the world.

We consider that the development in June 2004 of the exposure draft for a standard that was to be entirely dedicated to disclosure issues on financial instruments represented a clear proof of accepting a change in accounting paradigms. We refer here to the necessity of reorienting approaches when it comes to accounting for fictive capital. The emphasize now moves from recording data towards measurement, reporting and disclosing information, that is imperative for a good understanding of the implications of financial instruments being used by reporting entities. We conclude by saying that reporting for financial instruments represents a challenging area for all involved parties. Events surrounding European Union's endorsement of IFRS, with the well known carve out concerning IAS 39 and the fair value option, also represent a good example for the manner in which political forces can intervene within the standard setting process even when dealing with its international level. It is therefore an area imposing changes in accounting paradigms and continuous search for better solutions, while practice keeps facing us with a new riddle every day.

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CONSOLIDATION POLICY: PAST, PRESENT AND FUTURE APPROACHES TO THE CONCEPT OF CONTROL

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Preparing consolidated financial statements has been a common practice for groups of companies around the world for a relatively long time, going back one century in the USA and tens of years in different European countries.A far-reaching issue regarding consolidation accounting policy is the concept of control, as it holds a crucial role in determining the basis of consolidation and the applicable method of consolidation and subsequently in influencing the content of the group financial statements. We focus in our article on the concept of exclusive control as it is approached by the relevant International, American and European standards, casting light also on possible future developments of this concept. The objective of our study is to acknowledge the differences and similarities between the approaches to the control concept, closing with the presentation of the influences of these approaches on the basis of consolidation.

1. INTRODUCTION

Preparing consolidated financial statements has been a common practice for groups of companies around the world for a relatively long time, going back one century in the USA and tens of years in different European countries. Within the EU, groups of companies have to publish consolidated statements in accordance with the 7th European Directive. Moreover pursuant to EU Regulation 1606/2002, listed groups have to publish (in addition) a set of consolidated statements prepared in accordance with IFRS (Tiron-Tudor & Müller, 2007: p. 66). A far-reaching issue regarding consolidation accounting policy is the concept of control, as it holds a crucial role in determining the basis of consolidation and the applicable method of consolidation and subsequently in influencing the content of the group financial statements. In other words, the objective of identifying the situation in which a company has to include in its consolidated financial statements the assets, liabilities and income pertaining to another company gravitates to a major extent towards the concept of control. The accounting literature and practice encounters a large diversity of opinion regarding the issue of control of another company (Henry, 1999: p. 39).

The objective of our study is to acknowledge the differences and similarities between the approaches to the control concept, closing with the presentation of the influences of these approaches on the basis of consolidation. We focus in our article on the concept of exclusive control as it is approached by the relevant International, American and European standards, casting light also on possible future developments of this concept. Thus we planed for our research to study the appropriate technical literature, the relevant legislation in the field of consolidations as well as the IASB's discussions

chronology of its Project "Consolidations" and FASB's ED for the proposed Standard on Consolidated Financial Statements.

2. THEORETICAL SETTING OF THE CONCEPT OF CONTROL

Presently there is no standard definition of control. However there are common coordinates of the existing definitions, which focus basically on the ability to direct the financial and operating policy of a company and on the possibility to obtain benefits which originate from the respective company. A definition with a large international acceptance, which includes the two mentioned elements presents control as being the power to govern (direct) the financial and operational policy of an entity in such a manner as to receive benefits from its activities (Feleagă & Feleagă, 2007: p.24) This definition is based on the following two cumulative criteria for the existence of control: A) the power criterion and B) the benefits criterion.

A. The power to direct the financial and operating policies of an entity has the meaning of strategic power (IASB, 2006a: p. 5). The operating policies consist in the those policies which direct activities such as sales, acquisitions, marketing, production and human resources and the financial policies refer to those policies which direct the accounting policies: budget approval, credit policy, dividend policy, bond policy, cash management etc. (Ashwal, 2005: p. 7). The owner of this strategic power has the possibility to determine the way one entity's assets are used (either directly within its activities or indirectly by selling them), and has also the possibility to determine that entity to contract supplementary loans, to raise ore pay its debts (IASB, 2006a: p. 5). An important issue in this context is whether this strategic power must necessarily have an exclusive character or not. We believe that this power cannot be shared or divided, in other words in our opinion only one entity can control another entity. Where directing the financial and operational policies of an entity can take place only together (in common) with other entities involved, control is not present.

B. Deriving benefits from the activities of a controlled entity are mainly (and in most cases) linked to the ownership of capital instruments issued by that entity. The holder of such instruments can benefit a) directly through any returns on the shares in the form of dividends and through changes in the value of the shares (especially if they are listed) that are a result of those shares absorbing the variability of the entity's assets and liabilities or b) indirectly from any proceeds from selling that capital instruments. The range of possible benefits can be extended, as these derive from being able to utilize or deal with the assets and liabilities of the controlled entity.

According to the definition of control presented above, the control concept has an exclusive character (Matiş, 2003: p. 313). This exclusive control can have two forms: legal control and effective control (Malciu & Feleagă, 2002: p.22).

3. ASSESSING THE EXISTENCE OF CONTROL AS THE BASIS OF CONSOLIDATION
3.1 The US GAAP Approach to Control as the Basis of Consolidation

The FASB consolidation policy project has for many years focused on developing new standards to determine which entities should be included in consolidated financial statements (Ashwal, 2005: p. 2). This project is aimed at reconsidering the consolidation principles included in Accounting Research Bulletin No. 51, Consolidated Financial Statements (ARB 51), which was issued in 1959. ARB 51 describes the purpose of group financial statements and the general rule of consolidation policy. According to ARB 51 consolidated financial statements are required when one of the companies in the group directly or indirectly has a controlling financial interest in the other entities. Within this context control is considered as having ownership of a majority voting interest (i.e., over 50% of the outstanding voting shares of another company). Accordingly, only the existence of legal control is considered as the basis of consolidation. SFAS 94 amended ARB 51 to eliminate all of the exceptions to consolidation, except when control is likely to be temporary or if it does not rest with the majority owner (e.g. if the subsidiary is in legal reorganization or in bankruptcy. However, SFAS 144 eliminated

this exception.) Actually neither ARB 51 nor SFAS 94 define control. The notion of control has always been in the American accounting literature but it was never defined (Henry, 1999: p. 39).

The declared purpose of group financial statements and the general rule of consolidation displayed in ARB 51 focus on companies that issue voting shares, which generally are business enterprises organized as for-profit corporations. Under these requirements consolidation is based on control, where control is generally measured as owning (directly or indirectly) more than 50% of an entity's outstanding voting shares of equity. However, during the years since ARB 51 has been issued, both business enterprises and not-for-profit organizations have continued to conduct a growing and diverse range of activities through increasingly complex organizational structures (Ashwal, 2005: p. 2). Therefore, FASB issued in 1995 an *Exposure Draft on Consolidated Financial Statements: Policy and Procedures*, where it arrived at a definition of control and outlined procedures for CPAs to use in preparing consolidated financial statements. Opposition to the ED was strong enough to cause FASB to vote it down (Henry, 1999: p. 41).

During 1999, the FASB issued a revised ED on consolidation policy, Consolidated Financial Statements: Purpose and Policy. The concept of control is defined as the ability to direct the policies and management that guide the ongoing activities of another entity so as to increase the benefits and limit the losses from those activities.

The FASB determined in 1999 that there was not sufficient Board member support to proceed with a final statement on the consolidation policy ED, although it believed that improved guidance in this area is desirable (Ashwal, 2005: p. 7). Six years later, the FASB issued an exposure draft, Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries, which should replace ARB 51. The ED carries forward the 50% plus one – bright line rule of ARB 51. This indicates clearly that the US GAAP is continuing the rule based approach to the concept of control.

3.2 The IASB Approach to Control as the Basis of Consolidation

International accounting consolidation rules (including the application of the concept of control) are included in IAS 27 (issued in 1989 and last revised in 2007), Consolidated and Separate Financial Statements (IAS 27) and SIC 12, Consolidation - Special Purpose Entities, an interpretation relating to IAS 27, which provides further indicators of control over SPEs.

Among other things, IAS 27 prescribes the requirements for preparing and presenting consolidated financial statements for entities under the control of a parent. Under IAS 27 consolidated financial statements should include all subsidiaries, which are defined as entities controlled by another company (parent). IAS 27 defines control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This definition involves the two cumulative criteria (power and benefits) presented in the beginning of this paper. It encompasses both the notion of governance (power) and the economic consequence of that governance (i.e., benefits and risks). Governance is related to the power to make decisions through the selection of financial and operating policies, which does not require active participation or ownership of equity instruments. Benefits may be related to present or future cash inflows either directed to the controlling entity or remaining in control of the controlling entity or may involve non-monetary increases in value to the controlling company. Risks may relate to present or future cash or non-monetary outflows either paid by the controlling entity or through assets controlled by the enterprise (Ashwal, 2005: p. 7).

Control is presumed to exist when an investor owns (directly or indirectly) more than 50% of voting interest in an entity. However, in particular cases it may be possible to demonstrate that such ownership does not mean control, especially when a significant minority interest exists or when another party has the ability to dominate the board of directors of the entity. The substance of the arrangement has to prevail, as it may provide evidence to rebut the presumption. In addition, control can exist even when an entity owns less than 50% of an entity's voting power when one or more of the conditions enumerated in IAS 27.13 exist.

It is obvious that the scope of control is broader than in the US GAAP world: IAS 27 covers both legal and effective control (including the statute control), whereas ARB 51 considered only legal control (based on the 50% threshold). In addition to the indicators in IAS 27.13 for the assessment of control, the potential voting rights identified in IAS 27.14 should also be considered in evaluating whether or not control exists.

3.3 The EU Approach to Control as the Basis of Consolidation

The EU accounting consolidation policy is laid down in the Seventh Council Directive, issued in 1983. This Regulation has been the main harmonization instrument in the field of consolidation policy on EU level. The Directive does not define the concept of control but displays (within Article 1) the following situations when a (subsidiary) undertaking (entity) has to be included in the consolidated financial statements of its parent:

- has a majority of the shareholders' or members' voting rights in another entity; or
- has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another entity and is at the same time a shareholder in or member of that entity; or
- has the right to exercise a dominant influence over an entity of which it is a shareholder or member, pursuant to a contract entered into with that entity or to a provision in its memorandum or articles of association; or
- is a shareholder in or member of an entity, and a majority of the members of the administrative, management or supervisory bodies of that entity have been appointed solely as a result of the exercise of its voting rights (this is not applicable if another entity has the rights referred to in the first three subparagraphs above with regard to that entity); or
- is a shareholder in or member of an entity and controls alone, pursuant to an agreement with other shareholders in or members of that entity, a majority of shareholders' or members' voting rights in that entity.

Furthermore, apart from these situations the Directive allows Member States to require an entity to be included in the consolidated financial statements if its parent: has the power to exercise, or actually exercises, dominant influence or control over that entity; or together with that entity are managed on a unified basis by the parent undertaking.

These situations are in fact indicators of the existence of control. The scope of control within the European Directive is very similar to that presented in IAS 27. It is clearly that the situations presented above encompass both legal and effective control. The contractual or statute control (as a form of the effective control) is also taken into consideration.

4. THE CONTROL BASED MODEL OF IASB'S AGENDA PROJECT "CONSOLIDATIONS"

In June 2003, the IASB added a project on Consolidation to its agenda, whose goal is to publish a single IFRS on consolidation to replace IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities such that the control criteria within a single IFRS should be developed for all entities (IASB, 2006a: p.1). This project forms part of the Memorandum of Understanding between the IASB and the FASB which sets out a Roadmap of Convergence between IFRSs and US GAAP 2006-2008. Most standard setters (including the IASB) have identified control as the appropriate basis for consolidation; however, there appear to be differences in the way control is interpreted in deciding whether consolidation is required. As a result, there may be differences in how a reporting entity is defined (Deloitte, 2007). Within this context, the IASB "Consolidations" project will provide more rigorous guidance around the concept of "control", which is the basis for consolidation under IAS 27.

4.1 Updating the Definition of Control

The Board has tentatively agreed to define control as the ability to direct the strategic financing and operating policies of an entity so as to access benefits flowing from the entity and increase, maintain or protect the amount of those benefits (IASB, 2006a: p.4). This definition contains three tests:

1) the ability to direct the strategic financing and operating policies of the entity (the 'Power Criterion');
2) the ability to access the benefits flowing from the entity (the 'Benefits Criterion'); and
3) the ability to use its power so as to increase, maintain or protect the amount of those benefits (the 'Link Criterion').

The first two tests correspond to the cumulative conditions presented in the definition of control at the beginning of this paper. The third test is the new element. This condition should be usually met (if the first two conditions are complied with). However, situations might occur when a company (A) has the abilities to direct the strategic financing and operating policies of another entity (B) and to access the benefits flowing from that entity (thus fulfilling the Power and Benefits Criteria) but pursuant to a contract entered into with that entity or to a provision in its memorandum or articles of association is not able to increase, maintain or protect the amount of the benefits flowing from that entity. In our opinion such situations should be rather exceptional.

4.2 Shifting the Focus of Control to the Assets and Liability

The staff basically agreed with the definition the Board has tentatively approved upon, but wished to amend it in order to focus on the assets and liabilities of the entity rather than the entity per se. Thus the considered type of wording is An entity has a controlling interest in another entity when it has exclusive rights over that entity's assets and liabilities which give it access to the benefits of those assets and liabilities and the ability to increase, maintain or protect the amount of those benefits.

We consider this change as being suitable and agree with the IASB staff who argues that the use of the assets and liabilities of an entity are, ultimately, what power over the strategic financing and operating policies is intended to capture. According to the staff, this characterization of control also provides a stronger link with benefits. It also avoids implying that control over assets and liabilities can only be achieved by directing the strategic financing and operating policies of an entity—control might be achieved other than through strategic power (IASB, 2006a: p. 5).

4.3 Assessing the Existence of Control by Considering Indicators

In many situations establishing whether an entity controls another entity is easy, because the rights are clear. This is especially the case when an entity owns (directly or indirectly) more than 50% of voting interest in another entity. This fact is consistent with the property rights literature which notes that, apparently, as the power over assets increases the evidence of that power should also become more apparent, because the rights should become better defined (IASB, 2006b: p. 8). In these situations the identification of control is based on the existence of *presumptive indicators*.

Possibly the most obvious presumptive indicator is the right to cast a majority of the votes of an entity, giving the holder the right to appoint that other entity's board of directors. However even if a company holds less than a majority voting rights in another entity, other presumptive indicators of control may be applicable such as (IASB, 2006a: p.11):
- it has the dominant voting power at meetings of the entity's governing body, when the balance of voting interests is widely dispersed and disorganized;
- it has exclusive rights to exercise more than half of the entity's voting rights by virtue of an agreement with other investors;
- it has exclusive rights under a statute or an agreement to determine the entity's strategic operating and financing policies.
- it has exclusive rights to appoint or remove the majority of the members of the entity's board of directors or equivalent governing body and control of the entity is by that board or body.

In the absence of presumptive indicators assessing control might require more judgment. The IASB staff believes that in such circumstances control should be assessed by considering the indicators that evidence the nature of the relationship between the investor and the investee. They might indicate that the dominant investor (but holder of less than the majority of voting rights) is participating in the activities of that other entity. Such indicators (considered collectively) could be structured into the following three categories (IASB 2006b: p. 11):
- The ability to dominate the governing body, and therefore the strategic policy decision process;
- The ability to participate in the management of an entity;
- The ability to access the residual assets of an entity.

5. CONCLUSIONS

From an International (IFRS) and European perspective (7th Directive), the concept of control is much broader than under US GAAP. The US GAAP approach towards control is rule-based (50% bright line rule) and many analysts argue that this approach opens the door for creative accounting as it can be used to shape the basis of consolidation. For example, if companies need to get debt off their consolidated balance sheet, they get their equity ownership in a subsidiary under 50%. If the subsidiary prospers, they turn around and get that entity on the other side of the bright line (Henry, 1999: p. 40). The Enron debacle demonstrates best the need for a principle based approach of the concept of control: it did not consolidate hundreds of off-balance-sheet entities and failed for this reason to recognize the associated liabilities (Kivi, Smith & Wagner, 2004). However the convergence with IFRS will probably determine FASB to issue in the relatively near future a standard which will embrace the principle based approach to the concept of control, thus abandoning the 50% bright line rule and relying more on the accountant's judgment. The European perspective of the concept of control is somehow similar to the IFRS perspective. However the translation into Member States legislation of the options allowed by the 7th Directive regarding effective control (Article 1.2) can influence the basis of consolidation of groups pertaining to different EU Members, especially when the conditions explicitly stated in the Directive (Article 1b,c,d) are not present.

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MATERIAL ACCOUNTING HARMONIZATION: AN OVERVIEW OF TRADE LITERATURE

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Our paper develops an overview of trade literature within the particular area of material accounting harmonization. The usefulness of this paper consists in offering an up to date image on what was written on this particular topic with significant practical implications. We first divide existent studies on stages that we consider can be grounded based on trade literature's evolution. Furthermore, a qualitative analysis is done for studies belonging to each period. Limitations of previous studies are also synthesized. The final point of our analysis gives shape to research perspectives that further needs to be exploited.

Keywords: material accounting harmonization, de facto harmonization, measurement instruments, trade literature, accounting harmonization process

JEL Classification: M40, M41

Introductory thoughts

When it comes to researches in the area of international accounting harmonization measurement, there is a difference between those studies focused on the regulations harmonization problematic (*de jure* harmonization) and those which have as main study target the implementation method of the international standards in the accounting practice (*de facto* harmonization). In this context, we can argue that material harmonization is defined through the concentration level present around an option for a certain accounting policy (Herrmann and Thomas, 1995, p. 254). Based on this reasoning, the harmonization level increases along with the company's number that opts for the same accounting policy. This material harmonization type (*de facto*) is measured based on the concentration index developed by van der Tas (1988).

If we wish to define the material harmonization we can state that it represents that process where the diminution of the alternatives level and accounting option is intended, what means an increase of the harmonization level of the accounting practices and implicitly of the comparability level. On the other hand, starting from the statement that the harmonization is a process that leads towards a harmony state which afterwards becomes a real state (Canibano and Mora, 2000, p. 351), then we sustain the idea that the material harmonization is actually the process of the compatibility level increase between regulations and practice and the harmony state is reached when the differences variation between the two elements is contestant.

For a better understanding of the material harmonization process, it is very important to be able to identify the impact the modifications of afferent policies and accounting options have over the comparability level of the practices not only at an intra-state level but also at an inter-state level (Archer *et al*., 1995, p.80). Further, on we can consider that a particular importance is given to the influence that

the inter-states situation has it over each national accounting system involved in an accounting harmonization process when it comes to practice.

A mandatory condition for the development of a common market at the European Union standard is an accounting-financial information flow as a result of the accounting harmonization process (Canibano and Mora, 2000, p.349). In this context, the accounting practices harmonization aims to become an important factor in reaching the common market desideratum (Herrmann and Thomas, 1995, p. 253) which could have important consequences especially on regional scale. If such a statement is real then we can estimate that the political element tends to become of high importance in the accomplishment of the accounting harmonization process.

Research methodology

In order to develop our paper we put into practice the steps of the exploratory literature review process. After establishing the approached topic area, we searched for papers belonging to this category and read them. After carefully analyzing the content of the selected paper, we outlined the subtopics being approached and summarized each one of them. After analyzing the evolution of studies being written in this area we established significant periods in time that helped us organize our study. Based on the previously developed summaries we discussed main subtopics within the selected papers. Limitations of the studies were also grouped and presented. Based on what was already done and the identified limitations we finally identified some future research guidelines that might help fill the existent gap in trade literature.

Stages within trade literature and typology

Taking into consideration all these aspects exposed through a brief approach that shows the importance and the role of the material accounting harmonization process we can estimate that if we take as analysis criteria the previous researches influence over the mentioned studies, we can separate the scientific steps from this research sphere in at least two categories: (1) the studies influenced by van der Tas' researches (1988, 1992a, 1992b), named – measurement systems based on the option concentration study and (2) studies that can be considered as new approaches in the material harmonization measurement sphere, named – measurement systems based on the similarity philosophy between the accounting practices.

The existing researches in the measurement sphere of the material harmonization level as well as in the sizing sphere of the international accounting regulations impact over the national accounting systems generated a series of results correlated on one hand to the IASC/IASB status, and on the other hand to the development of the standards issued by the international authority.

Due to this aspect, we started the descriptive analysis of the results from the material harmonization measurement sphere applied to four different categories of studies based on the IASB evolution and the standards issued by this authority. If we take into consideration the division into periods of the IASB evolution established in the previous chapter we can establish the systematization periods of the researches results in this analysis sphere, as follows: (1) The material harmonization level in the context of some flexible accounting standards, (2) The material harmonization in the context of the international standards comparability desideratum, (3) The material harmonization effects as a result of IOSCO agreement, (4) The material harmonization sizing in the financial reporting standards context.

Taking into consideration this delimitation in time, we can state that the ***period prior to 1989*** is characterized mostly by a high level of diversity and less through a medium level of the harmonization degree, situation present in the following periods.

If we bear in mind the existing studies ***during 1989-1995*** we can state that the defined material harmonization level is high in certain problems (for example: postponed taxes) and on the other hand is even absent when it comes to other elements (like: assets depreciation, goodwill, development and research expenses, etc.), and the international accounting harmonization process, can be characterized at most through a medium level.

Analyzing also the similar researches in the material harmonization sphere **for the 1995-2003 period,** we can state that the international accounting harmonization process, as a whole, can be characterized through important evolutions of the reached harmonization level, not only for certain accounting systems but for certain accounting problems as well. A remarkable fact is that the efforts made for the material harmonization as well as the afferent researches of this problem intensified reaching a high level of complexity.

If we consider the research instruments used in these researches and if we anticipate the research methods during the studies from the next period we are entitled to state that in this period (1995-2003) a maximum level of the debates regarding the van der Tas' indexes was reached. The derived aspects, their complexity but also the usage methods almost tend to be out of print giving way to other approaches regarding the material harmonization measurement.

The central element of the results obtained by the existent studies ***during 2003-present,*** we can state that the international accounting harmonization process manifests liberally especially when it comes to the accounting practice. A remarkable aspect is that two out of the three studies are focused on the sizing problem of the material harmonization level on a regional scale, and all three researches study the IFRS implementation effects in the national accounting systems.

The following table synthesizes the above established periods within the international accounting harmonization process, the evolution of material accounting harmonization studies and their results on the state of material harmonization:

Table 1. *Stages within trade literature*

Period	State of documented material harmonization and the international accounting harmonization process
Prior to 1989	- high level of diversity - a medium level of the harmonization degree
1989-1995	- high material harmonization in certain problems (such as: postponed taxes) - absence of harmonization when it comes to other elements (such as: assets depreciation, goodwill, development and research expenses, etc.) - at most a medium level registered by the international accounting harmonization process
1995-2003	- important evolutions of the reached harmonization level for the international accounting process
2003 - present	- liberal manifestation of the international accounting harmonization process

Source: author's projection

Limitations and research perspectives

Studies done in the material harmonization sphere generated for the scientific knowledge a series of relevant results. However, at the same time a series of limits of the research and its perspectives were identified for the next periods.

Thus, in the technical literature (Aisbitt, 2001) were mostly identified a series of limits afferent to the research methodology. These can be classified in two important categories, as follows:

- problems afferent to the causal deduction, or in other words, problems typical to the professional reasoning of research;

- problems afferent to the indexes characteristics of the material harmonization level measurement (Aisbitt, 2001, p.60).

A series of suggestions for further researches were given beyond the existing studies limits. Starting with the examples mentioned in the studies, we are entitled to generalize these suggestions as follows (Aisbitt, 2001):

- avoid data loss and the optimum sizing of the accounting elements necessary for the analysis;

- in these studies where the number of accounting elements differs from one category of analyzed elements to another, the interpretations must be carefully analyzed, taking into consideration also the effect of such an approach over the calculated measurement indexes;

- all the necessary efforts have to be made so that the allotment and the analytical reasoning of the measured elements to be accomplished in order to sustain the validity of the research;

- to increase the relevance and the reliability of the studies it is recommended to use those pieces of information that can be obtained from the producers of the accounting-financial information and to recur to the restriction of the analysis performed in those companies that present the information clearly and unambiguous.

Considering all these aspects we can conclude that the role of the existing researches in the material harmonization sphere is very complex and of high importance. We appreciate that the studies for the material harmonization measurement are aim at the international accounting harmonization process.

Taking into consideration all these approaches of the material harmonization as well as the existing studies in this domain, we can still state that this problem represents the research object of a great number of published studies. Furthermore, efforts orientation regarding the material harmonization must be pointed towards the diversity level diminution in the international accounting sphere, thing that can represent an index of the harmony level increase (Emenyonu and Gray, 1996, p. 270) or, in other words, an index of the harmonization level increase between regulations and accounting practices.

Acknowledgements

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ALIGNING OBJECTIVES, TEACHING AND ASSESMENT – CREATING A COURSE DESIGN

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In this research paper we described the existing relation between the controllable components of the current learning context (CLC) which leads us to Biggs's aligned system of instruction. We tried to shape the CLC components in order to increase the CLC effectiveness. We succeed to do this through the curriculum we build, which was created based on Bloom's taxonomy and critical thinking approach of teaching. The importance of the research consists in offering our perspective on the alignment process between objectives, teaching and assessment through the course design we created.

Key words: curriculum, teaching, assessment, Bloom's taxonomy, critical thinking

JEL Classification: I21

1. Introduction

We started our research with 3Ps model: Presage, Process and Product developed by Briggs in 1995. This model presents the factors that affect the learning outcome of a learner: prior education experiences along with current learning context influence SAL which determines the learning outcome. The 3Ps model offers educators ways to stimulate higher level learning[411].
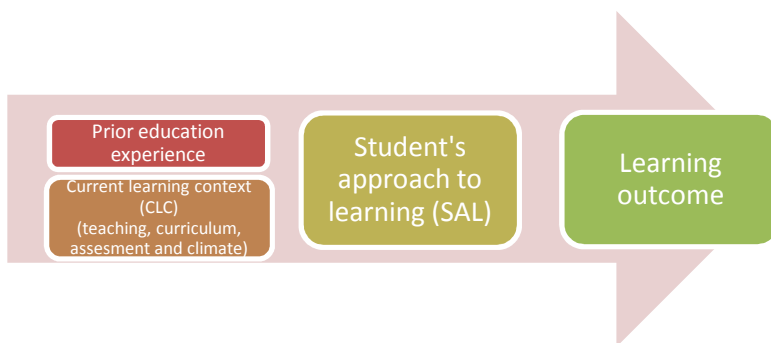
Fig. 1. 3Ps' Biggs's model

Observing the CLS components, we noticed that they can be divided in two major parts: controllable and uncontrollable by instructors. Teaching, curriculum and assessment are controllable elements by instructor but climate cannot be controllable in all cases, depending on which type of climate is: classroom or institutional. Besides the uncontrollable elements, the controllable ones influence student's approach to learning and the learning outcome.

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[411] Duff A. and McKinstry S., *Student's Approaches to Learning*, Issues in Accounting Education, Vol. 22, No. 2, May 2007, p.186.

In this paper we focused our attention on controllable elements of the CLC and tried to shape them in order to increase the CLC effectiveness. This implies to align the controllable elements of CLC based on the course objectives. Our objective relies on the idea that instructors have to teach what really matter for students and evaluate the knowledge gained using the same matrix as they used in teaching. Scientific literature underlines that during teaching, a great majority of teachers focus their awareness on what they are doing, not on what they are teaching, or on what their students are learning[412].

The importance of the research consists in offering our perspective on the alignment process between objectives, teaching and assessment through the course design we created.

2. Defining the concepts and building the model

We defined the concepts used within this paper: teaching, curriculum, assessment and learning in order to have a clear understanding of their meaning. Many definitions were attributed to these terms, so we presented here only those we considered relevant. Then we grouped the terms in order to accent the interaction between them.

Teaching is defined as the interaction of a student and a teacher over a subject[413]. As it is stated, this definition indicates the existence of a transmission process between two parties.

Since information is transmitted to the student, he/she will receive it through *learning*. So we reached the learning term, which is defined as the process of gaining competencies and knowledge, growth in attainment[414]. As we can see, teaching relies upon learning because without learning teaching is useless. Another definition for teaching was given by Engel cited by Gardner and Jewler[415], according to which teaching consists of building a bridge from the subject taught to the student learning it. In our opinion, this definition is not proper for teaching since building a bridge (or a course) needs not only the construction process, which can be defined partially by teaching, but also "raw materials", represented by knowledge, as defined further. Even so, we consider that Engel's metaphoric idea of building a bridge is a brilliant one and we used it further.

Using Engel approach, the question is: what does instructor transfer? The core of the transmissions is **knowledge** transposed in textbooks, articles, case studies, videos, and many others. When the transfer process is finished, a question rise: was it efficient? The efficiency is measured by **assessment**, an evaluation process which helps instructors to identify how much knowledge were transferred and measures the completion stage of learning.

Another controllable element of the current learning context is **curriculum**. Curriculum is a term of considerable debated as to meaning. During time, several approaches of curriculum theory and practice were considered: curriculum as a body of knowledge to be transmitted, as a product, as process and as praxis[416]. Within Biggs' model, curriculum was perceived as a body of knowledge-content or by subjects.

We combined the CLC components and built the model below. The bridge construction (or course design) started with his left foot, where knowledge from all sources was gathered by instructor. The

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[412] Biggs J., *What the student does: teaching for enhanced learning*, Higher Education Research, & Development. Vol. 18, No. 1, 1999, p.63.

[413] Davis, J.R. *Better Teaching, More Learning*, Series on Higher Education, 1997, available at http://www.ntlf.com/html/lib/btml_xrpt.htm.

[414] Smith, M. K., *Curriculum theory and practice' the encyclopedia of informal education*, 2000, available at www.infed.org/biblio/b-curric.htm.

[415] Gardner J.N., Jewler A.J., *The essential college experience*, 6th Edition, Thompson, 2006

[416] Smith, M. K., *Curriculum theory and practice' the encyclopedia of informal education*, 2000, available at www.infed.org/biblio/b-curric.htm.

amount of knowledge and the type of it is normally based on the course objectives, defined in the projection phase of the course, by instructor.

When course starts, teaching starts: the knowledge is transferred from instructors to student through sequential processes. In our model, the arches represent the process of teaching and classroom activities. The information transmitted is absorbed by learning process, graphically represented by the small parabola near the right foot bridge. The parabola captures the information and transforms it into knowledge at learner level. After all these processes are done and the bridge construction is ready, the bridge has to be tested for endurance, which is done through the assessments.
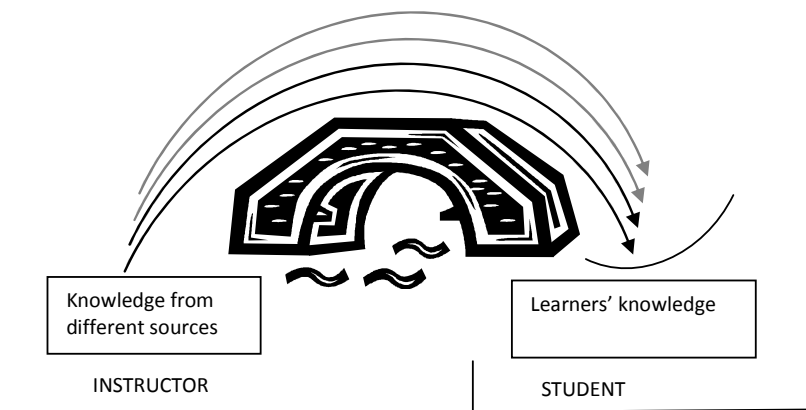
Fig. 2. CLC components combined

As we can see from the model, we defined the objectives of the course and based on them we teach and assess students.

We build this model based on a step-by-step approach and on CLC elements. It represents a system whose scope is to provide learning outcomes based on course objectives. In fact, this model represents the graphical approach of the **Biggs' aligned system of instruction**, defined as a fully–criterion referenced system, where the objectives define what we should teaching; how we should be teaching it; and how we could know how well students have learned it.[417]

3. Applying the model in practice

In order to apply the Biggs's model into practice, we gathered all the controllable elements of the CLC into the curriculum. Our approach regarding the curriculum is totally different from Biggs's approach, who considered, in his 3Ps' model, the curriculum as a syllabus. We followed the product approach of the curriculum, defined as a plan where objectives are met then applied and outcomes are measured. In order to emphasize the importance of the rationality and the need of simplification in elaborating a curriculum, Tyler developed four famous questions which are still relevant today[418]:

1. What educational purposes should the school seek to attain?
2. What educational experiences can be provided that are likely to attain these purposes?
3. How can these educational experiences be effectively organized?
4. How can we determine whether these purposes are being attained?[419]

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[417] Biggs J., *What the student does: teaching for enhanced learning*, Higher Education Research, & Development. Vol. 18, No. 1, 1999, p. 64.

[418] Kizlik B., *Information about Curriculum, Curriculum Development, Issues and Planning*, 2009, available at http://www.adprima.com/curricutility.htm.

[419] Tyler, R. W., *Basic Principles of Curriculum and Instruction*, Chicago: University of Chicago Press, 1949.

Relying on the model presented and using the above questions in order to structure our work, we tried to design the Managerial accounting curriculum. Managerial accounting is a mandatory discipline for accounting undergraduates in the Faculty of Economics and Business Administration, undertook in the second year of study.

We structured the Managerial accounting Curriculum into six major parts: course description, course objectives, recommended readings, how to learn efficiently, how to communicate and evaluation system. The curriculum was written in a simple way and addressed directly to students.

The curriculum starts with a **general course description**, whose scope is to help students to become familiar with the main areas that are to be examined. The first part of the general course description is followed by a "proving" part where we did emphasize why discipline is important; to strengthen our message, we took real life examples.

The **course objectives** followed the course description, state the main goal of the course: to acquaint students with the fundamentals tools of Managerial accounting. *General course objectives* are presented further. At the end of this course students will:

- understand the core issues of Managerial accounting;
- be able to use properly the most important tools and to apply important management and accounting methods combined;
- be able to analyze methods in order to find the most suitable one for the given situation;
- be able to evaluate different situations based on facts or suppositions, and
- to build, formulate and write an opinion about the analyzed case.

General course objectives rely on two pillars: developing critical thinking and Bloom's taxonomy. Critical thinking, social responsibility, reflective judgment, and evidence based reasoning...are the most enduring goals of a first-rate liberal education[420]. And Schneider continues by saying that in 2003 many college graduates are falling short in reaching these goals. According to Minnich[421] if people think this mean that they are more likely to question than to assert, inclined to listen to many sides, capable of making sensitive distinctions that hold differences in play rather than dividing in order to exclude, and desirous of persuading others rather than reducing them to silence by refuting them. Critical thinking involves eight skills: 1). ask questions, 2). define the problem, 3). examine the evidence, 4). analyze assumption, 5). avoid emotional reasoning, 6). don't oversimplify, 7). consider other interpretations and 8). tolerate uncertainty.[422]

Technical speaking, developing the critical thinking involves skills which are not possible to be achieved without understanding the context and further identifying the potential solutions and choosing the most appropriate solution. For solving these technical aspects, we designed the entire curriculum based on Bloom's taxonomy. The new approach of Bloom's taxonomy structures it on the following levels[423]:

Level 1 - Remembering: can the student recall or remember the information?
Level 2 - Understanding: can the student explain ideas or concepts?
Level 3 - Applying: can the student use the information in a new way?
Level 4 - Analyzing: can the student distinguish between the different parts?
Level 5 - Evaluating: can the student justify a stand or decision?
Level 6 - Creating: can the student create new product or point of view?

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[420] Clayton, M., *Rethinking thinking*, The Christian Science Monitor, 2003, available at http://www.csmonitor.com/2003/1014/p18s01-lehl.html

[421] Minnich E., *Teaching Thinking: moral and political considerations*, Change, sept/oct 2003, p.20, available at http://www.elizabethminnich.com/change-think.pdf

[422] Lipps J.H., *Judging authority*, NeuroQuantology 2004, Issue 2, p. 116-121

[423] Overbaugh R.C., Schultz, L., *Bloom's taxonomy*, available at http://www.odu.edu/educ/roverbau/Bloom/blooms_taxonomy.htm

Moreover, a significant importance should be pay to the order of these levels since each level have to be mastered before going to the next one and the difficulty of the levels are increasing from the first to the last level.

Based on the pillars mentioned before, we developed **specific course objectives** for each main topic of the discipline.

Recommended readings consist in a text book and Harvard Business School case studies. The curriculum offers detailed information regarding how to buy them and different forms of book available for sale: hardcopy, electronic version, or rights to access the book for a limited period of time. Besides these, students can access more resources like PowerPoint Presentations, Narrated Slides and Standard and Enhanced Quizzes from the book publisher's website for free.

The diversity of learning materials offered to students is motivated by the willingness to offer students appropriate types of materials which fit their learning style: visual, auditory or kinesthetic.

Course content part details the topics and chapters covered each week. Moreover, it specifies the chapters needed to be read, exercises, problems and HBS case study assigned for each week. Exercises, problems and case studies that are to be graded were specified separately in the curriculum, in order to eliminate any possible confusion.

Course set-up implies the way classes, tutorials, individual and group out-of-school activities of students are organized. Course is based on individual work and asks over for reading the chapter assigned, solving exercises and problems and case study analysis. Each week, a tutorial and a class are held. In tutorials, teaching assistant discuss with students exercises and problems assigned for the week and if needed, sensitive theoretical parts of the chapter assigned. Subsequent to tutorials are classes, where case studies are analyzed using Socratic method. Tutorials and classes are not compulsory for students to attend. Moreover, textbooks are not lectured.

How to learn efficiently is a part of the syllabus that we considered mandatory to present since our teaching approach is not very common in our faculty. Teaching case studies and effective lecturing are teaching methods our students are not familiar with. Moreover, since learning is a process that takes time, improving efficiency is needed in order to maximize student's learning outcome. That is why our suggestions regarding your learning process were referring to: how to read the textbook in order to understand the topic and how to analyze a case study.

The last part of the curriculum is dedicated to the **evaluation system.** The final grade comprises three parts:
- student's active participation in tutorials (30% of the final grade),
- student's active participation in classes (10% of the final grade),
- final exam (60% of the final grade).

Since our aim is to align the CLC controllable components, we had to connect the students' evaluation forms with the teaching method and the course objectives. At the end of this course our expectations are that students to be able to understand and apply specific management and accounting methods, analyze them, evaluate, create and be capable to convey these information in oral and writing communication. For doing this, we designed the final assessment based on Bloom taxonomy in order to evaluate the knowledge on each level of the taxonomy. For doing this, we identified the major parts of the discipline and for each of them we chose five questions in order to test students' knowledge starting with the first level and finishing with the fifth one.

Therefore, final evaluation comprises 15 questions / problems plus a case study analysis, whose main role was to test critical thinking.

4. Conclusions

Starting with Biggs's model, we built a model of CLC controllable components and we described the way these components interact. Our model represents in fact the curriculum, viewed from the product perspective. Based on this, we developed the Managerial Accounting Curriculum and we described the way we did it. We designed the curriculum in such way that allows us to maximize the CLC

component. In alignment process of the CLC components we used two methods: problem-based learning and case studies analysis, which are considered successful methods in getting the alignment.

The curriculum we had designed represents a helpful tool for clarifying what we have to teach, how we teach and what we assess. It is a simple but organized plan of our activity with students and it helps both us and students to show, respectively, to know exactly our expected professional engagements.

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AN EXPLANATION OF THE CHANGE IN ACCOUNTANTS' ATTITUDE TOWARDS FLEXIBILITY USING THE THEORY OF REASONED ACTION

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ABSTRACT: In this paper we look at accountants as "consumers of accounting regulations". We explain the change in the accountants' attitude towards flexibility in the accounting regulation process, using a theory derived from social psychology: the Theory of Reasoned Action (TRA).
In 1999 and 2005 we tested the attitude towards flexibility of a number of Romanian accountants who aimed at becoming private practitioners. We observed that before the existence of an accounting conceptual framework (1999), the accountants surveyed preferred flexibility with respect to accounting choices. A few years later (2005), after the implementation of IASB's conceptual framework (but before the regulator removed it), the preference of accountants changed to flexibility. We believe that these changes could be explained using TRA.

KEY WORDS: Romanian accounting regulation, Theory of Reasoned Action, accountants' attitude, uniformity, flexibility

1. INTRODUCTION

Our research paper aims at explaining the change in the attitude of two groups of Romanian accountants who aimed at becoming private practitioners with respect to flexibility in accounting regulation. We use the Theory of Reasoned Action to explain this change in two key moments: 1999 and 2005. These dates are important for Romanian accounting because:

• in 1999 the Romanian accounting regulator introduced the first conceptual framework via the Ministerial Order 403/1999, having translated the Framework for the Preparation of Financial Statements (IASB, 1988).

• in 2005 Romanian, the same regulator removed this conceptual framework from Romanian accounting regulations (Ministry of Finance, 2001).

We notice that before the existence of an accounting conceptual framework (1999), the accountants surveyed preferred uniformity with respect to accounting choices. A few years later (2005), after the implementation of the conceptual framework (but before the regulator removed it), the preference of accountants changed: (they wished less uniformity and more choice).

2. ROMANIAN ACCOUNTING BACKGROUND

After the fall of communism in 1989, reforms were undertaken to modernise the country's financial system. In our opinion, accounting reform comprised three phases, from the presence of IASB accounting framework in Romanian accounting regulation point of view. The first began in 1990 and lasted until 1999, the second began in 1999 and lasted until 2005, with the third beginning right after that.

Phase one: The initial French-influenced accounting reform is usually justified by the traditional cultural and legal ties and also by the economic similarities between the two countries (Feleagă and Ionaşcu, 1993).
Similarly to France, the bulk of regulations were to be found in the 1993 detailed Regulation for the Application of the Accounting Law (the Green Book) that included a National Chart of Accounts very similar to that of the French Plan Comptable Général 1982. For every account in the chart, corresponding accounts and explanations were listed for both debit and credit.

The strong link between accounting and taxation is revealed by the use of the same stock valuation and depreciation methods that were used for both financial statements and tax returns. The useful lives of fixed assets were not estimated by management, but were chosen from a Catalogue that contained the authorised useful lives of depreciable assets. Three depreciation methods were permitted: straight-line, declining balance with tax coefficients, and accelerated (meaning a 50% depreciation expense in the first year of use, followed by the straight-line method). Tax authorities were not generous with companies: in a period of rampant inflation, protection against its effects was not granted, as changes to accelerated depreciation or LIFO were difficult in practical terms[424]. It was often the case that a change to an accelerated method was allowed only for the fixed assets purchased after a certain date, but not for an entire class of assets. In exchange, several government ordinances regulated the revaluation of tangible fixed assets and provided official revaluation indices. To counteract the loss of tax income because of higher depreciation charges following revaluations, the Ministry of Finance limited the amount that was recognised as depreciation expense linking it to the actual degree of productive use of fixed assets.

Although the regulations provided for the recognition of impairment losses and provisions, companies recognised only those that were tax deductible. For non-financial companies these were: allowances for doubtful debtors declared bankrupt and provisions for warranties (according to a tax calculation) and unrealised exchange losses.

Phase two: Effective 1999, this second phase of the accounting reform was evaluated as having "avoided some of the pitfalls experienced earlier in other transition economies and also shortened some of the development process by making changes in parallel rather than in sequence" (King et al., 2001). Large companies referred to the 1999 and 2001 Regulations harmonized the Fourth Directive of the European Communities and with International Accounting Standards (hereafter the Harmonisation Regulations). Small companies were regulated through the Simplified Regulations issued in 2002.

The Harmonisation Regulations attempted to reconcile the structure of the Fourth Directive, with IASB's conceptual framework, British Companies Act and French Plan Comptable Général. A British-style vertical balance sheet coexists with a French by-nature profit and loss account. Cash flows and changes in equity statements, accounting policies and explanatory notes are mandatory. The presence of the Alternative Accounting Treatments is, at least in its form, a British influence[425]. A remarkable feature is Note 4 which shows a by-destination operating profit, thus reconciling macroeconomic interests with those of foreign investors. Following the enactment of the Harmonisation Regulations, the accounting regulator along with the professional accounting body, universities and accounting firms undertook extensive IAS/IFRS training programmes (Ionascu et al, 2007; Calu et al, 2009).

Phase three: In preparation for the country's joining of the European Union, the Ministry of Public Finance decided in June 2005, to separate European Directives from IFRS and in November 2005 issued new Regulations conforming to European Directives (Fourth and Seventh Directives as amended)[426]. All entities, formerly large and small should prepare financial statements in accordance to these new regulations. The implementation of the IAS Regulation restricted the use of IFRS to the consolidated accounts of listed companies.

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[424] Before changing a particular valuation method, an enterprise had to obtain the (written) agreement of tax authorities, based on the presentation of the influences on the patrimonial and financial situation as well as on the amount of income tax.

[425] The Alternative Accounting Treatments allow the revaluation of fixed assets and inflation accounting.

426 Order of the Minister of Public Finance no. 1752/17.11.2005 for the approval of accounting regulations conforming to European Directives, Official Journal 1080/30.11.2005.

3. RESEARCH FRAMEWORK

Our study evaluates the attitude toward flexibility of two samples of Bucharest accountants in order to predict their behaviour and the possibility to change it. Drawing on Hofstede (1981) and Gray (1988) we define flexibility as accountants' preference to adapt accounting rules according to the different circumstances in which an enterprises functions as opposed to using the same accounting rules for all enterprises.

In order to explain the behaviour of accountants with respect to flexibility, we chose to use the Theory of Reasoned Action (Fishbein and Ajzen, 1975). TRA claims that a suggested behavior is more likely to be performed by an individual when a higher intention to perform it exists. This intention results of a positive evaluation of the behavior (attitude), and of the pressure exercised by relevant groups on the individual to perform the behavior (subjective norm).

Figure 1. The formation of behavior according to TRA

Behavior beliefs and outcome evaluation	Attitude		
		Intention	Behaviour
Normative beliefs and motivation to comply	Subjective norm		
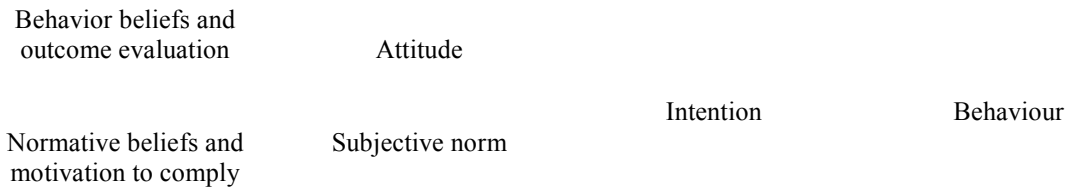
A person's behavioral intention has therefore two ingredients: the attitude and the subjective norm. Following Fishbein, M., and Ajzen, I. (1975) we employ the term attitude to refer to an accountant's general feeling of favorableness or unfavorableness toward flexibility. For example, as an accountant forms beliefs about revaluation, financial statement presentation or valuation of stocks, he "automatically and simultaneously" acquires an attitude toward them. Every belief relates an object to an attribute, e.g. *the reevaluation of fixed assets is a matter of choice*. The accountants' attitude toward flexibility depends on his evaluation of this attribute (*a matter of choice*).

The subjective norm is formed by the perceived expectations of relevant groups relating to the behavior and by the person's motivation to comply with these expectations. In our research we take the subjective norm to mean the demands perceived by the accountants from the regulating authorities and the professional body to comply with their policies.

An *intention* relates to the probability that a person will perform a certain behavior. With respect to the belief and the attitude regarding the reevaluation of fixed assets we can speak of the intention to undertake reevaluations of fixed assets on a voluntary basis.

Figure 2. TRA applied to accounting flexibility

Flexibility outcomes and evaluation of those outcomes	Attitude toward flexibility		
		Intention to apply regulations with flexibility	Apply regulations with flexibility
Compliance with regulations and fiscal control	Perceived demands of regulating authorities		
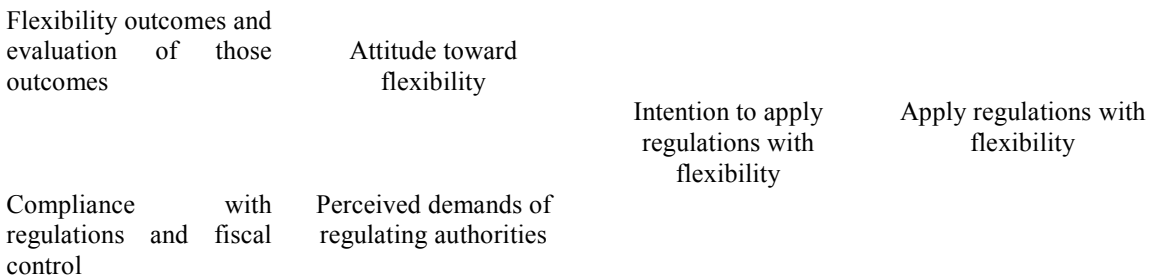
4. RESEARCH METODOLOGY AND RESULTS

The attitude of accountants towards flexibility was tested in 1999 and 2005 using the questions in Appendix 1. The respondents were asked to range their choice on a five-point scale going from strong disagreement to strong agreement: to a very small extent, to a small extent, moderately, to a large extent, to a very large extent. We consider the middle answer as reflecting an undecided respondent. A number of 101 questionnaires were returned in 1999 and 56 questionnaires in 2005. The two samples are characterized in Tables 1. The testing was done at training courses organised by CECCAR to assist accountants in Bucharest wishing to qualify as public accountants and licensed accountants.

Table 1: Accounting experience and age of respondents

Descriptive statistics	1999		2005	
	Accounting experience	Age	Accounting experience	Age
Mean	10,79	38,63	9,88	37,27
Median	8	39	8	38
Mode	5	31	5	28
Standard deviation	7,92	8,88	6,86	8,56
Minimum	2	24	2	23
Maximum	34	63	30	53
Observations	98	96	52	49

The answers obtained for all three questions were added up under the following headings: High Uniformity, Uniformity, Middle, Flexibility and High Flexibility. We eliminated those questionnaires featuring incomplete answers to the four questions. We calculated a score by multiplying the sum of the answers in each category with coefficients ranging from -2 to 2 (i.e. -2 for High Unif, -1 for Unif, 0 for Middle, 1 for Flex and 2 for High Flex). The last column, labeled Scale, shows hypothetical scores that could be obtained if all the answers were of a single kind, i.e. if all answers were High Unif, the score would be 380*(-2)=-760 or if all answers were High Flex, the score would be 380*2=760. The score of each pair of values is interpreted by reference to such a scale.

The 1999 questionnaire results shows an attitude toward uniformity (score -64 in Table 2): the respondents favour the existence of only one method of presentation of the financial statements and of stock valuation (Q1 and Q3), possibly because of the additional amount of work involved in the opposite situation. The answers received to a questionnaire sent in 1997 to the finance directors of big taxpayers located in Bucharest, revealed that the additional workload was the main cause for the lack of popularity with the accountants of the inflation-adjusted tax balance sheet (Olimid, 1998). The same study showed that only in 4% of cases, companies used more than a method of stock valuation. The other question (Q2) upset the uniformity trend: whereas the preference for the companies' initiative regarding the revaluation of land and buildings may be again a reaction to the omnipresence of the Ministry of Finance in the Romanian accounting environment.

Table 2: Uniformity versus Flexibility. 1999 Score

Unif vs Flex	Q1	Q2	Q3	Total options	Coeff.	Score	Scale
High Unif	37	11	26	74	-2	-148	-564
Unif	19	9	22	50	-1	-50	-282
Middle	17	24	26	67	0	0	0
Flex	17	19	12	48	1	48	282
High Flex	4	31	8	43	2	86	564
Total questionnaires	94	94	94	282		-64	0

We present below the 2005 results for the attitude toward flexibility and then we compare the results of the 1999 and 2005 testing.

Table 3: Uniformity versus Flexibility. 2005 Score

Unif vs Flex	Q1	Q2	Q3	Total options	Coeff.	Score	Scale
High Unif	11	7	16	**34**	-2	-68	-312
Unif	8	2	12	**22**	-1	-22	-156
Middle	18	14	8	**40**	0	0	0
Flex	9	14	10	**33**	1	33	156
High Flex	6	15	6	**27**	2	54	312
Total questionnaires	52	52	52	**156**		-3	0
1999/2005 Scale ratio						**1,81**	
2005 Adjusted Score						**- 5,42**	

Table 4: Comparison of 2005 and 1999 scores

Question in set	1999 Score	2005 Score
First	**-68**	**-16,27**
Second	**50**	**50,62**
Third	**-46**	**-39,77**
Totals	**-64**	**-5,42**

The overall Uniformity score decreased significantly from the previous testing (from -64 to
-5,42), most of the decrease being owed to the question that tested the attitude toward the choice of presentation of the financial statements. This could be explained by the introduction of two sets of accounting regulations for individual companies, plus another for groups of companies. Although still not crossing the boundary to full flexibility the overall attitude toward uniformity in this respect has decreased from the 1999 testing.

Conclusions
We evaluated the attitude toward flexibility at two points in time (1999 and 2005) and observed that, over time, accountants' attitude moved to less uniformity. The beliefs of accountants must have changed owing to extensive IAS/IFRS training programmes in IAS/IFRS that followed the enactment of the Harmonisation Regulations. The 1999 and 2001 Harmonisation Regulations were heavily influenced by IAS/IFRS and there is no better proof than the inclusion of IASC's conceptual framework in the text of these regulations. This inclusion signalled that the regulator was at least favourable to the exercise of professional judgment and flexibility in interpreting accounting regulations. It follows that the subjective norm changed from the strict uniformity imposed by the Ministry of Finance until 1999 to one which allowed choice, albeit small (e.g. the exclusion of certain line-items from the balance sheet when their amount is nil, the full introduction of the true and fair view requirement, substance over form etc). We therefore infer that the intention to apply regulations with flexibility.

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Appendix 1. The 1999 and 2005 Questions

1999 Uniformity versus flexibility (Unif vs. Flex):

Q2. To what extent do you agree to the existence of several presentations of the financial statements?

Q10. To what extent do you wish that the revaluation of land and buildings be a matter of enterprises' choice?

Q14. To what extent do you wish that a single stock valuation method should be mandatory for all companies?

2005 Uniformity versus flexibility (Unif vs. Flex):

Q5. To what extent do you agree to the existence of several presentations *of the components* of the financial statements *(e.g. balance sheet, profit and loss account etc.)?*

Q7. To what extent do you wish that the revaluation of land and buildings *be done by independent valuers?*

Q8. To what extent do you wish that a single stock valuation method be mandatory for all companies?

NEW CHALLENGES FACED BY EUROPEAN COMPANIES AND THEIR STAKEHOLDERS

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The European Union is currently affected by the financial crisis that spread internationally. The member states face difficulties such as price volatility, uncertainties, liquidity issues, cases of bankruptcy, increased unemployment rate, and decreasing GDP. The present paper analyses the challenges faced under these new circumstances by the European companies and their stakeholders. By taking into consideration the threats and weaknesses faced by firms and other interested parties, we emphasize the importance that transparency and communication among companies and their stakeholder have in overcoming financial difficulties.

Introduction
The present paper covers aspects related to the current situation of the European Union and the causes of the economic crisis that affected the member states. The authors analyzed not only the effects, but also the chain of events that lead to the current crisis. The break-out of the world economic crisis, initially started with a financial crisis, caused by unprecedented increases in credits that were stimulated by a long period of moderate financial and economic conditions. As a consequence, this crisis is opening the road to changes affecting European companies, stakeholders and the relationships between them, as well as to changes at the level of the whole society. What are these changes and what possible directions of actions should be adopted are the main questions this paper tries to answer. As a result of their analysis, the authors emphasize the role and importance of communication in times of financial crisis, as main survival factor and even exit from the crisis.

1. Current Economic Situation of the European Union and Causes of the Financial Crisis
The fifth anniversary of the largest recent enlargement of the European Union is marked by financial difficulties faced by the member states. Risk adversity, reduced liquidity, price volatility, uncertainty regarding the future of financial institutions, doubts related to the quality of the structured credit products and uncertainty about the macroeconomic prospective now characterize the EU economic environment.
The current turmoil was preceded by a period of benign financial and economic conditions, with low real interest rates and no liquidity problems. The consequence was an exceptional growth of credit, since investors and intermediaries were willing to take on higher risks. In conjunction with this, a sophisticated and apparently stable system was established, which consisted in originating extremely complex financial instruments that allowed banks to offload risks (especially in the United States of

America). These financial instruments were then distributed and bought – mostly in Europe, without paying proper attention to the underlying assets and the real economic fundament of these instruments[427]. This excessive distribution of credit, the use of complex financial instruments, the underestimation of risks and even the lack of economic cooperation between major countries within the European Union and globally have led to the current financial crisis.

However, the report of the Economic and Financial Affairs Council (ECOFIN) called "Five years of an enlarged EU: Economic achievements and challenges" states in an optimistic tone that "the recent EU enlargement was not only a historic step in unifying a long-divided Europe but also a success from an economic point of view resulting in a win-win situation for the whole EU"[428]. The objective of the European Union structures currently refers to using the created synergies in order to diminish the negative effects of the financial crisis in the member states. The European Council in 2008 agreed on a European Economic Recovery Plan, based on a proposal of the Commission. Moreover, the Council of the European Union has recently drafted country-specific recommendations that have in view the particular economic situation in each member state[429].

2. Corporate Governance. The Impact of the Current Financial Crisis on the Main Stakeholders and Accounting Professionals

In theory it is considered that the concept of enterprise refers to a single entity which operates harmoniously and whose main goal is to maximize value and shareholder wealth. Due to the appearance of new elements and complex needs, other views on the enterprise have been developed. Thus, the definition of the enterprise could be based on the concept of social interest, with the purpose of generating wealth as a result of the participant's collaboration in the company's life (shareholders, managers, creditors, employees, customers, suppliers, public power). Thus, the objectives of a company are of social nature, but also relate to maximizing profits[430]. The definition developed under the first theory leads to financial information directed towards investors, while the second definition is oriented to satisfy the financial needs of all users[431].

One of the key factors that influence the efficient use of resources, the increase of the confidence shareholders have in the enterprise managers, the success in achieving the company's objectives and the economic efficiency is the corporate governance system by which a company is controlled. This system promotes fairness and transparency at company level, and consists in a set of rules of conduct that aims the welfare of the society as a whole, but mostly the welfare of the shareholders and other stakeholders: managers, creditors, employees, customers, suppliers, public power, etc.[432]

Across the European Union, there are several corporate governance models which have distinct characteristics: the Anglo-Saxon corporate governance system (specific for Great Britain) and the German system (specific for Germany and for Continental Europe countries). The Anglo-Saxon model has a "shareholder orientation, with the expectation that other stakeholders will indirectly benefit from the active pursuit of shareholder interests". The German system "is more orientated towards a stakeholder approach, in the sense that employees are also included in the internal governance process"[433]. Although, the corporate governance systems may differ, the managers, investors and other

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[427] Report on the Financial Crisis 2008, drafted by René Ricol, p. 3.

[428] Council Conclusions on Five Years after European Union Enlargement 2009, p.1.

[429] Council Recommendation on the 2009 up-date of the Broad Guidelines for the Economic Policies of the Member States and the Community and on the Implementation of Member States' Employment Policies 2009, p.3.

[430] Feleagă N. 2006, Criza financiară la cumpăna dintre secolele XX și XXI și guvernanța întreprinderii, Economie teoretică și aplicată nr. 9, p. 69.

[5] Feleagă N. 2006, Criza financiară la cumpăna dintre secolele XX și XXI și guvernanța întreprinderii, Economie teoretică și aplicată nr. 9, p. 69.

[432] The Business Environment and Corporate Governance 1998, World Bank 1998.

[433] Rossouw G.J. 2009, The Ethics of Corporate Governance – Global Convergence or Divergence?, p. 44.

stakeholders have different behaviors in relation to changes of the economic environment that recently stroked over Europe.

2.1. Managers, Investors and Auditors

There are several challenges that European managers, investors and auditors face under the current financial crisis, which highlighted certain weaknesses in the related management, investment and auditing processes. It is a known fact that managers and investors have contrasting interests and different views on the success of a company. Whereas for investors, who took financial risks, success means, in most of the cases, financial performance, namely profit, managers are often tempted to follow their own interest, at the expense of the investors., However, under the current economic situation, it may happen that the objectives of the managers and those of the investors are the same, since both are interested in survival and exit from the crisis. Therefore, a challenge for investors and managers would be to cooperate better towards improving their risk management systems and bringing their company financial success.

Since investors do not always have the benefit of direct contact to the responsible managers, the ones that act instead of them and protect their interests are the financial auditors. Their interest is to obtain a reasonable insurance that the financial statements provide a true and fair view. Under financial crisis, the role of the external auditors has an increased importance, and banks and supervisors rely more and more on the expertise and judgment of external auditors as independent and upright experts[434]. Auditors in the European Union also face new challenges, since political, social and economic pressures on them are now higher then ever. Currently, two widely used sets of auditing standards exist side by side, i.e. International Standards on Auditing (ISAs) and the US standards adopted by the Public Company Accounting Oversight Board (PCAOB). Europe should adopt ISA's as soon as possible to reduce uncertainty and promote convergence, and should call for convergence between ISA's and PCAOB standards[435]. Moreover, the quality of the audit work is more and more important, and independence rules are essential in this matter. However, countries currently apply different independence rules, particularly those on scope of services restrictions. Europe should seek to adopt or converge to the independence standards of the International Federation of Accountants (IFAC) as soon as possible[436].

2.2. Creditors

The current financial crisis has underlined some major weakness of European and international financial institutions. In fact, the now intensively publicized world's economic crisis started with a boom on the market of credits and financial instruments. The long period of moderate economic conditions in the European member states and the positive evolution of new member states stimulated this credit expansion and the failure in correctly assessing investment risks. Other factors for the credit boom at international level and for lowering the underwriting standards were: increased competitiveness among financial institutions, low interest rates, rising house prices, and weak government oversight.

As a natural reaction, in times of financial crisis, the attention of bank creditors grows significantly. While in normal conditions, prudence should be a fundamental principle, during financial crisis, lenders focus on excessive prudence, on business continuity of companies, on their ability to maintain profits, on the degree of liquidity, but also on the human factor, especially on managers, on their behavior, the measures taken to survive, and also to exit the crisis. The refusal of bank creditors to fund a company can lead to a liquidity crisis. The permanent communication between creditors and managers, the fair description of the company's situation, the flexibility, the transparency and the fairness are key factors for establishing a viable relationship between creditors and companies. In crisis conditions, survival is

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[434] External Audit Quality and Banking Supervision 2008, Basel Committee on Banking Supervision, p. 2.
[435] Report on the Financial Crisis 2008, drafted by René Ricol, p.57.
[436] Report on the Financial Crisis 2008, drafted by René Ricol, p.58.

the main objective of the companies and funds are primary. However, if loans are not efficiently used, it can lead to bankruptcy.

2.3. Other stakeholders – employees, customers, suppliers
2.3.1. Employees
Survival remains the biggest challenge in times of financial crisis. However, survival is understood in different ways by the managers and the employees of a company. If managers believe that survival means reducing the number of staff, for sure, the employees will think exactly the opposite, because the disposal would affect their welfare, as the unemployment period may be longer than normal. On the other hand, accepting a number of employees too large in comparison with the necessities of survival or continuation of activity can lead to inefficiency and even bankruptcy. In crisis conditions, the employees are interested not to lose their job, and to maintain the same financial and other benefits. Therefore, the permanent communication with their managers, the active participation in the business of the company, or on the contrary, the more or less violent confrontations between managers and employees are some of the possible effects related to the reaction of employees during these difficult conditions.

2.3.2. Customers and suppliers
Trading partners demonstrate more prudence when there are going concern issues. Customers are mainly interested in the company's going concern assumption, but they also have in mind the possibility of negotiating prices easier. On the other hand, the suppliers are interested and analyze more strictly the profitability of the companies and their ability to pay the financial liabilities. However, the monitoring of debits and deadlines is the main objective of suppliers in times of financial crisis. The improvement of the relationships between the trading partners and the companies can be achieved through communication and informational transparency. The financial crisis leads to significant changes in the behavior of stakeholders. The reactions differ depending on the role of the participants in the company's life. To avoid bankruptcy and conflicts of interest, managers should adopt a flexible attitude, adapt to the demands of the stakeholders involved and not at last, insure permanent communication between company and interested parties.

3. Importance of communication under economic crisis
Most economic crisis lead to rumors, to distorted perceptions regarding the economic environment, to stress, to lack of control, to panic, to disorientation, to uncertainty, to lack of security and even to major lack of balance in the whole society. The first affected by the above mentioned facts are companies, their owners and managers, but also other stakeholders and parties directly involved in the life of a company. They may have reactions such as denial, avoidance of responsibility, disclaimer of culpability, justification. Finally, the reactions are transformed into positive ones: acceptance, remediation, corrective actions, optimism and confidence. One of the factors that make the transition from a negative attitude on the crisis to a survival-oriented behavior, if not to optimism, is the communication between the company and stakeholders and between the company and the economic environment as a whole.

Individuals react differently to a given situation. Their personality, temperament, and the environment in which they have developed and worked, the psychological, social, economic, political factors and the factors of other nature have led to different, complex, sometimes opposed reactions. Social context involves individual's interaction, which can be achieved mainly through communication. The role of communication is important because it can lead to sustainable and productive relationships between individuals or to the opposite reactions of rejection, conflict, and indifference. Human relationships influence the creation, the existence and the development of the enterprises, and of the economic environment. Companies cannot exist without individuals, whereas a powerful connection is created:

individuals depend on the existence and the proper functioning of companies, while companies cannot exist in the absence of individuals.

In times of financial crisis, communication takes magnitude, since individuals need accurate information on the facts (in order to eliminate rumors and distorted perceptions of the economic environment). On the other hand, using communication and tools offered by psychology, individuals can recover their balance (by eliminating stress, lack of control, panic and disorientation). Last but not least, the uncertainty, and the lack of security and balance can be controlled and removed only when panic and disorientation in the society are reduced. Thus, individuals can make correct and rational decisions related to the crisis situation, can identify the causes, clear them off and restore the social and economic balance.

Conclusions

The current economic conditions in the European Union launch new challenges for companies and their stakeholders. The uncertainty, the increasing number of cases of bankruptcy, the risk adversity of investors, the reduced liquidity, the stricter credit conditions, the price volatility are some aspects that require changes that may be catalyzed through communication, as an essential instrument of survival and exit from the crisis. The responsibility of managers will be to develop survival strategies and powerful instruments of risk management, whereas investors will be more prudent and conservative. Creditors will tighten their underwriting procedures and auditors will face stricter internal controls in order to avoid audit failures. Confronted with the threat of losing their jobs, employees will become directly interested in the success or failure of the company where they work. In our opinion, the main catalyst of all these changes will be communication.

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A MANAGERIAL AND COST ACCOUNTING APPROACH OF CUSTOMER PROFITABILITY ANALYSIS

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In the last years many organizations realized that market orientation is essential to their success. Satisfying the needs of customers, offering them products and services which meet their desires and demands, customer loyalty can increase profitability for long term.

After analyzing the existing journal literature in this field we would like to emphasize that managerial accounting, cost calculation methods and techniques, the analysis of costs provides relevant information when analyzing the customer's profitability. We pay special attention on cost systems. An activity based costing approach takes customer profitability to new levels of accuracy and usefulness, provides the basis for creating, communicating and delivering value to the customers.

Keywords: managerial accounting, ABC, customer relationship management, customer profitability analysis, organizational performance

JEL classification: M41- Accounting and Auditing

1. Introduction

The rapid growth of the internet and its associated technologies has greatly increased the opportunities for marketing and has transformed the way relationships between companies and their customers are managed (Bauer et al., 2002). Companies are focusing on delivering the highest value to customers through better communication, faster delivery and personalized products and services.

Many companies are racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty (Chen&Popovich, 2003). It seems like they realized that they can win the race through the implementation of customer oriented cost systems, relationship marketing principles and technology-based customer relationship management applications.

In a business-to-business environment customer relationship management (CRM) becomes the business process that provides the structure for how relationships with customers are developed and maintained (Lambert, 2010). Management firstly identifies key customers and customer groups to be targeted than the decision regarding who represents key customers includes evaluation of the profitability of each customer. Often it is assumed that the marketing function is responsible for these activities. However, in complex business relationships there is a need for other organizational functions to interact and collaborate. Marketing and sales, human resources, research and development, finance, managerial and cost accounting, IT and IS must join forces in order to create value for both the organization and customers.

2. Research methodology

Customer relationship management, customer profitability analysis and their relationship with managerial accounting and cost systems is an attractive area for research especially because of their novelty and exploding growth.

In order to create a good research in the field of managerial accounting and in order to generate good and relevant knowledge researchers must follow a set of qualitative criteria. According to Lukka&Mouritsen (2002), when conducting a research, there is a need for theory, testing and rigour. In this article we are focusing more on theory and rigour and less on testing. Our intention is to lecture in

the field of managerial accounting, management and marketing in order to understand the phenomenon of customer relationship management and to analyze the existing connections between managerial accounting, cost management and marketing.

The remainder of this paper is structured as follows. First the background is established by tracing the roots of the interest and researches made in the field of customer relationship management and customer profitability analysis. Second, our intention is to present the conceptual framework of customer relationship management, pointing out that a cross-functional and customer oriented system is needed to increase company profitability. Third, we would like to emphasize that managerial accounting and the cost management plays a vital role in the process of profitability analysis. New and complex cost systems, such as activity based costing (ABC), allow a stronger focus on the customer, investigate the relationship between costs and clients, analyses the way to attribute the relationship costs to customer segments. Finally, advantages and disadvantages of CRM and ABC implementation are discussed in order to establish further research objectives.

3. Literature review

Interest on customer relationship management (CRM) began to grow in 1990s (Ling&Yen, 2001; Ngai, 2005) when organizations and businesses realized that an enhanced relationship with their customers can lead to customer loyalty and retention and ultimately to profitability (Ngai, 2005).

Over the last years CRM has attracted the attention and interest of both academics and practitioners. The significantly increasing number of articles, conference papers, doctoral dissertations or unpublished working papers emphasizes this interest.

Figure 1 – The evolution of CRM journal literature

Source: Ngai (2005)
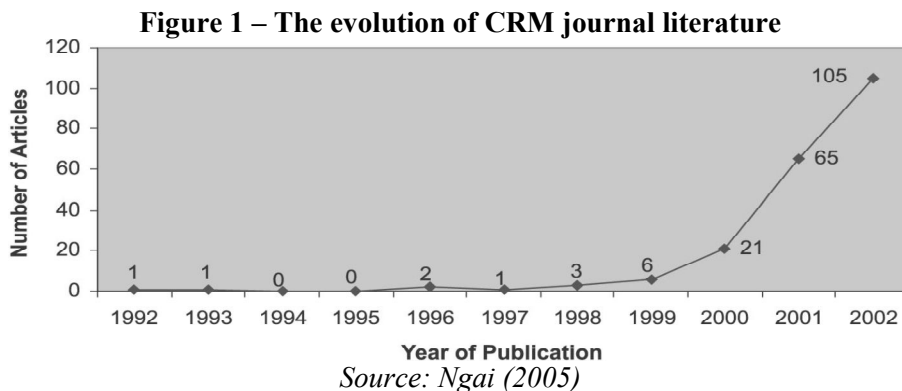
We can observe that the output of CRM research increased significantly since 1999. If in the early and mid 1990s Ngai (2005) identified only 8 articles related to CRM, after 1999 he identified almost 200 articles. After 2002 the interest and debates of researchers and practitioners becomes more and more intense, especially because the recent changes in the business environment, globalization and the intense competition.

The majority of the published papers and articles are related to: (1) *general and managerial aspects and concepts, characteristics about CRM* (Leventhal, 2000; Abbott 2001; Chen&Popovich, 2003; Sin et al, 2005; Helgesen, 2007) especially because CRM is a relatively new phenomenon for many organizations; (2) *management, strategic cost management, planning, strategy and organizational performance* (Seybold, 2001; Crosby,2002; Baker, 2002; Van Raaij E.M., 2005; Cugini et al, 2007).

A significant part of the researchers considers that (1) *CRM works together with marketing and sales* and that (2) *CRM needs also service and support activities in order to maintain good relationships with customers* (LiBrizzi, 2001; Coner&Gungor, 2002; Anderson, 2002; Seddon, 2000; Bitner et al, 2002; Chen&Popovich, 2003; Ang&Buttle, 2006; Helgesen, 2007). Over the years, the rapid growth of automation, information technology, internet and associated information systems has made that academics and practitioners focus on the analysis and development of these aspects. The *relationship between CRM, IT and IS; data, information and*

management; data mining; the development of software, tools and systems; internet, e-commerce and e-management are just a few research topics intensely debated by researchers (Ferguson, 2000; Drew et al, 2001; Corner&Hinton, 2002; Shebab et al, 2004; Bih-Ru, 2007; Ngai et al, 2009).

We noticed that there seems to be a need for a market-oriented managerial accounting system whose objective would be to furnish updated and relevant information, reports, graphic representations about customer needs, customer accounts, and customer's profitability. Furthermore, many arguments and opinions consider that activity based costing (ABC) is the solution when establishing profitability figures of customers (van Raaij, 2003; Murphy, 2005; Helgesen, 2007).

4. Customer relationship management – the solution which leads to profitability

Customer relationship management (CRM) is a widely recognized business approach but there is no universally accepted definition of this concept. Academics consider that CRM is an enterprise approach to understanding and influencing customer behavior through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability (Swift, 2001; Ngai, 2005); others consider that CRM is a strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer (Helgesen, 2007) or that when fully and successfully implemented CRM is not only a technology solution but a cross-functional, customer-driven, technology integrated business process management strategy that maximizes relationships and encompasses the entire organization (Chen&Popovich, 2003).

A CRM system can help organizations to answer questions like: *What products or services are important to our customers?; How are we perceived by our customers?; How should we communicate with our customers?; How can we maintain good relationships with our customers?*. In order to answer to these questions a CRM system and technology must link front office and back office functions.

Figure 2 – CRM and its relationship with organizational functions
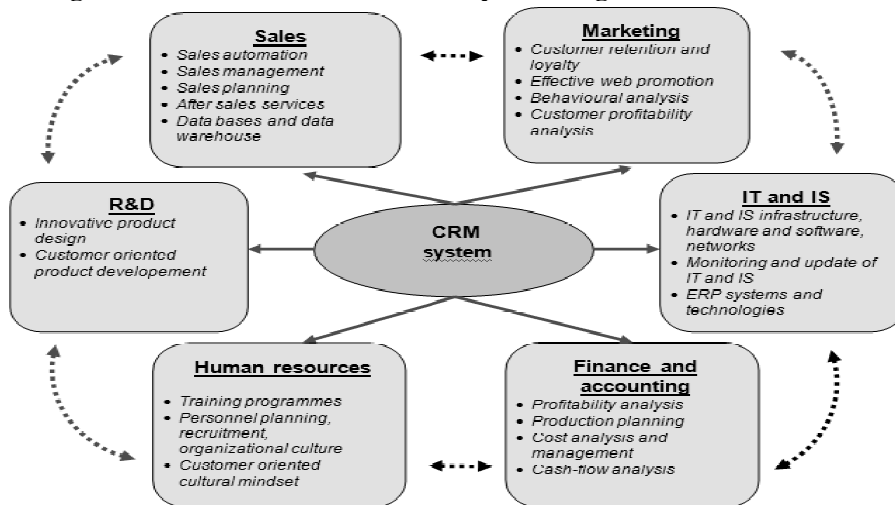
Being cross-functional, a CRM system involves fundamental changes in the ways companies are organized and business processes are conducted (figure 2). Of the six identified function information technology (IT) and information systems (IS) have the most difficult role. Their job is to establish a connection with the other functions, to create communication channels between them. To achieve this there is a need for IT equipment, hardware's and software's, "information-intensive strategies", computer technologies, computer aided design/manufacturing, flexible manufacturing and cost systems, data warehouse, data mining (Sin et al, 2005). All and all, the effective communication and collaboration between these functions ensure the success and organizational performance.

5. Customer profitability analysis by using activity based costing (ABC)

We noticed earlier that CRM is a business approach and a strategy to improve customer satisfaction, customer loyalty and customer profitability. Furthermore, customer satisfaction and customer profitability are considered to be a milestone in the path towards company profitability (Cugini et al, 2007).

Customer cost information is essential for managerial decision making (Dalci et al, 2010). Understanding the true costs of serving specific customers is important for every organization. Those companies who understand which customers are more profitable and which are not are "armed with valuable information needed to make successful managerial decision to improve overall organizational profitability" (van Raaij, 2003; Dalci et al, 2010).

In the changing technological environment, when the internet and e-commerce gains the customers on their side, companies realized that traditional cost accounting systems do not provide accurate cost information, information used in the decision making process. As an answer to these changes, activity based costing (ABC) was designed and, in time, gained popularity, because it focuses on the activities associated with the costs and assigns activity costs to products, services or customers that consume resources. Because of these characteristics ABC (1) becomes a tool for determining true costs of bots sales, marketing activities and customers; (2) will help companies to make better decisions based on accurate costing information (Stapleton et al, 2004; van Raaij, 2005; Cugini et al, 2007; Dalci et al, 2010).

The mechanism of ABC requires going through several stages. First, ABC assumes that products, services or customers generate activities and activities consume resources. Second, product costing involves a two-step allocation process in which costs are first allocated to activities and then the activity costs are allocated to products or customers based on each product or customers demand for, or consumption of the activities (Stapleton et al, 2004).

While traditional cost systems rely on arbitrary allocation of overhead costs, ABC classifies cost pools according to the activities performed within the organization. Moreover, by understanding the hierarchical levels of the costs ABC enables managers to better understand cost causation and make better decision, it help managers to understand which customers are profitable and which ones are not and leads to increased profitability (Dalci et al, 2010).

Many specialists (Kaplan&Atkinson, 1998; Albu&Albu, 2005; Murphy et al, 2005) consider that ABC permits a customer profitability analysis by comparing the revenue streams with the service costs associated with specific customers or customer groups. This activity requires a combination of accounting and marketing skills but the result of this collaboration might be a diagram, useful to managerial decision.

Figure 3 – Customers profitability by using ABC
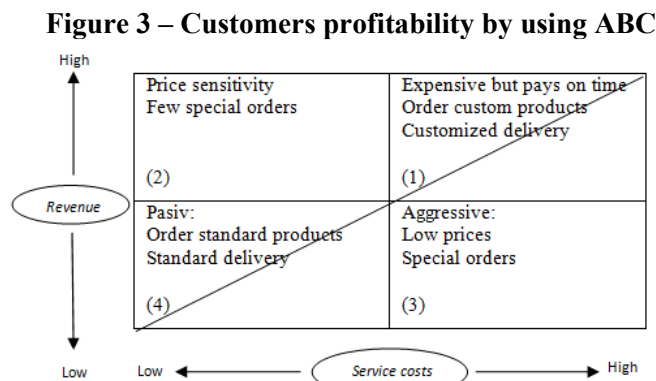
Source: Albu&Albu, 2005

Figure 3 shows that there are several ways in which companies can have profitable customers. There are customers (category 4) who can easily be served but at low cost and low prices. Instead, expensive customers (category 1) can be profitable if the revenues obtained compensate the customer costs. The most vulnerable customers (category 2) are those who generate high revenues but have low servicing costs. Companies should pay special attention to those; they must give discounts and special services to keep them faithful and loyal. The fourth category (category 3) is represented by those customers who generates low revenues and involves high customer costs. In such cases companies must rethink their internal processes, improve manufacturing processes, and renegotiate with customers the process, the delivery terms and special orders.

As we said earlier, ABC allows managers to identify and separate the profitable customers from the unprofitable ones. Furthermore, it permits managers to identify customer profiles in terms of profitability and loyalty, presented in figure 4.

Figure 4 – Customers profiles in terms of profitability and loyalty
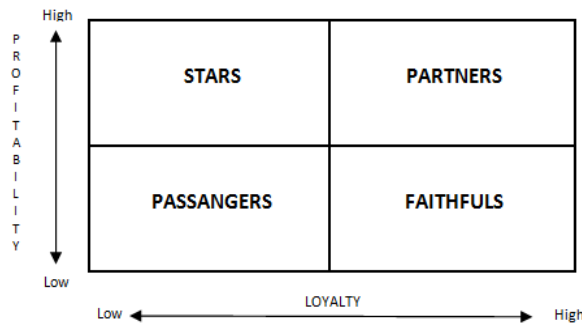
Source: Albu&Udroiu, 2009

Analyzing the figure above we can conclude that the PARTNERS are the best customers for every company because they generate high profitability and they are loyal also. Companies must pay special attention to STARS because they generate high profitability but their loyalty level is low. On the other hand, PASSANGERS and FAITHFULS are those customers who are loyal but the level of profitability is low. In such cases companies must reanalyze permanently the costs associated to serve this category.

All and all, customer profitability analysis can be a complicated process but can have a massive implication for the profitable growth of any organization. By examining customer needs and behavior, by implementing an ABC cost system, it becomes possible to: (1) establish customer revenues and customer costs; (2) identify customers' profile; and (3) develop a wider and more sustainable understanding of how to grow the business profitability.

6. Ending ideas

Usually, market oriented businesses must have to main objectives: (1) to satisfy the needs of customers by offering them products and services which meet their desires and requests, and (2) to satisfy the business unit's needs by implementing customer relationship management systems that will generate, on long term, profitability.

Customer satisfaction is hard to win and easy to lose. To be efficient, CRM must comprise the major functional areas in every organization. Every organization must focus on designing and developing profitable products with an acceptable cost structure. Then marketing and sales function interact directly with customers because of the strategies and techniques developed to achieve goals. By using customer service and support activities organizations can improve and maintain good relationship with customers; they must fulfill the needs of everyone quickly and accurately. In supporting and maintaining these crucial functions information technology (IT) and information systems (IS) plays an important role. Adequate IT and IS can enable the collection of data to determine the economics of

customer acquisitions, retention or to establish their profitability, on one hand. On the other hand IT and IS are necessary to an effective communication and collaboration between the functions mentioned above.

An important part of a CRM system is marketing and sales which leads inevitably to customer profitability analysis. CPA opens a door on a new way of thinking about business; it provides routes to a clear strategy for profitable growth. ABC is a necessary and efficient measurement tool for profitability analysis and this will result in better-informed managerial decision.

All and all, a CRM system, a CPA and an ABC cost system requires changes to organizational culture, more precisely, there is a need for customer oriented cultural mindset. The commitment of both top management and employees is an essential element for bringing value to the company and the customers; it requires full-time attention of the implementation project team with representatives from sales, marketing, and manufacturing and information technology.

Indeed, implementing a CRM system is a resource- and time-consuming activity; a labor-intensive operation; which has to be monitored and maintained permanently. But a system like CRM gives the possibility to increase managerial insights into how products, customers or supply channels works; how profitable they are; allows managers to make decisions with more accurate information and lower chances for error in those decisions.

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VOLUNTARY DISCLOSURE AND PERFORMANCE IN TIME OF ECONOMIC INSTABILITY. THE CASE STUDY OF TURISM FELIX COMPANY

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In the last few decades, the problem of voluntary disclosure of financial or non-financial information has been, in the attention of specialists, given the fact that information assimetry, as explained by the agency theory, has become an important factor for the actors of financial markets. High quality financial reports consistent with the IAS/IFRS, issued at regular intervals, have the role of offering data for in-depth financial analisys that can be the basis for decisions regarding stock market investments. The performance of company, estimated by using the EVA, MVA, VA indicators, are directly linked with the average cost of capital, which in turn is sensitive to the evolutions of the stock market, measured both by the level of the asset attached to the entity and of the level of financial market. The impact of voluntary disclosure on company's performance in our paper has been studied on TUFE company listed on the Bucharest Stock Exchange, confirming a refined degree of predictability.

Key words: voluntary disclosure, performance, cost of capital, EVA, TURISM FELIX

JEL codes: M41, M10, G14

1. Introduction
Through this study we hope to emphasize the fact that in any insecure economic period, a society that is marketable (on stock market) is interested in reporting data as frequent as possible. The voluntary reports offer credibility and predictability to the marketable entity, for the existing investors or for the potential ones in an economical and financial environment characterized by increased uncertainty.

All over the world there are strict rules regarding the shape and the content of synthesis documents and the moment of placing them in the public domain. Studies have shown that the nature and the number of information voluntary disclosed correspond to the size of the company; the number of shareholder and the structure of shareholding; the status of marketable company; the company's performances; debt-to-equity ratio; recommendations from the Audit Report; company's internationalization ratio; company's original branch; the costs associated with information communication. Costs are considered a key factor that deeply influences the company's decisions regarding the communication policy. These costs are: cost of production information; disputation costs; political costs; competitive disadvantage cost.

The theory that explains *informational asymmetry* is *agency theory*[437]. According to this theory there is an *agency connection* between managers and shareholders and is based on the bonus remuneration system. Gathering resources and maintaining at a positive level a number of economic indicators such as the *stock price* are elements that strongly motivate the managers into voluntarily sharing information. The models developed in the last years have used, as a signaling instrument, the *accountant information management*. Managers can transmit, through their content and the moment of the publication of these models, signals of company's return rate perspectives. The signaling through the content of the

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[437] Liliana Malciu , *Cererea & oferta de informaţii contabile*, Editura Economica ,Bucureşti 1998, pag. 74

information is done by choosing the accountant method, through informing certain sectors and through informational budget. There is a direct relation between the origin of information an its publishing date.

2. The cost of capital and the value creation

The investor is the one that wants the best return rate of its capital, therefore he will orient his interest towards the companies that create value. The accountant indexes consider the company as performing well when it turns out profit. But the result must not only be positive, but it has to compensate the cost of resources brought in by the shareholders[438]. For the "capital" factor there is a minimum remuneration called the capital cost. If a company earns its capital cost, its objective is achieved and has satisfied its shareholders expected earnings. *The shareholders will not accept a remuneration that is below the risk free interest rate because any investment has a superior risk in comparison with risk free asset.* Any investment must offer a remuneration that contains a **risk bonus**.

3. A brief review of the literature on the topic

The financial market works as any other market, on the basis of demand and offer, having as a base of transaction, the capital. Research in the modern theory of the portfolio, contains a series of models of analysis and estimations of the central relation of portfolio management, that is the correlation risk-return rate. Markowitz's theory created an economic-mathematical model that follows the behavior of the financial market's subjects and has introduced the *practice of diversification of the title portfolio*, depending on the correlation risk-return rate. Sharpe has divided the risk that characterizes financial titles into two subclasses: the systematic risk and the specific risk. In a general formula, Shape has introduced into the equation of a title's return rate, the notion of volatility, that shows the connection between the evolution of a title's return rate and a macroeconomic factor's return rate, usually considered the *market's medium return rate*. Subsequently, Lintner and Shape use for the first time the hypothesis of introducing *the risk free asset* into the portfolio and thus the risk bonus appears as a result of investment demand in risky assets. The risk free asset offers certain remuneration without an existing risk taken. The equation $= r_f + \beta_i (r_p - r_f)$ called also CAPM (Capital Asset Pricing Model) emphasizes the connection between the risk asset, the risk free asset and volatility. Based on Markowitz and Shape's researches, Ross established a multi-factorial model, called APT (Arbitrage Pricing Theory), through which he accomplishes a connection between title's individual return rate and a series of macroeconomics factors.

Disclosures in excess of those required by laws, accounting standards or stock exchange listing requirements regulations, namely voluntary disclosures, have been an area of interest to researchers for many years. Companies continue to disclose voluntary information despite ever increasing mandatory requirements and so the motivation for such behaviour has bee the focus of much attention (Watson *et al*., 2002). It is often argued that companies might find it advantageous to provide additional pieces of information to investors and analysts through the annual report. This statement is based on the fact that information asymmetry between companies and potential investors, due to a low level of disclosure, increases cost of capital by introducing adverse selection between buyers and sellers of the company's shares. By disclosing more information companies are likely to reduce information asymmetry and hence attract liquidity in the company's shares, which lead to lower cost of capital. So, we have to underline that voluntary disclosures can take several forms: press releases, conversations with financial analysts, letters to shareholders and the provision of additional information in annual reports.

The practice of voluntary disclosure is usually explained by *two economics-based theories*: agency theory and signalling theory or information problem theory (Healy and Palepu 2001; Xiao *et. al.* 2004).

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[438] Iulia Jianu , *Evaluarea, prezentarea şi analiza performanţei întreprinderii* , Editura CECCAR ,Bucureşti , 2007 pag. 363

Voluntary disclosure is focused to solve the *ex-ante* (information problem) and *ex-post* (agency problem) at once. Agency theory basically assumes that everyone is selfish, pursuing her self-interests. In the context of modern companies, there exists separation of ownership (principals) and control (agents). Since principals cannot perfectly monitor agents' behaviour and agents are selfish, agents have strong incentives to act for their own interests at the expense of principals'. Agency theory is ex-post since its exists after the formation of companies.

Dumontier and Raffournier (2002) classified the accounting choices into two broad categories: the way the company evaluates its transactions (choices concerning accounting valuation) and the way the company presents its accounting information (choices concerning financial statement format). The authors have shown that companies listed on foreign markets are more inclined to adopt international standards voluntarily.

Agency theory is commonly used in the literature to analyze the determinants of accounting choices. As Jensen and Meckling (1976) observed agency theory argues that there is an avoidable monitoring cost for shareholders, paid to prevent expected expropriations by management. Since companies are competing against each other in the capital market to raise funds at the lower possible cost, there is a high incentive for these companies to help investors reduce their monitoring cost, by offering them clearer and therefore more reliable information. Financial statements, in opinion of Prabowo and Angkoso (2006), are one main device to reduce the agency problem, although there are other mechanisms such as efficient market for corporate control, governmental regulation, efficient job market for managers and managerial stock ownership program. By forcing managers to prepare standardized financial statements, shareholders can monitor and control managers' action with the proxy of company's financial performance. As Healy and Palepu (2001) considered it is expected that by disclosing additional, not mandated information, managers and owners can actually reduce agency costs.

Signalling theory exists before investors put their money into certain companies. Therefore it is called *ex-ante* problem. Information problem exists because investors have no or limited information to assess the quality of companies, forcing them to value all the companies at average level. The main problem with information asymmetry is that it impairs the efficient allocation of capital and entails higher cost of capital. Akerlof (1970) sees information asymmetry as a „lemons" problem that arises when a person wants to buy a used car. The signalling theory may be relevant to analyze the determinants of accounting choices. More specifically, accounting policy choices has signalling properties. The most commonly investigated information asymmetry is between the company and the investors although such kind of asymmetry can appear between other parties too (e.g. the company and the underwritter). Previous studies have demonstrated that increased disclosure decreases information asymmetry.

Botosan and Plumlee[439](2001) have a research plan in which they analysed the cost of capital through the dividend discont rate. This research was based on S. Ross's classical formula, Arbitrage Pricing Theory (APT). Since in the original model, the number and nature of macroeconomic risc factors aren't defined, the researchers chose a set of six indicators: the volatility ratio defined by CAPM; financial leverage; the size of the company, the share's account value, the rate of long term profit rise; the actual market value of the stock. These set the expected nature of the correlation between them and the cost of capital. The research was carried out on a sample of 23,765 companies between 1979 – 1993.

Ionaşcu *et al.* (2009) conducts an ongoing research during the 2009 – 2011 period[440], with the title „*The benefits of adopting IFRS standards: a research exploring the impact of internantionalizing Romania's accounting on capital cost reduction*". The objective of their study is to identify the possible economic benefits of Romania adopting the IFRS. They start with the idea that applying IFRS, considered a high

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[439] Botosan, Christine A. and Plumlee, Marlene A., Estimating Expected Cost Of Equity CapitalCapital: A Theory-Based Approach (July 2001). University of Utah Working Paper. Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=279309

[440] webpage of the research project http://cig.ase.ro/didactice/default.aspx?idutilizator=31

quality standards, must lead to *an increase in financial information transparency, a reduction of information assimetry and risk*, and, as a consequence, to *a decrease in the capital cost.*[441] On the sample of 37 marketable companies that adopted IFRS beginning with the year 2000, they evaluated capital cost in two different moments: **t** (in 1999, before the IFRS reporting) and **t+τ** (in 2003, after the adoption of IFRS). The research used a quantitative type methodology, by testing the model proposed by Botosan şi Plumlee(2005). Results show that, indeed, after adopting IFRS, capital cost decresed from 0,8 (before the implementation) to 0,07 (after the implementation). IFRS offered the advantage of lower capital cost for Romanian companies listed at the Bucharest Stock Market (BVB).

4.Research Methodology

In the process of drafting this paper, we have followed the next steps:

Choosing the subject of the research and establishing the significance of the problem

The current paper wishes to argue that accounting information being credible, standardised and available in real-time is the basis of the decisions that an investor makes in an uncertain economical environment. These decisions are measured through an indicator of our choosing, cost ofcapital. The influence of this indicator on the company's performance are measured through the concept of value creation.

Documentation, by resorting to the international and national literature in this domain

The international literature used is mainly about the theoretical contributions of researchers like, Sharp, Lintner, Botosan and Plumlee, but also about empirical testing done by numerous researchers such as Botosan (2006), Ionaşcu (2009).

Defining the research questions:

Our research was based on the folowing the research questions:

Q1: *AV – **actual value**, MVA –**market value added** and EVA –**economic value added** represent measures of performance and are directly correlated with average capital cost;*

Q2: *voluntary disclosure of financial information help to better estimate capital cost by investors;*

Q3: *a society that operates in a sector where stock have a volatility of less than 1, the average capital cost is relatively stable.*

Possible errors may arise from the data collecting methodology or from the stated research questions.

Chosing the data collecting methods and techniques

The chosen society satisfied the following criteria: to be marketable on BVB; to publish interim rapots in standard form, as set out by IAS 34. These public reports are disclosed through the own society's web page.

Data analysis and the validation or rejection of research questions

The validation or rejection of our research questions shall be made by applied quantitative analysis on the gathered data. ACC – average capital cost, AV – actual value, MVA –market value added and EVA –economic value added are calculated in 5 different moments in the 2008 – 2009 period, using the aforementioned conceptual framework and the financial information from the anual and interim reports. By analysing the results, we shall determine the validity of the presumtion that: *voluntarily disclosed financial information in a standardised format decreases capital cost and alters the created value in such a way that informed investors will have acces to decision criteria during the year 2009.*

Data interpretation

After obtaining the results, we analyse both the absolute values from a quantitative point of view, as well as their evolutions in time. By comparing amounts and evolutions we shall have a qualitative analysis of the results.

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[441] Ion Ionaşcu , Stere Mihai , Mihaela Ionaşcu ,*Implementarea IFRS şi reducerea costului capitalului pentru companiile româneşti cotate ,* Revista Audit financiar , Nr 1/2010

5. Results of the performed analysis on TURISM FELIX SA

The case study focuses on the *average capital cost,* in the conditions of voluntary disclosure of financial information, on a trimestrial basis, and the accuracy of the risk evaluation as compared with the anual mandatory reporting, as well as a performance estimation by calculating the **MVA,** the **EVA** and the **AV.** The analysed company is TURISM FELIX SA, a stock company from the Bihor county, with a social capital of 49.614.945,60 lei, marketed, in the Category II section, with the symbol TUFE, at the Bucharest Stock Market (BVB) since March 21, 2007. Currently 496.149.456 stocks of the company are being transactioned.

In order to determine **β** (the sensitivity coeficient, which measures the stock's sensitivity to market fluctuations and which determins the specific risk) using the least square method, the monthly PER stock market indicator was used, both for the TUFE stocks and the market as a whole. The values of **β** for December 31, 2008, March 31, June 31, September 31 and December 31, 2009, were determined using the information from the Monthly Buletins issued by the BVB in the last 24 months. For the calculations, additional information was used from the financial reports of the 2008, 2009 fiscal years, as well as data from interim trimestrial reports from 2009. The following values are known from the macroeconomic environment:

- the flat income tax of 16%, according to Law 571 of 2003 – Fiscal Code;
- risk-free interest rate is 7,4%[442] ;
- we assume an expected return rate on these stocks by investors of 27,4% ;

The TUFE stock's PER indicator, the market and the hotel industry figures are at the basis of calculating the volatility coeficient **β**.
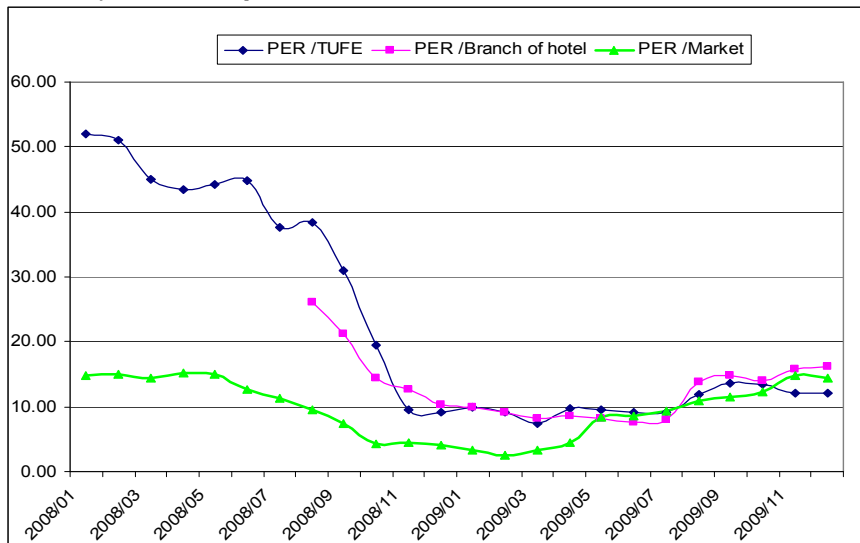
Graph No.1. Evolution of the PER index

During the study, the company kept its nominal share value at 0.1lei/stock. The AGA decision during 2009 allocated the whole profit of 2008 on reserves.

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[442] medium interest on Treasury bonds issued by the Romanian National Bank (BNR) in 2005 for a period of 15 years, according to the Monthly Bulletin of the BNR
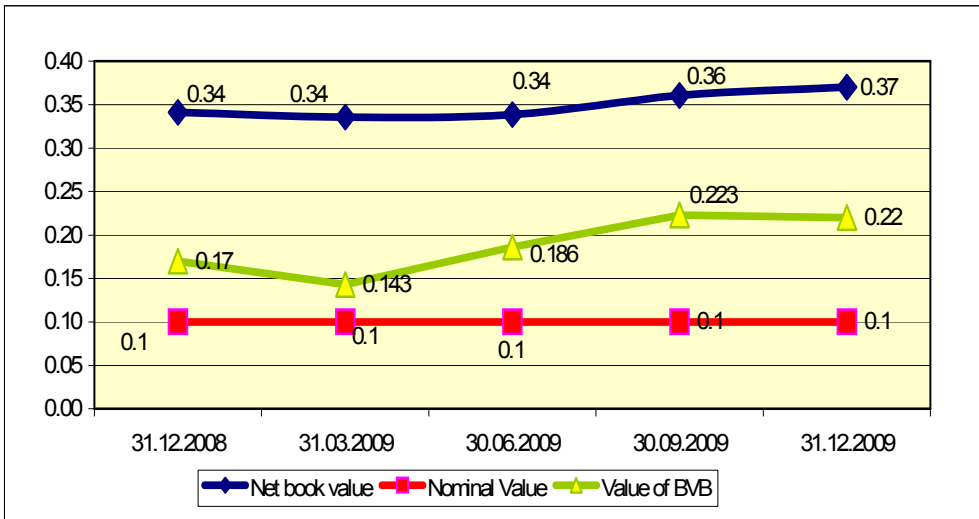
Graph No.2. Evoluion in time of the market, accounting nominal values of TUFE stocks.

The evolution of **β** in paralel with the evolution of **ACC** shows to what degree the estimated ACC responds to the degree of volatility of TUFE stocks. The average capital cost shows a paralele evolution to **β**, but with a much more moderate amplitude (Graph No.3)
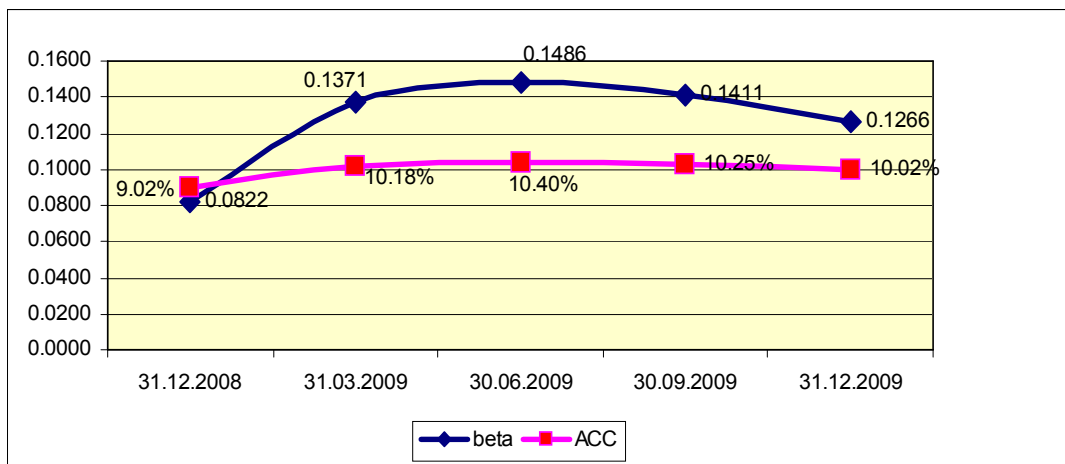
Graph No.3. Evolution of the sensitivity coeficient **β** and of the average capital cost **ACC**

Using average capital cost and market value of the stock, one can calculate the company's capacity to create value through its three approaches: MVA, EVA and AV. Calculating AV, by updating the total available treasury stream using as an update rate the ACC, was done with the following things in mind: keeping the total available flow at the level of December 31, 2008, estimating a time frame (of 4 years), operating with the average capital cost pertaining to every moment in time. Through this method, AV's obtained values show the way these evolved corelating with the avearage capital cost.
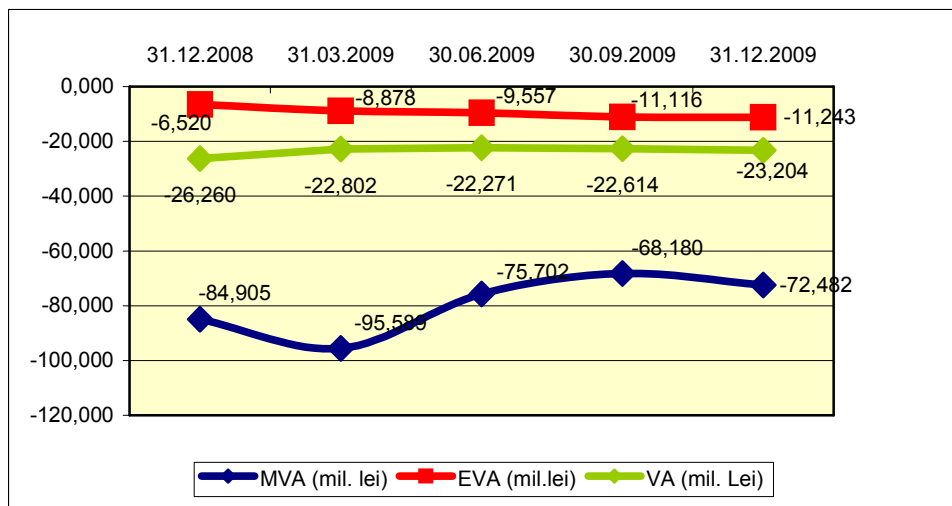
Graph No.4. The evoluion of MVA, EVA and VA during
the Dec. 31, 2008 - Dec. 31, 2009 period

Market Value Added (MVA) is calculated as the difference beetween the market value and the accounting value representing the *created external value*. EVA is an instrument used to measure the created value of the company through its shareholders, calculated as the difference between the net exploitation result and the invested capital cost, being also an indicator of internal performance.

6. Conclusions

The only available data, between two anual reports, on which astimates are made, are the ones from the last report, which are basicly historical data and, as they get older, they become more unreliable and outdated. Through the interim report, the risk and uncertainty conditions are updated, and one can test whether the tradeable stock behaves according to the evolution of economy, or according to speculative fluctuations. The increase in the stock price during the period between January 1st and December 31, 2009, by 30% is supported by the rise of the AV by 11,5%, of the MVA by 15%. The evolution of β is presented in Graph. No. 4, in which one may notice that during a period of major turbulence on the capital market, β had significant fluctuations (+80%), and towards the end of the year reached a value of 0.126, an increase of 50% compared to the the value from the begining of the year (0.0822). The average capital cost (ACC) shows a similar fluctuation as β, but a maximum β amplitude of 80% corresponds to a maximum ACC amplitude of 15%. We can safely say that this veriffies the hypothesis from the literature of this field: *if a company operates in a sector in which the stock presents a volatility that is less than 1, the average capital cost is relatively stable*. The average capital cost has risen by 13% during the year 2009, from a value of 9.02% to 10.02%.

We consider that evolution of PER stock indicator already includes the decision of investors to buy, therefore they probably acted either with full knowledge that their investments would be profitable on long run, or they acted in a speculative manner. By comparing the stock price with accounting value of stock, investors can make the natural decision of buying, given that the price of the stock is around 50% lower than its account value. This study upholds the idea that interim reports, done correctly, are welcome, and almost mandatory for companies listed on the stock exchange, especially given the socio-economic context, one of a less than stable period. It may be argued that the benefits for the reporting company vastly outweigh the effort put into the drafting of these interim reports. The benefits are measurable in time, through the stock market indicators attached to the stock, and through the trust given by existing and future investors.

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THE BACKGROUND OF PROFESSIONAL JUDGMENT OF MATERIALTY IN STATUTORY AUDIT BASED ON QUALITATIVE FACTORS ANALYSIS

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The assessment of a significant ascertainment made by the auditor is particularly sensitive which shapes the quality of a mission as a whole. Materiality plays a primary role in determining the relevance of information provided by the users of financial statements. This material highlights the role of qualitative factors in determining materiality, as far as many practitioners are accustomed to consider this item only in terms of quantitative factors. Although legislation does not set precise rules in determining materiality, the issue is necessary because decisions of the auditors and users of audited information hang on this item.

Keywords: materiality, qualitative factors, professional judgment, financial statements.
JEL: M42

Introduction

Materiality is used in the audit process in all the three phases of the mission, which gives it great importance. Materiality is used in the planning phase, in the deployment phase and in the review phase. *ISA (International Standards of Audit) 320* defines materiality as that size over which the economic decisions or judgment on the accounts are likely to be affected. Materiality depends on the size of the item or error, judged in particular circumstances of omissions or distortion. In other words, materiality provides rather a limit (quantitative data), than a qualitative attribute on which information should be based in order to be useful. In recent years, IFAC and other professional bodies have expressed a great concern about the misapplication of materiality in auditing, with serious consequences on the information provided to the users. Major financial scandals, at the end of the last decade and in recent years (Enron, Parmalat etc), has revealed weaknesses, including in the audit missions. Specifically, the nature or the extention of the audit procedures have been incorrectly determined or were wrongly assessed the effects of distortions. Both statements are consequences of the insufficient background of materiality.

Previous studies in the literature

As a starting point of our analysis, we have a number of previous researches, which occupies a fairly broad area of literature. Qualitative factors in determining materiality began to represent the subject of researches since the early '70s. We draw attention to the arguments made in *1998 by Arthur Levitt, SEC chairman*, who made a speech called "The game of numbers". This speech had an impressive impact in the accounting profession worldwide. Levitt, points out in an abusive manner, that materiality is a tool that shapes the auditors „flexibility" in the financial reporting. He argues against the use of materiality as a mean to hide or ignore „deliberate misstatements of performance".

Another view is brought through the provisions of *SAB 99 (Staff Accounting Bulletin)* claiming that materiality can not be „reduced only to a numerical formula". SAB has the merit of suggesting professionals to take into account the qualitative factors in determining materiality.

The determination of materiality-factors of influence

IFAC has long concerned about the approach of both types of criteria in determining materiality, both the quantitative and the qualitative factors.

a) Quantitative criteria refers to those elements that are easily quantified and expressed in value**.** The expression in currency is required in order to make comparisons with the amounts recorded in the financial statements. In practice, the calculus indicator for materiality can be represented by *total assets, equity or gross profit*. When choosing one of these indicators it must be considered the information needs of the users.

b) The qualitative criteria are related to the customer entity's environment and are interpreted differently by the auditors and by the users of the information provided in the financial statements. Thus, omissions or errors of equal value may have different impact both on auditors and on the users of the financial information. Some of the most important qualitative factors that form the background of the auditor's judgment are:

- The size of the audited company;
- The sector of activity in which the audited company operates;
- The size of the audit company;
- The characteristics of the calculus indicator of materiality.

Next, we will make several arguments that support each of these factors:

1)The size of the firm. Depending on their attitude, there are three categories of auditors: permissive auditors, moderate auditors and severe auditors (*Montoya del Corte, Franciso Martinez, 2008*). Related to the size of the audited firm, auditors are more permissive with large sized entities, at least for the following reasons:

- *Increased quality of the internal control*. Big sized firms are considered to be mature enough, to have a significant market share and not to want it's growth. Now, their goal is focused on maintaining the level of their business, so that they can manage the situation of the internal control in order to reach a quality as higher as possible. On the opposite side, the small and medium-sized firms, pursuing market expansion, tend to overlook the quality of their internal control. The auditor will determine materiality taking into consideration the quality of the provided information of the internal control.

- *The size of the auditors' fees* . The big entities which have a wider activity need to be audited by applying multiple tests and procedures. That means that the audit team has to be bigger and has to work for a longer period of time, so that the audit mission becomes more expensive. The fear of losing the customer can determine auditors to be more liberal with the entity. Moreover, a large company is much more likely to receive an qualified opinion, because of a high risk of litigation and a higher exposure to regulatory controls by the authorities in the field.

2) The sector of the entity client. Qualitative factors that define this criteria are:

- *The economic situation*. The sector of activity of the customer entity can be expanding or declining. Expansion, as shown, can lead to the overlook of the internal control quality, which involves setting a lower materiality. The decline may cause the intention to embellish the financial statements (the financial position and performance).

- *The profile of the industry*. If the client entity belongs to the financial sector, the level of materiality will be lower, influenced by the high risk of their assets diversion. (*Iskandar and Iselin, 2000*).

- *The financing of the listed companies*. For these companies the auditors show an additional responsability, because they consider that the investors give a greater importance to them. The major financial scandals of the last two decades, involving the large firms, determined the auditors to pay more attention, in particular, when establishing materiality for the large entities whose potential problems might have an important social and economical impact.

3) The size of the audit firm. The studies conducted till now have examined the influence of certain characteristics of the audit firms in determining materiality. They show that the larger audit firms, especially multinationals (*Blokdijk et al, 2003*) determine a lower level of materiality, as may use more extensive and multiple procedure that provides a higher quality of the samples obtained.

4) The characteristics of the calculus indicator of materiality. The determination of materiality is achieved by comparing the effect of inaccuracy to the calculus indicator. But the calculus indicator is not always consistent. For example, the indicator Total assets will lead to an allocation of materiality and tolerable errors, for each group of assets, proprotional with their share in total assets, but also by adjusting them with an adjustment coefficient (k). Professional judgment in determining this coefficient is influenced by many qualitative factors such as: differential liquidity of assets, the number of operations of the asset categories, the quality of the internal control.

Next, we would like to illustrate the determination of the materiality in the review phase, taking as an example a company that has registered the following indicators (*according to Minimum Auditing Norms*).

	Financial year 2008	Financial year 2009
Total assets	**19.501.977**	**25.810.074**
- 1%	195.020	258.101
- 2%	390.040	516.202
Turnover	**56.486.101**	**73.511.225**
- 0,5%	282.430,5	367.556
- 1,0%	564.861	735.112
Gross profit	**2.479.107**	**1.448.048**
- 5%	123.955	72.402
- 10%	247.910	144.805

Each element, in balance, can be determined as follows:

Elements in balance	Final balance 31.12.2009	Overall share %	Unadjusted tollerable errors	Adjustment coefficient k	Adjusted tollerable errors
1	2	3	4	5	6=4x5
I. Noncurrent assets – total	**10.941.494**	**42,4**	**218.870**	**0,66**	**144.454**
1 – Intangible asstes	363.055	1,40	7.227	0,66	4.767
2 – Tangible assets	10.398.020	40,28	207.926	0,66	137.231
3 – Financial assets	180.419	0,72	3.717	0,66	2.453
II. Current assets-total	13.902.658	53,9	278.233	1,017	282.963
2 – Receivables	3.349.476	13,0	67.106	1,017	68.247
3 – Short term investments	0	0	0	1,017	0
4 – Petty cash and bank accounts	-16.448.758	-66,9	-345.339	1,017	-351.210
III. Prepayments	965.922	3,7	19.009	1,00	19.009
TOTAL ASSETS (I+II+III)	**25.810.074**	**100**	**516.202**	**1,00**	**516.202**
IV. Debts – total	14.547.783	56,4	291.138	1,00	291.138
V. Accrued income	0	0	0	1,00	0
VI. Equity	11.262.290	43,6	225.064	1,00	225.064
TOTAL LIABILITIES (IV+V+VI)	**25.810.074**	**100**	**516.202**	**1,00**	**516.202**

Considering the professional judgment of the auditor, the adjustment coefficients (k) were determined as follows:
- for noncurrent assets have been set lower adjustment coefficients (0,66), because these accounts can be fully audited with lower costs and in these accounts the auditors do not expect to discover significant misrepresentations;
- for current assets the coefficients are higher (1,017) because their volume changes faster, therefore, the samples taken in the survey will be larger. In this situation the costs of the audit mission will be higher, even in conditions of a high materiality level.
- for the other balance sheet items the size of materiality has not been adjusted.

Conclusions

This work represents a new perspective, which aims to highlight the need of achieving complementarity between quantitative factors and qualitative factors in determining materiality. We start from the quantitative limits, already a rule in practice, to increase the relevance of materiality by examining qualitative factors that define the client company and the professionals who conduct the audit mission.

Avoiding such issues as the environment in which the audited company operates and its characteristics, but also the position of the company involved in carrying out the audit may result in avoiding detection of distortions, which then may have repercussions on decisions taken by the users of the information provided through audited financial statements. Ensure a high relevance of the information provided through financial statements, accurate determination of the performance and financial position of companies audited are necessary conditions that can be satisfied only by using a materiality threshold as relevant as possible. This can be done successfully by determining this element both in the light of quantitative factors and the qualitative ones. The increase of the audit quality and the whole economic process of information among users can be achieved by applying a combination of qualitative factors with quantitative factors in determining materiality.

To strengthen this hypothesis, we propose for the next materials, using some empirical studies, to demontrate how to determine the adjustment coefficient of the tolerable errors in the balance, in particular assets. The notion of professional judgment is pretty much discussed by practitioners auditors, so we believe that an econometric model could resolve the differences encountered in practice in the determination of materiality.

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MONITORING IN CREDIT INSTITUTIONS – COMPARATIVE APPROACH ON INTERNAL CONTROL SYSTEMS – THE CASE OF ROMANIA VS. INTERNATIONAL MODELS OF CONTROL

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Starting from the stipulations of the two well-known internal control system models – COSO and CoCo - the purpose of this paper is to focus on the Romanian framework for credit institutions – trying to to identify on which international model) is our national one most appropriate to.
The research methodology is based on an empirical analysis between Romanian regulation and the models already mentioned. To reach to a conclusion we tried to identify several key issues closely related to information and communication, and to determine the degree of similarities and dissimilarities between the three selected frameworks, by using statistical indicators.
The paper has some limitations, too, because it only approaches formal harmonization. So, those issues analyzed through the regulations' perspectives need to be closely quantified in matters of their actual implementation, which offer us outlooks of future research.

1. INTRODUCTION

Effective internal controls have always been the goal of every bank's management in which achievement it typically has the following five objectives: to maintain reliable systems, to ensure timely preparation of reliable information, to safeguard assets, to optimize the use of resources, to prevent and detect error and fraud[443].

Along time, there have been designed different models of internal control, the most well-known being the COSO and CoCo models, which have also been the subject of various research papers [444].

As internal control frameworks, most authors[445] reached to the conclusion that the two models (COSO and CoCo) complement each other. All these authors see internal control as a process designed to facilitate and support the achievement of business objectives, which covers consideration of significant

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risks in operations, compliance and financial reporting, and which are mainly focused on the same objects, such as improving business effectiveness.

Romanian internal control system framework is a newer one, dated from 2003, when the our National Bank settled the regulation regarding internal control system and audit in banking field, emphasizing their importance in managing significant risks. Even if this framework is an implementation of the Basle Committee on banking Supervision's settlement, it designs an internal control system, so there has to be a more or less similarity between it and the two international well-known models, which is going to be the aim of our research.

2. AIM OF THE STUDY AND RESEARCH METHODOLOGY

Our empirical study is aimed to identify on which of the international internal control models (COSO or CoCo) is based the Romanian internal control system framework for credit institutions, as regards *monitoring*. In order to reach to a conclusion, we made an analysis with character of comparison between the two international models, as well as our national regulation and each of them. In this study, we focused our attention on aspects related to monitoring, one of the most important components on any internal control system.

Our empirical analysis was performed by testing the similarities and dissimilarities between the three sets of regulations regarding monitoring – the internal control system's component analyzed, taken two at a time in order to reach to a conclusion about the comparability degree existent between them.

The source of information for our research was the three regulations mentioned above which were codified and assayed by using a statistical method, which is being detailed in the chapter dealing with the comparative approach of the national framework by reference to the two international internal control models.

The findings of our study, which come from analyzing formal harmonization in the area of internal control system, are correlated to the literature review, but as every other research, our paper has some limitations, too, which offer us outlooks of future research. We should not forget that our study is only about a formal harmonization, which needs to be broaden to the current development stage of the national banking system, focusing on the degree in witch the regulation is put into practice and its purpose is being achieved.

3. LITERATURE REVIEW

Internal control has different meanings to different parties. That is why, it is very difficult to give an only-one definition of the internal control system, because it can be seen from different angles. In the followings we are going to focus our attention on two of the most important international models of control.

The first one is **COSO**'s model[446], which tries to establish a common definition. Under COSO's report, *internal control* in its broader sense is defined as a process affected by an organization's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of *objectives* in the following categories: (a) effectiveness and efficiency of operations; (b) reliability of reporting and (c) compliance with applicable rules, laws and regulations.

The second model of *internal control* is the **CoCo**'s one, which is focused on behavioral values rather than control structure procedures as the fundamental basis for internal control in a company[447]. According to this, *internal control*[448] is put into the context with how a task is performed, defining it as

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those elements of an organization (including its *resources, systems, processes, culture, structure and tasks*) that, taken together, support people in the achievement of the *objectives.*

If COSO divided internal control into five main components, CoCo uses four essential elements as groupings within which it articulates 20 criteria of control. These criteria create the basis for understanding control in an organisation and for making judgements about the effectiveness of it, a characteristic, which was from the very old time the subject of many studies[449].

Starting from these differences identified between the two international models of control, it is appreciated that neither COSO, nor CoCo is a perfect model. According to some authors[450], COSO framework is the standard for internal control guidance, which is why it was often used as a teaching tool in the university environment[451]. A recent survey[452] of members of the Institute of Management Accountants and the Institute of Internal Auditors reports that approximately 90 percent of respondents rely on the COSO framework (to at least some extent) to evaluate controls.

As regards monitoring – the last component of the internal control system – which is the subject of our research, it is considered that unmonitored controls tend to deteriorate over time. So, monitoring, as defined in the COSO Framework[453] is implemented to help ensure "that internal control continues to operate effectively." According to some authors[454] "it is not enough to put good controls in place. You must monitor them regularly." This is the conclusion at which the authors reached after fictitious transactions remained undetected in a supposedly highly sophisticated internal control regime (the case of Societe Generale – 2008). They identified the following possible internal control weaknesses that may have led to the losses subsequently incurred: circumvention of control, inadequate security over the IT, poor password protection, lack of adequate confirmation / reconciliation, lack of review for canceled transactions / changes of transactions, inadequate monitoring employee behavior.

Another very interesting research[455] aimed to determine whether compliance to Standards for the Professional Practice of Internal Auditors affected the quality of the internal control system reached to the following conclusion regarding the element of the internal control system analyzed by us: "*monitoring* is significantly influenced by management of internal audit department, professional proficiency, objectivity and review".

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4. EMPIRICAL COMPARATIVE APPROACH REGARDING INFORMATION AND COMMUNICATION BETWEEN ROMANIA, AMERICA AND CANADA

In order to achieve our aim - to identify on which of the international internal control models (COSO or CoCo) is based the Romanian framework for establishing the most efficient monitoring in credit institutions, we conducted an empirical study based on an analysis with character of comparison between the three sets of regulations (the two international models an the Romanian one).

We have started from the main principles for control activities required by COSO and the criteria of control also related to this aspect, as these are defined by CoCo, trying to establish the link between them. Thus, we have identified a series of issues regarding monitoring, which we organized within three main topics as follows: *(1) ongoing monitoring, (2) separate evaluations and (3) reporting deficiencies.*

Starting from these topics, we proceeded to compare aspects related to monitoring, one of the most important component of internal control system, as it appears within the three frameworks. Thus, we have allocated the 1 or 0 values for each possible and/or existent requirement within at least one of the considered regulation, where the 1 value shows that the requirement exists within that framework, and 0 value is given for the situation when the requirement is not found within the considered framework.

Table I. Exemplification of the analysis method used for the considered topics

Monitoring - Analyzed elements	The character of the requirement		
	COSO	COCO	Romania
Separate Evaluations			
- *the role of the responsible personnel*	0	0	1
- *the role of the internal audit*	1	0	1
- *the role of the external audit*	1	0	0
- *evaluations' frequency*	0	1	1
- *assumptions*	0	1	0

In the above table (Table I.) there are presented the 1 and 0 values that have been allocated to each requirement of one of the topic analyzed – *separate evaluation*.

In order to achieve the proposed comparison, we have considered that the best analysis, in case of this type of approach, is represented by the nonparametric correlation and the association degree between two or more than two considered variables. Thus, we have used for our research the Jaccards' association coefficients, which have been used before in studies focused on comparisons between different sets of regulations. On the other hand, the two Jaccard's coefficients offer the possibility of quantifying both the association degree and the dissimilarity degree between different sets of requirements regarding monitoring, taken into consideration for analysis.

So, in order to dimension the compatibility degree or, in other words, the association between two or more internal control systems, the calculation formula for the Jaccards' coefficient shows as follows:

$$S_{ij} = a / (a + b + c) \qquad \text{and} \qquad D_{ij} = (b + c) / (a + b + c)$$

where:
- S_{ij} represents the similarity degree between the two sets of analyzed frameworks;
- D_{ij} represents the degree of dissimilitude or diversity between the two sets of analyzed frameworks;
- a represents the number of elements which take the 1 value for both sets of frameworks;
- b represents the number of elements which take the 1 value within the *j* set of frameworks and the 0 value for the *i* set of frameworks;
- c represents the number of elements which take the 0 value within the *j* set of frameworks and the 1 value for the *i* set of frameworks.

Elements related to monitoring that have been analyzed in this empirical study are therefore given the 1 value for containing a certain requirement and the 0 value for non-containing that considered requirement.

As a result of the effective measurement of the comparability degree between the Romanian framework and the international models COSO and CoCo, based on Jaccard's coefficients, we have reached to the conclusion that our national regulation is much more similar to COSO's model of control rather that to the CoCo's one, as presented in the following table (table II.).

Table II. Comparison analysis based on Jaccards' coefficients

Monitoring Topic	Romania vs. COSO		Romania vs. COCO		COSO vs COCO	
	S_{ij}	D_{ij}	S_{ij}	D_{ij}	S_{ij}	D_{ij}
Ongoing Monitoring	1,000	0,000	0,333	0,667	0,333	0,667
Separate Evaluations	0,250	0,750	0,250	0,750	0,000	1,000
Reporting Deficiencies	0,800	0,200	0,333	0,667	0,400	0,600
TOTAL	0,683	0,317	0,305	0,695	0,244	0,756

5. FINDINGS AND CONCLUSIONS

The results of our analysis show the level of similarities between the national framework and the two international regulations. As it can be seen, the Romanian stipulations regarding monitoring, issued by our National Bank is closer to COSO model rather than to the CoCo's one. Also, the values of the statistical coefficient used in our study demonstrate that there is also a high degree of dissimilarity between COSO and CoCo models, higher than the one between Romanian regulation and CoCo's model as it is also shown in the table above. This, we can conclude that the Romanian framework is a complex one, including a various types of characteristics and requirements needed for ensuring an effective monitoring in banking sector. But, we should not have to forget about the following breakdown: even if it has a permanent character and considers both internal and external sides, our framework does not stipulates anything about follow-up procedures, which should be established and performed to ensure appropriate change or actions occur, thus enabling control to remain effective.

According to the literature review regarding the two international models of internal control system, there isn't any kind of assessment on which of these models is better, or which of these is good and which is bad. Starting from this argument, we could reach to the conclusion that Romanian banking system is well settled as regards monitoring, in accordance to very well known international models and, also, to the international supervising authority that we should not forget - the Basle Committee on Banking Supervision.

In the end we need to mention the limitations of our study. First of all, we should not forget that that our empirical research only approaches formal harmonization in the area of internal control systems, more exactly regarding *monitoring* – the analyzed issue. In order to diagnose not only the existence of a "monitoring system", but also the functionality of it we need to go deeper and to continue our research. Only an empirical analysis on insights of the banks internal controls, based on the information provided by credit institutions, would show the degree to which the foresights of the international models of control, which seem to have been assumed by the national regulation, are actually put into practice and respect their purpose. These would show the level of material harmonization which should be analyzed in correlation to the formal one, which was the subject of this study. So, all these offer us outlooks of future research.

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EMPIRICAL EVIDENCE ON THE EFFECTS OF SOCIAL WELFARE AND TAXATION ON INSURANCE

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In this paper is realized an empirical analysis of the influence of social welfare and taxation on insurance. The analysis is performed on a sample of 36 countries and a horizon of 3 years (2005, 2007 and 2008), being tested 4 linear regression models (life premium subscribed, non-life premiums subscribed, number of companies and number of employees in the insurance sector). The results of study confirm a relationship between the development level of countries and insurance, but exclude the existence of the relationship between taxation and insurance.

1. Introduction

In today's financial crisis emphasized by high unemployment, fulminate bankruptcy of many firms and impossibility of quantification of negative economic and social consequences, the taxation of insurance represents an important issue both for insurers and the European or/and national supervisory body of insurance market, and also for individuals or/and legal entities.

In addition, the CEA – the European Insurance and Reinsurance Federation – draws attention frequently to the negative effects of the tax deduction of certain premiums for the European budget proposal. Closely following the G20 process, the CEA tries to insure that consistent measures are taken across the globe, to avoid regulatory fragmentation and reduce market distortions. In some European countries the fiscal treatment granted to the insurance products subscribed under the 2nd and the 3rd pillar of Solvency II is not generally different from the one that is usually foreseen for a normal investment product. This is why EU attempts to harmonize first the national legislations regarding the taxation and then those relating to insurance (as specified in the quantitative impact studies QIS 1-5), aiming to ensure: (1) adequate financial resources and system of governance, supervisory review process, public disclosure and regulated reporting requirements (according to Solvency II); and (2) certain level of own funds to limit the risk of insolvency.

This action encountered serious difficulties arising from the existing differences between regulations, terms of economic and social life, traditions and culture, lack of information regarding the usefulness of insurance and their political group interests. Taking in consideration the significance of fiscal considerations in the decision to subscribe insurances contracts, different European countries, including Romania, have tried and managed through its fiscal laws to apply different ways for fiscal deductibility of insurance expenses. In fact, after 1990, in the majority states worldwide, this form of fiscal relaxation through deductibility stimulated growth of gross premiums subscribed per capita.

In this article we continue our investigation on the fiscal and economic effects on insurance on global level. Our first study (Sucala *et al.*, 2009) focused on years 2005 and 2007 using a sample of 36

countries. Here we add year 2008 and use the same 36 countries for consistency in the results and their explanation.

2. Fundamental concepts in the taxation of insurance activities

The taxation of insurance should be regarded and analyzed both from the perspective of gross premiums subscribed and received by insurance companies and services from the insurer. Regarding the taxation of insurance, it can be tackled by technical and socio-professional perspectives.

Technical approach to taxation of life and non-life insurance can be achieved through taxation of insurance premiums and/or insurance indemnities. The taxation of insurance premiums summarized either on their deductibility/non-deductibility, either to reduce tax.

The deductibility/non-deductibility of premiums is capped and capping may operate individually or globally in insurance products, in fixed amount (per person, couple, husband and family member) or percentage of total taxable income and in the form of limiting on bonus, income, premiums and income. Tax reduction instead is always limited, and operate in absolute size, in the percentage share of tax or part of income, in the amount determined by the law.

Tax benefits of the insurer may be achieved through the analysis of rents in the form of payments through periodic sums insured. Periodic payments for operating are different from one country to another, and its taxation may be total, partial differential or exempted. In case of insured sum we find taxation or non-taxation of the amount insured by the insurance policy (known as capital) and/or non-taxation or taxation differences between the amounts paid by the insurer and the total insurance premiums paid by the insured person.

Socio-professional approach concerns taxation of insurance premiums through the different socio-professional categories (natural persons, legal persons, authorized persons) and the pensions insurance.

Insurers' benefits may take various forms (daily allowances, sums insured in case of life or death, rents, amounts provided for single-premium policy, those with capitalization) depending on the policy and concluded the nature of risk covered. Taxation of these benefits are achieved with the principles and logic of tax (a tax or insurance premiums or benefits), but depends on the binding and/or voluntary policy.

Today, the CEA works on the review of existing legislation of VAT invoicing. The introduction of mandatory VAT invoicing requirements for insurance services would create delicate problems and material difficulties for the economic operators.

3. Literature review

Boyer (2002) presents an interesting case in USA where the taxation of insurance benefits is preferable to the taxation of premiums. When insurance fraud is present - in the form of ex post moral hazard - a tax on insurance premiums increases the number of fraudulent claims in the economy, whereas a tax on insurance benefits may reduce fraud. More importantly, however, policyholders are made better off with a benefit tax than with a premium tax.

Altenburger *et al*. (2008) develop a common solution for the separation problem in accounting and in taxation which is innovative, theoretically correct and practically applicable. The principal design innovation is the way of distinction of different deposit components and their classification into different types. Dividing them into 'implicit' and 'explicit' deposit components delivers the theoretically correct results for unbundling of insurance contracts both for accounting and tax purposes.

Tzeng and Huang (2004) examine in their paper the impact of tax deductions on optimal insurance contracts. Their results show that the implementation of tax deductions increases the deductible but may or may not decrease the coinsurance.

Grace *et al*. (2008) using a state-level panel data set from 1992-2004 for the property-casualty insurance industry, find in their paper that the insurance premium tax has a negative but modest effect on employment in the insurance industry.

In the recent Romanian literature there is an increasing interest in the field of insurance.

According to Mateoc *et al.* (2008) the evolution of insurance in the Romanian context can be separated into three consecutive periods: (1) the years 1871-1948 in which the insurance activity emerged, the first company being called "Dacia"; (2) the period between 1949-1990 in which the insurance activity continued under state institutions and the State Insurance Administration was founded; and (3) the reform period of 1990-2010, in which this sector regained its true importance in the economy.

Stoicescu and Teodorescu (2003) published a research regarding the national insurance market in the context of accession to the European Union, paper which draws a comparison between the insurance system in Romania and other European countries in 2002, where they highlight the low level of insurance premiums subscribed by the population reported, and the low value of the insurance premiums subscribed per capita.

Once with the introduction of the optional insurance premiums (the 3rd pillar of the pension system), the interest for debate over insurance taxation has increased. Various studies have addressed the level of deductibility of voluntary health insurance premiums from the date of introduction of these premiums and concluded that their interest for signing them was well below the level at which employers might be tempted to purchase such policies for their employees (Mosoianu, 2007). After the study was published, the value of deductibility of health insurance premiums was changed, meaning the increase of them.

Insurance in our country is characterized by an incipient state of development compared to the developed countries where insurance is part of tradition and education. Factors leading to the limitation in the interest about insurance in Romania concern at least the following courses of action: misunderstanding the role of insurance and thus ignoring the benefits that arise from the signing of an insurance policy, lack of interest in insurance, low proportion of middle class correlated with the financial factor, the existence of unfair competition practices, too little inspired management and focused on immediate advantages, problems related to inflation, unemployment, low income citizens. (Cristea *et al.* 2008).

Countries that have a culture in insurance activities have implemented certain tax advantages for insured persons, one of which is the deductibility of insurance premiums. By comparison, Romania is situated very low as the deductibility of insurance premiums is concerned and our legal approach tends to develop insurance premiums at a level considered satisfactory compared to the average states of the European Union. Thus, in March 2008 PRIMM magazine published a comparative study of the evolution of insurance in Romania between 1997-2007 (Ghetu and Doreonceanu, 2008) which shows that the evolution of insurance premiums subscribed were growing, but in terms of the degree of penetration in GDP and insurance density per capita, which had a tendency to increase during the period under study, are well below the average of the European Union countries.

According to Ionescu (2008) the degree of insurance penetration and the level of insurance density has increased in the least five years (the period under analysis is 2003-2007). This is further confirmed by a longitudinal study on the economic significance of insurance market (on 11 years), in which Cristea *et al.* (2009) found that insurance is connected to economic growth.

4. Hypotheses, variables and data sources
Based on the general economic literature we can suppose that the level of life of the society is linked to the capability of the people to spend for security purposes. This can explain the lack of interest in insurance in Romania, as discussed by Cristea *et al.*, 2008 and 2009; Ionescu (2008). Therefore we issue the following hypothesis:

H1: The level of life is positively associated with insurance activity.
On the basis of the previously presented literature (Boyer, 2002; Grace *et al.*, 2008; Stoicescu and Teodorescu, 2003; Mosoianu, 2007) we conjecture a negative relationship between taxation and insurance activities, i.e. as the level of taxation decreases this favors and stimulates the insurance sector. Our next hypothesis is therefore:

H2: Taxation is negatively associated with insurance activity.
Since we are interested on the effect of several factors on insurance activity, we developed the following variables:
- Proxies for insurance activity: *premiums subscribed* (life and non-life premiums, mil. USD), *number of companies* and *number of employees* in the insurance sector;
- Proxy for level of life: *GDP per capita* (USD/inhabitant);
- Proxy for taxation: *premium tax* (life and non-life, mil. USD).

The underlying econometric model is:

$$\textit{Insurance activity} = \alpha_0 + \alpha_1 \, \textit{Level of life} + \alpha_2 \, \textit{Taxation} + \varepsilon$$

Our sample comprises 36 countries worldwide. Since these countries are followed by most of the (international) regulators and institutions, we consider them as the most relevant, securing the representativeness of our sample on international level. To enhance the robustness of the research we collected data for 3 years (2005, 2007 and 2008) as specified below:

Table 1. Sources of data

Variable	Data source
Year 2008	
GDP, population, premiums	http://www.iii.org/international/toc/
No. of companies, employees	http://www.cea.eu/uploads/DocumentsLibrary/documents/1224519688_eif.pdf www.nsi.bg
Premium taxation	http://www.pwc.com/sg/en/international-comparison-of-insurance-taxation-2009/index.jhtml http://www.mabisz.hu/english/publication/yearbook/index.html
Year 2007	
GDP, population, premiums	http://www.iii.org/international/toc/
No. of companies, employees	http://stats.oecd.org/wbos/index.aspx?r=341031 http://www.cea.eu/uploads/DocumentsLibrary/documents/1224519688_eif.pdf www.nsi.bg www.csa-isc.ro
Premium taxation	http://www.pwc.com/extweb/pwcpublications.nsf/docid/f5e7616e79072bfcca256fc0000a3ad0 http://www.mabisz.hu/english/publication/yearbook/index.html
Year 2005	
GDP, population	http://server.iii.org/yy_obj_data/binary/772943_1_0/international_fact_book_2006-2007.pdf
premiums	http://server.iii.org/yy_obj_data/binary/789034_1_0/international_fact_book_2007-2008.pdf
No. of companies, employees	http://stats.oecd.org/wbos/index.aspx?r=341031 http://www.cea.eu/uploads/DocumentsLibrary/documents/1224519688_eif.pdf www.nsi.bg www.csa-isc.ro
Premium taxation	http://www.pwc.com/extweb/pwcpublications.nsf/docid/d0f9b818a9d597f9ca25730f0012f17e http://www.mabisz.hu/english/publication/yearbook/index.html

5. Data Analysis and Discussion of Results
For the analysis of our data we used SPSS 17.0 software. Since we lack the necessary space here to discuss the technical issues related to the analysis (please see Table 2 for these details), we explain the steps as we generated the findings.
Three years have been analyzed as we found fiscal data only for these years (Table 1, taxation). For each year we ran four models, testing all the proxies for "insurance activity", such as: life premiums subscribed, non-life premiums subscribed, number of companies and number of employees in the insurance sector and the corresponding dependent variables (see model specifications in Table 2).
According to our findings, GDP per capita is positively associated with the insurance activity proxies on acceptable significance levels (t-values are positive and the computed significance is between 5%

and 10%), as is shown by models 1, 2 and 3 in all 3 years, which confirm that the level of life has a significant impact on insurance.

Model 4 behaves differently, where the number of employees is used as proxy for the insurance activity. We believe this is for data management reasons, since the status of 'employment' is defined differently in the countries worldwide (some count only full time contracts while others include also collaborators), thus the data being heterogeneous.

We therefore accept the first hypothesis, according to which the level of life is positively associated with insurance activity.

Table 2. Results generated

Panel A. Year 2008

Model 1*: Life premiums = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	1.981	0.057	0.064
Life premium taxation	-	-0.148	0.883	

Model 2*: Non-life premiums = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Non-life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	1.951	0.060	0.057
Non-life premium taxation	-	-0.399	0.693	

Model 3*: Companies = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Non-life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	0.734	0.475	0.115
Number of companies	-	1.311	0.211	

Panel B. Year 2007

Model 1*: Life premiums = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	2.182	0.037	0.087
Life premium taxation	-	-0.203	0.841	

Model 2*: Non-life premiums = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Non-life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	2.062	0.048	0.071
Non-life premium taxation	-	-0.499	0.622	

Model 3*: Companies = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Non-life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	2.196	0.039	0.121
Number of companies	-	-1.393	0.178	

Model 4*: Employees = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Non-life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	1.240	0.232	0.013
Number of employees	-	-0.970	0.346	

Panel C. Year 2005

Model 1*: Life premiums = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	2.639	0.013	0.139
Life premium taxation	-	-0.060	0.953	

Model 2*: Non-life premiums = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Non-life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	2.471	0.019	0.120
Non-life premium taxation	-	-0.717	0.479	

Model 3*: Companies = $\alpha_0 + \alpha_1$ GDP per capita $+ \alpha_2$ Non-life premium taxation $+ \varepsilon$*

	Sign	t	Signif.	Adj. R^2
GDP per capita	+	2.655	0.015	0.183
Number of companies	-	-1.235	0.231	

Model 4: Employees = $\alpha_0 + \alpha_1$ GDP per capita + α_2 Non-life premium taxation + ε				
	Sign	t	Signif.	Adj. R^2
GDP per capita	+	1.580	0.132	0.031
Number of employees	-	-1.078	0.295	

As the connection between taxation and insurance is concerned, our empirical findings do not support the hypothesis we developed (H2), since the t-values of the taxation variable are not significant in neither of the models on an acceptable level (5% and 10%). One can observe, however, that the predicted negative sign is always verified (we have negative t-values for the taxation variable). This situation can be explained as a result of many specific rules in legislation that exist from one country to other. We must therefore reject the second hypothesis, according to which the level of taxation is negatively associated with the insurance activity.

6. Conclusions

Growing interest of companies for insurance is due to global economic evolution in recent years, and especially the economic crisis. This interest is manifested as a result of the company's desire to ensure against risks to which they are subjected, and to ensure their employees in this respect, companies benefiting from the various fiscal facilities offered by any countries.

On the other hand, regarding the interest for insurance is manifested by IASB (there are concerns regarding insurance taxation dealt with through the Exposure Draft of IAS 12 Income Taxes conducted in 2009). At the European level through European Directives is attempting to achieve and strengthen the solvency of insurance companies, job insecurity and financial difficulties of firms create negative economic repercussions on the insurance.

A form of fiscal loosening in this field would be very welcome, so that the interest for insurance to be able to record an increase, and we mention the experience of the Central and East European countries, where, especially after 1990, the volume of insurance premiums distributed per capita has increased substantially due to favorable tax deductibility of insurance premiums.

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DISCLOSURE PRACTICES CONCERNING CONSOLIDATED FINANCIAL STATEMENS OF ROMANIANS GROUPS OF ENTITES

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The main object of this paper is to examine accounting harmonization in a sample of companies with regard to the presentation of consolidated financial statements. The results of the study indicate that listed firms tend to comply with IFRS requirements

Keywords: disclosure, consolidated financial statements, IFRS

JEL: M41

Motivation and objectives

From the beginning of 2005 companies from the European Union have to comply with the International Financial Reporting Standards (IFRS) when reporting their consolidated financial statements, as publicly listed companies subject to Regulation 1606/2002 of the European Union.

European Union (EU) Regulation 1606/2002 was a watershed (Cairns, 2003). EU Regulation 1606 states that "member states are required to take appropriate measures to ensure compliance with international accounting standards" (EC,2002). It requires all listed companies of member states to prepare consolidated financial statements based on IFRS beginning 1 January 2005 (Brown and Tarca, 2005). The announced aim of IFRS adoption in the EU was to improve the quality of companies' financial reporting by increasing its comparability and transparency, and to promote the development of a single capital market in Europe (Federation des Experts Comptables Européens, 1999).

This change affected Romania also, because even if the country gained membership only in 2007, therefore it had to be prepared and implement IFRS in the domestic accounting regulation. This problem was solved by changing the national accounting regulations.

The objective of this study is to analyze if the Romanian groups respect or not the requirements concerning the disclosure of consolidated financial statements. In our sample were included just financial and non-financial companies listed at BVB, first category.

Romania has now only one stock exchange: the Bucharest Stock Exchange (BVB). BVB has a total of 2,078 listed securities, 59 on the main market (BVB) and 2,019 on the unregulated market (previously known as RASDAQ). Most of the securities listed on the RASDAQ are not traded at all and are the result of the early privatization of state owned enterprises.

For the purpose of our paper, information from annual reports of the Romanian companies in the sample has been collected for the period 2006-2008 with a special focus on the consolidated financial statements. This data allowed us to observe the evolution of harmonization process concerning the disclosure of consolidated financial statements, and for each year the degree of material disclosure harmonization.

Our objective was to calculate the material disclosure harmonization for consolidated financial statements, which tests the extent of the information disclosed through the consolidated financial statements. So, we analyzed if the consolidated financial statements of the selected groups disclose certain information.

The paper is organized as follows. In the next two chapters we present a short review of the Romanian accounting regulation concerning consolidated financial statements and growing literature which is important is setting the context of the study as well as the hypotheses. This is followed by discussion of

methodology of research. In the fifth part findings are critically evaluated and then the conclusions chapter closes the paper.

Legal framework concerning the disclosure of consolidated financial statements in Romania

Accounting rules are aligned with the Fourth and Seventh Company Law Directives, as well as with the Transparency Directive, the IAS Regulation (EU Regulation 1606/2002), and the Bank and Insurance Accounts Directives. Since 2007, listed companies have been required to use International Financial Reporting Standards *as endorsed* by the EU to prepare their consolidated financial statements. Financial statements are available at the trade registry, albeit not electronically.

CNVM Orders 75/2005 and 74/2005 transpose respectively the Fourth and Seventh Company Law Directives for companies that the CNVM regulates and supervises. Listed companies regulated by CNVM prepare their consolidated financial statements under *endorsed* IFRS.

The Accounting Law 82/1991 amended and republished sets the obligations to prepare consolidated financial statements for a parent company.

In 2005, The Ministry of Finance (MoF) Order 1752/2005 seeks to cover financial reporting requirements applicable to companies of all sizes in one piece of legislation, with differing levels of disclosure according to the size and public interest consideration. The MoF Order 1752/2005 has been effective from January 1, 2006 for reporting year ending December 31, 2006.

The following types of entities were required to comply with the applicable elements of IFRS: financial lending institutions, insurance and re-insurance companies, listed entities and entities with securities traded on a regulated market, state-owned entities and entities that benefit from state support or state guarantees.

The preparation of financial statements based on IFRS for the financial year ending in 2006 was required for 2007 IFRS compliance to enable comparatives to be available for 2007 reporting.

OMF 1752 provides for exemptions**.** Entities other than public-interest entities are exempt from preparing consolidated financial statements if, at balance sheet date, the entities to be consolidated do not together exceed the limits of two of the following three criteria: total assets of EUR 17,520,000; turnover of EUR 35,040,000; and average number of employees during the financial year of 250. A group (if not a listed entity) may be exempt from preparing consolidated financial statements if more than 90% of the parent company belongs to another group. Public-interest entities, other than banks and listed companies, prepare their consolidated financial statements in accordance with either *endorsed* IFRS or accounting standards compliant with the Seventh Company Law Directive.

The provision of OMF 907/2005 providing that banks have to prepare a set of consolidated financial statements in accordance with IFRS for the year ending 31 December 2006 has been confirmed by OMF 1121/2006 for subsequent periods (however in accordance with *endorsed* IFRS). MoF Order 1121/2006 provides some additional guidance on the application of IFRS commencing with the year ending December 31, 2007.

The Company Law obliges the Management Board of the parent company to publish the annual financial consolidated statements at the trade registry within 15 days from the date of their approval.

Literature review

Disclosure harmonization is concerned with the extent of information disclosure and measurement harmonization is concerned with the nature of the information disclosed. Van der Tas (1988)

Research in disclosure level and compliance with IAS/IFRS began around the year of 2000 and showed a great deal of non-compliance with IAS requirements in various fields (Street *et al.*, 1999). Later studies focus on cross-listed companies seeking to identify significant differences between US listed (and also filing is US) and non-us listed companies. Findings indicate that the overall level of disclosure is greater for companies with US listings (Street and Bryant, 2000; Glaum and Street, 2003).

Unfortunately there is a total dearth of such studies and evidence in Central and Eastern European countries except for those that have been carried out using an international sample, such as Street and Gray (2002)[3]. Fekete et all (2008) develop a study about Hungarian data and contributes to understanding the level of compliance with IFRS disclosure requirements and its determinants.

Cooke (1989) measured the extent of the information disclosed by 90 Swedish companies (disclosure harmonization). The index was composed of 224 items which we considered should be included in the financial statements. Each item is considered a dichotomous variable; we assigned the value one if the information was provided and zero if not. Weightings were not used, so each item had the same importance. An improvement was done in 2003 by Sánchez (2003) by modifying the Cooke index, to avoid penalizing a company for those items that it need not disclose.

Methodology
1. Measurement tool
To evaluate the disclosure harmonization, in our study we used a disclosure index, as was described and used by Cooke (1989), because through a disclosure index we can provide by a single figure summary indicator the entire content of the report (e.g Ahmed and Courtis, 1999; Coy and Dixon, 2004).

2. Consolidated financial statements Diclosure Index
A major task was to establish which items were going to conform the index, in other words, we sought those aspects that in our opinion, ought to be included in the consolidated financial statements. Being the first study which analyze the disclosure harmony of BVB listed entities concerning the consolidated financial statements, we structured our study in two parts: the first, which is presented in this paper analyze the disclosure of the complete set elements and the second go deeply and analyze the content.
The index is composed by the elements of the complete set of consolidated financial statements and was complemented with an item about the audit report. The Items subchapter shows the 6 items selected, bringing the maximum score to 6. Disclosure index (DI)=$\Sigma i=1,…,n$ X_i where $X = 1$ if the item X_i is disclosed and 0 if not. A set of 6 index score for period 2006-2008 was calculated for each group surveyed. The constructed index is going to allow us to reflect which groups disclose the information of their consolidated financial statements according to the content of the IAS/IFRS, and at the same time, to verify which groups disclose a greater amount of information.

3. Data sources
Data instruments or sources of data which can be used in de facto harmonization studies are mainly of five types: annual reports, accounting regulations, public databases, questionnaires and laboratory techniques. The choice of data source has important repercussions for the overall research design, since there are advantages and difficulties involved with using each of them. We will focus on the two data sources used in the studies shown in table 0, survey data and annual accounts.
The use of annual reports obviously has great advantages, but also difficulties. It does not have the disadvantages mentioned above, but the collection of data is tedious, companies sometimes do not send the financial information and the reports may not be available in a language the researcher can understand.

4. The sample
The Transparency Directive, requires for listed companies annually and semi-annually information for listed companies, so we analyzed the existence and the content of the six sets of consolidated financial statements prepared in accordance with *endorsed* IFRS for the period 2006-2008, in the case of first category listed entities on BVB.

The entities included in the study are those that were listed in the Bucharest Stock Exchange (BSE), the official stock exchange of Romania on the date of balance sheet for financial year 2006, 2007, 2008. We analyzed also individual financial statements and auditor report to see if the entity was obliged or not to prepare consolidated financial statements.

From the total of 21 entities, 7 were excluded from our sample because for them was not mandatory to elaborate consolidated financial statement. The structure of our sample is the follow:

Table 1. Sample description

Number of entities (2006, 2007, 2008)	14
Romanian listed companies :	
- Banks -	3
- Investment funds -	5
- Entities in non-financial sector	6

5.   Items

For years 2006, 2007, 2008 we analyzed if the entities obligated to present consolidated financial statements, present the complete set of consolidated financial statements containing:
- consolidated balance,
- the consolidated profit and loss account,
- the consolidated statements of the treasury flows,
- the consolidated statements of the changes in shareholder's equity,
- the group's accounting policies and the explanatory notes.
- the audit report attached o consolidated financial statements

Dichotomy for each item was used. We have opted for conceding the same importance to all the items selected. Lapsley (1992) explains that there is a general agreement among researchers about who the users of the annual accounts are but there are major doubts about the information that satisfies their needs. Consequently, we have not considered any information more important because its depends on the user. In addition, we made no attempt to give additional weight for the quality or quantity of the disclosure.

And for the each element we considered the minimum information required by IFRS. The consolidated balance sheet must present at least the following information, extra to individual balance sheet: financial investments accounted for using the equity method, goodwill, minority interest, presented in the shareholder's equity, issued capital and the reserves allotted to the holders of shareholder's equity of the parent company, group result.

The minimum information that must be presented in the consolidated profit and loss account extra to individual profit and loss account refers to: quota-part in the result of associated enterprises and of associates in participation equated, group result.

The consolidated accounting policies and explanatory notes extra to individually content the follows elements: the consolidation methods, the treatment of the purchasing differences, the conversion methods and the date of account closure; the evaluation methods and rules used for the significant posts in the balance and the consolidated profit and loss account; the consolidation perimeter;

Results

For the period 2006-2008 there were 14 Romanian entities, from the first BVB category which should present annual and interim consolidated financial statements. Just a part of them full fill these requirements as we can see in the follow table:

Table 2. Evolution of CFS disclosure for our sample

Entities	2006		2007		2008	
	INTERM	**FINAL**	**INTERM**	**FINAL**	**INTERM**	**FINAL**
TOTAL	14	14	14	14	14	14
SFC	0	5	3	9	4	13
%	0%	35,7%	21,4%	64,3%	28,6%	93%

About the annual CFS there is positive evolution, for instance if we compare 2006 with 2008, in 2006 the number of CFS is limited at 5 but in 2008 the number increase at 13, so only one entity not present CFS. About the interim CFS, the situation is not the same as for annual CFS, due to the less importance gave to interim CFS, by the entities: in 2006 there were nu interim CFS, in 2007 there were 3 interim CFS an in 2008 there were an insignificant increase at a total of 4.

The set of CFS and the audit report for CFS were analyzed, and the Disclosure indexes of CFS for our sample were presented in the follow table:

Table 3. Disclosure indexs of CFS for our sample

Entities	2006		2007		2008	
	INTERM	**FINAL**	**INTERM**	**FINAL**	**INTERM**	**FINAL**
A	0	1	1	1	1	1
B	0	0	0	1	0	1
C	0	1	0	0,833	0	0,833
D	0	1	0	1	0	1
E	0	1	0	1	0	1
F	0	0	0	1	0	1
G	0	0	1	1	1	1
H	0	1	1	1	1	1
I	0	0	0	0	1	1
J	0	0	0	0,833	0	0,833
K	0	0	0	0	0	0
L	0	0	0	0	0	0,667
M	0	0	0	0	0	1
N	0	0	0	0	0	0,833

In 2006 the 5 sets of annual CFS were complete, with all elements of CFS and also the audit report for them. In 2007 the number of CFS increase at 9 but the content is less qualitative because there are two entities who present only the consolidated balance sheet, profit and loss account, cash flow statement and own equity movement, without accounting policies and explanatory notes, but joined by the auditor report. In 2008 the evolution is in the same trend like in the previous year, so the number of annual CFS increases at 13 but the quality also decrease, there are 4 CFS which not receive the maximum disclosure index because there are missed parts of the complete set of CFS or are not audited.

Conclusion

There are two important aspects about the CFS disclosed by the Romanian entities from the first BVB category:

- concerning the number of entities which must present CFS, we can conclude that for the analyzed period the number was constant and in time the evolution was good taking into consideration that only after 2007, Romania became an EU member with all obligations concerning the disclosure of financial and nonfinancial information.

- concerning the presented CFS, no significant non-compliance issues were identified during the review of the consolidated financial statements for companies of the sample and none of the audit opinions was qualified. The auditor role is important as we consider that in the auditor report for individual financial statements of previous years, before the presentation of CFS the auditor emphasis the matter about the mandatory CFS presentation.

Generally speaking, we consider that all entities quoted must realize, the adoption of IFRS is an effort to improve company credibility, in our case, the credibility of Romanian companies, particularly those listed on the Bucharest Stock Exchange (BVB).

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OPERATIONAL ASSETS BOOKKEEPING IN CREDIT INSTITUTIONS

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Through this work I wanted to present the structure and the emphasis on the key accounts operations on operating assets, mentioning that only the most important accounts or those by which accounting operations may be more widespread have been given. Operational assets are those parts of balance with which the credit institution normally operates and by which, along with the operating liabilities, the basic credit institution activity is accomplished. Operational assets are revenue-generating operations in the credit institutions, with their help the bank resources are used in different interest-bearing assets to maximize the profit and to reduce the risk margin, mainly aimed at reducing losses. By both the theoretical approach and by describing the aspects of the operating assets, the survey presents with particular importance of these revenue-generating operations in the credit institutions, and identifies major issues to be taken into account by the credit institution in order to use various resources interest-bearing assets to optimize profit margins and to reduce risk, having as main objective to reduce losses.

1. Introduction

The banking system, through its extensive involvement in both the economic and the social life, is a special structural element in the society, whose good organization and efficient working condition the whole economical life.

The activity of the commercial banks operations is divided in two distinct groups:

- *Active operations* – namely the operations that reflect the use of funds raised to obtain profit by the difference between the paid interest and the received one to attract resources, and

- *Passive operation* - namely, operations that reflect the own funds of a bank or the attracted ones that a bank possesses in order to deploy its activity.

 The balance, as part of the financial statements, is the instrument through which the principle of the double reflection of the assets elements is done by its form and standard content, which all units must comply with is drawn, it reflects the equality between the assets and the economic liabilities[456]. The operational assets are those elements of the balance-sheet assets with which the credit institution usually operates, and through which (along with the operating liabilities) the business credit institution base is accomplished. They generate revenues which are correctly done and managed, being accounted for Class 7 accounts – „Incomes".

The structure of the *operational assets* contains:

- The house and other values;

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[456] D. Matiş -„*Bazele contabilităţii - aspecte teoretice şi practice",* Editura Alma Mater, Cluj - Napoca, 2005, pag.390.

- The bank deposits, namely: the current account/credit institutions correspondent, sight deposits, term /colateral deposits;
- The loans to banks, namely: ordinary loans, loans to raise claims / simple repurchase transactions, overdraft;
- The loans to customers (including the customer accounts), namely: ordinary loans (cash loans, export credits, loans for equipment, real estate loans, other loans), loans to raise claims/simple repurchase transactions, financial customer credits, overdraft;
- Titles such as: securities trading, securities investment, securities investment[457].

Pointing out both the operational assets and the incomes generated by them is done using synthetic grade accounts I, II, III, Class 1-„Cash transactions and interbank transactions", Class 2- "Customer operations", Class 3 -"Transactions in securities and various operations" and class 7 - "Incomes".

2. Proposed objectives and research methodology

Approach focused on investigating the main emphasis in accounting operations on operating assets, by presenting the general framework of reference of the theme in both the literature and the specific national legislation. The structure of the operational assets has been studied initially, the need to use funds raised in different interest-bearing assets, trying to find out how credit institutions organize their core business to reduce the risk margin and to get the most profitable income. Arguments for the need to study this type of operation were essential. Once the need for studying the structure of operational assets presented, each structural element was presented separately, as well as its emphasis in accounting. Information on the theme analysis was conducted by studying the national literature in the field, analyzing legislation and direct documentation in order to seek practical phenomenon of determining the structure of operational assets, at the level of the credit institutions operating in Romania.

3. *Cash operations accounting*

The cash is the asset on which the credit institution takes the decision to abandon an investment gain, in order to insure a proper liquidity. The cash register and circulation in commercial banks cashes is based on explicit regulations of the National Bank of Romania and is accomplished through account 101- "Cash"- which is an active account to be debited with the collected amounts and it is credited with the amounts paid in cash. Cash transactions at ATMs are recorded through account 102 -"Cash in ATM and PTT. The main cash transactions are:

- *Cash purchase from the National Bank of Romania*

Between the time when the cash is bought and the moment it is paid from the current account opened at the National Bank of Romania (for lei) or from the NOSTRO accounts (for currency) an intermediary liabilities account is used, namely account 1621- „Other amounts due".
- registering the bought cash in the Cash account

    101- Cash   =   1621- Other amounts due
- paying both the bought cash and its related commission

    1621- Other amounts due   =   111- Current Account at BNR (lei)

                                                      121/122-Nostru/Loro (currency)

    6019 - Commissions   =   111- Current Account at BNR (lei)

- *Cash sell towards the National Bank of Romania*

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[457] Iosif Heteres Gavra - „*Organizarea şi operaţiunile bancare*", Editura Orizonturi Universitare, Timişoara 2003, pag.82.

Between the time when the cash is sold and the moment the current account opened at the National Bank of Romania (for lei) is fueled or from the NOSTRO accounts (for currency) with the sold cash equivalent an intermediary liabilities account is used, namely account   1611- "Values to recover".

- cash release

      1611 - Values to recover   =   101 - Cash

- cashing both the sold cash and its related commission

      111- Current Account at BNR (lei)

      121/122 - Nostro/Loro(currency)   =   161 - Values to recover

      111- Current Account at BNR (lei)   =   7019- Commissions

4. Deposits bookkeeping at banks

- Current accounts/accounts that are the accounts which contain the lei or the currency amounts of the credit institutions, and they can benefit of them at any time. The account name through which they are pointed out is "The current account at BNR" for the available assets in the National Bank of Romania, and the "Correspondent accounts with credit institutions"[458] for the available assets in the other commercial banks. Entrances and exits of account money are held through these accounts. The cash, the available assets in lei are held only in the National Bank of Romania, while the currency can be held both by banks in the country and by those abroad, called correspondent banks.

Similarly to credit and bank loans, the bank deposits are a way to place availability, namely to attract resources from other banks. On the interbank market, these deposits are made on the short and very short run, as follows:

- S*ight deposits* are deposits in lei or in foreign currency that the credit institutions form other banks, and which are formed only for one working day. This deposit has three main stages: *the creation date*, that date of the deposit off-balance registration starting from the date it has been contracted until the date it has been placed, *the time of placement*, ie the date on which assets are available to the party with which the convention has been concluded and *the maturity date*, respectively the date both the capital and the interest return to the credit institution which carries out the placement. The cashed interests are recorded in account 70131 - "Interests from the sight deposits".

- *Term deposits* are deposits in lei or in foreign currency that the credit institutions form in other banks, and whose term is longer than a working day. Where there are differences in time between the date of contracting the money and the date it is placed, then a registration in off-balance accounts will take place. The recording accounts of these deposits and interests are:

      1312 - "Term deposits at banks";

      1313 - "Collateral deposits at banks";

      70132 - "Interests from the term deposits";

      70133 - "Interests from the collateral deposits".

These term deposits are not concluded on the basis of contracts, but on some ceilings that the management of the credit institution approves in relation to each credit institution, depending on the cooperation from the previous period, the profitability, the shareholders of the credit institution where the money will be placed.

5. Accounting the loans to banks

- *Ordinary loans* are loans placed at other credit institutions based on advantageous credit agreements concluded. These loans may be granted for a day or on terms (for more than one day).

      Credit grant

      1412 - Credits on terms / lei   =   111- Current account at BNR

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[458] Biblioteca digitală ASE Bucureşti - Adrian Enciu, "*Contabilitate bancară* ", Cap.2 - Operaţiuni de trezorerie şi interbancară, pag.6.

1412 - Credits on terms /foreign currency	=	121- Nostro/foreign currency

Lei due time

111 - Current account at BNR	=	1412 - Credits on terms / lei
		70142 - Interests

Foreign currency due time

121 - Nostro/foreign currency	=	1412-Credits on terms /foreign currency
121 - Nostro/foreign currency	=	3712 - Currency exchange position
3722 - Counter value exchange position	=	70142 - Interests

- *credits for debt factoring* are the credits that have trade effects as warranty (Bills of exchange, promissory notes), the ownership of these assets temporarily transferring to the bank that has granted the credit. These credits' bookkeeping is done using the account 151-"Stock repurchase", and the interests are recorded in account 7015 - "Interests on securities repurchase";

- *overdraft* is the loan granted to the credit institutions that have opened an available assets account in other credit institutions records. The overdraft is the debit balance of this liability available asset account, which normally has a credit balance.

For example, a credit institution has an available asset account of 100.000 euros, but must make a payment of 300.000 euros. An overdraft credit of 200.000 euro is granted to it in order to achieve its purpose.

6. Accounting of the credits to customers

The customer loans are, for any commercial bank, the most important *asset investment*, the highest yield, bringing revenues, the financial support of its existence. They include:

-*The ordinary credits* represent the most important compound of a credit institution assets. Their bookkeeping is done through accounts specific to the destination they have been granted for, namely:

- account 202 - Treasury credits;
- account 203 - Consumption credits and hire-purchase ;
- account 204 - Credits for financing the exterior trade operations;
- account 205 - Credits for financing the stocks and the equipment;
- account 206 - Credits for the real estate investments;
- account 209 - Other credits for the people.

All these accounts are debited the moment the credits are granted.

- *Debt factoring credits* are loans to non-customers based on bonds, certificates of deposit, treasury bills. These transactions are called repurchase transactions and they represent the transfer of assets, based on a contract under which an institution undertakes to take back and the transferee institution, to repay the same assets at a price and a date set by the repurchase agreement. The transferee, that credit institution granting the credit, bookkeeps the operation in account 2412 – "Stock repurchase".

- *Loans to financial customers* are loans to leasing companies, factoring companies, investment companies, and investment companies. These loans may be granted within one day and are recorded in account 2311 - "Loans to financial customers for a day" or on terms and registered in account 2312 - "Term loans to financial customers".

- *Overdrafts* are loans to customers who opened a current account in the credit institution record - 2511.The overdraft represents the debit balance of this bifunctional account, but which currently has a credit balance[459].

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[459] Mădălina Antoaneta Rădoi – „*Gestiune bancară*", Editura Economică, București, 2009, pag.102.

For example a customer has, in a bank, a credit balance of 100.000 lei, and wants to make a payment of 150.000 lei to another customer from the same bank. Following this payment execution, this customer was given an overdraft payment of 50.000 lei. The accounting article is:

    2511 - Current Accounts   =   111 Current account at BNR 50.000 lei

- *Loans granted based on the commercial effects* are loans in group 201, and refers to standard, discount and factoring credits.

7. Accounting transactions

Besides loans, transactions in securities are one of the most profitable activity, leading to maximizing the shareholder wealth, the basic requirement of an efficient financial decision. In this category we have:

- *Securities transactions* are the securities acquired to generate short term profit. The interest calculated for the period since the bond are recorded together with the purchase price of the instrument in account 3021- "Securities Transaction". These securities are valued at fair value;

- *Coherent securities* are securities that do not meet the criteria of being included in the securities category. These securities are revalued at the market value. For unfavourable differences provisions are established, and the favourable differences are not accounted for. Claims from interests calculated for the short period since their issuance until the time of purchase may be registered in both the corresponding attached securities accounts or claims accounts- account 3037;

- *Investment securities* are securities used in a sustainable manner in the credit institutions. They are treated as financial fixed assets since they are investments characterized by fixed or determinable parts and with predefined maturity that the credit institution is capable to hold until maturity. On entering the patrimony, these securities are recorded at their acquisition value, which consists of the purchase price that also includes the transaction costs directly attributable to the acquisition. The short-run interest may be recorded in the corresponding attached claims account or may be registered in securities accounts.

8. Conclusions

Studying the relevant literature in operational assets and national rules allowed us to identify both the structure and the way of highlighting the accounting of such operations. We also recognize the complexity of the credit institutions related to the use of the more efficient funds raised by them for profit margin and in order to reduce the risks to which they are continuously exposed. However, credit institutions are not content with making only a regular income, they seek where possible and prudent to obtain other profits too by banking assets and liabilities maturity structure. Before an institution acts to change assets to increase profit, it must ensure that it is able to maintain an adequate liquidity and to consider the quantification of risk factors and symptoms of risk. In this context, we consider appropriate the need for both the diversification opportunities and the placement of the operational assets.

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SECTION: MANAGEMENT AND MARKETING

SUB-SECTION: MANAGEMENT

HR TRAINING PROGRAMS – CASE STUDY: WHAT ARE THE PARTICIPANTS' EXPECTATIONS?

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When conducting a training program, training providers should ask themselves this question: What are the participants' expectations? Training providers must correlate their programs with the needs and expectations of participants in order to be successful.
Considering there is a need for the professionalization of human resources management activities, we focused our attention on three key occupations of HR: Human Resources Analyst, Human Resources Inspector and Human Resources Manager. To assess the effectiveness of these trainings we used the following research instruments: focus group, monitoring questionnaire and evaluation questionnaire. Our experience with the training programs organized within the Training and Excellence Centre in Human Resources Management has sown us that participants have a great need for knowledge and personal development.

Even though it is now universally understood that the acquisition of knowledge is the foundation of the competitive advantage of individuals and organizations in today's economy, the question of how much to invest in workforce education and training has remained an issue for companies.
Employees' knowledge and skills are as important as the companies' financial and materiel resources. In Romania, training programs are still widely used only by multinational companies, and less by national companies or non-profit organizations.

1. Training programs: evolution and prognosis
Although, Romanian training market has been in an obvious development in the years before the crisis, it is still far from similar markets in the region. In 2008, our national training market has been estimated at around 30 million euro, 30 percent up from 2007. Comparatively, Hungary, having half the population of Romania, has a training market four times bigger than the Romanian one, with a turnover of more than 100 million euro in 2007.
Despite the growth of the last years, the training market recorded significant decline in 2009 due to the world economic crisis. Companies have frozen their professional development budgets and training market lost 40 to 50 percent in 2009[460]. However, the first three months of 2010 show an upward trend and experts are confident that training market will recover the loss from the past year.

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[460] Iloviceanu Robert, *Ascendis: Piaţa de training a scăzut cu 50% în 2009,* published on October 5, 2009, http://www.standard.money.ro/articol_107629/ascendis__piata_de_training_a_scazut_cu_50__in_2009.html, consulted on April 10, 2010.

In 2006 the Ministry of Labour Social Solidarity and Family has developed a monographic research of a sample of occupations in the occupational field of Romanian economy, which has sought to highlight the main changes in content and networking of a number of 105 occupations.[461] Instrument used to conduct scientific monographs had a high complexity, combining semi-structured interview techniques and questionnaire. Respondents to the semi-structured interview or questionnaire (by case) were technologists, department heads / workshop / team, representatives of human resources, technical director, workers, or, generically naming them: key respondents able to provide relevant and comprehensive information about the occupations. One of the major findings of this study is the growing importance of activities in the field "communication", "social sciences" and "management" skills and mastery of languages (including English language emerges with the highest importance) and computer working skills and electronic equipment.

This year, the main interest of companies will be for the sales training sessions. At the same time, experts believe that the demand for employee evaluation programs will increase also, as many companies will access European funds for human resources development[462].

Most of the training programs in Romania develop the skills needed for one of the occupations described in the Classification of Occupations in Romania (COR).

2. Classification of Occupations in Romania

The Romanian Classification of Occupations (COR) was first published in 1995, and currently includes 3852 occupations. COR is the identification, ranking and codification system of all occupations that exist in the economy, regardless of their type and place. Using COR codes is mandatory for all central public administration bodies and local businesses, business organizations, trade unions, professional and political foundations, associations, individuals and legal entities.[463]

The review and updating of COR is the responsibility of the Ministry of Labor, Family and Social Protection. However, labor market increasingly leaves behind the COR. Many of the 3852 occupations that currently exist in the COR have no correlation on the labor market, while others newly created to meet the ever changing needs of the market are not included in this list. Although they have the possibility to insert new occupations in the classification, private sector employers prefer to report to the Territorial Inspectorates of Work other functions for employees whose occupations are not included in the COR, in order to respect the law.

Related to Human Resources, there are currently over 40 occupations defined by the COR. These include the following: HR analyst, labor market analyst, employment agent, human resources inspector, HR reviewer, manpower and unemployment expert, labor consultant, HR specialist, human resources manager, professional skills assessor and others. However, HR professionals consider it necessary to update the Romanian Classification of Occupations by placing approximately 10 new occupations which, although long been practiced in our country, are not yet defined by the COR. These new

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[461] Blaga, E., Occupation evolution in 2010 perspective. In F. Chipea, Cioară, I., Hatos, A., Mihai, M., Sas, C. (Ed.), *Culture, development, identity, current prospects. 10 years since the establishment of departments of psychology and sociology at the University of Oradea* (pp. 55-80), 2007, Bucharest: Expert.

[462] Mihai, Cristina*, Ce training-uri se vor vinde anul acesta în România?*, published on January 22, 2010, http://www.dailybusiness.ro/stiri-cariere/ce-training-uri-se-vor-vinde-anul-acesta-in-romania-37255, consulted on April 10, 2010.

[463] www.mmuncii.ro, consulted on April 10, 2010.

occupations relate to niche and specialist positions, such as: specialists in recruitment, training, organizational development, compensation and benefits, and human resources consultants.[464]

Each of the occupations listed in the COR must comply with an occupational standard. The Occupational Standard (SO) is the document that specifies the units of competence and quality outcomes associated with the activities contained in an occupation. Based on the occupational standard that is nationally acknowledged, training programs are developed.

3. HR training programs

Training programs ensure the acquisition of new skills or the development of skills already acquired, and they can be: start programs, qualification programs, requalification programs, and specialization training programs. The responsibility for organizing training programs rests with training providers. The training providers' authorization activity is coordinated by the National Council for Adult Training (CNFPA). Record of training providers is included in the National Register of Authorized Providers

In Bihor County there are over one hundred occupations for which training programs are conducted, of which only five are human resources occupations. These are:

- Human resources analyst;
- Safety inspector;
- Human resources inspector;
- Human resources manager;
- Health and work safety specialist.

For these five HR occupations there are 14 authorized training providers in Bihor County.

Considering there is a need for the professionalization of human resources management activities conducted at county and national level, we focused our attention on three key occupations of HR: Human Resources Analyst, Human Resources Inspector and Human Resources Manager.

For the Human Resources Analyst occupation there are currently two authorized training providers in Bihor, while national wide their number is 21. For the occupations of HR Inspector and HR Manager, in Bihor County they are 9 authorized training providers, 4 of them organize training programs for HR Manager occupation. Nationally, there are over 420 such suppliers, of which 112 are for Human Resources Manager.[465]

3.1. HR training programs – Case study

In order to induce an attitude and mindset change among employees involved in human resources activities, our institution has accessed European funding for the organization of three training courses for these three occupations.

The title of the project was *Training and Excellence Centre in Human Resources Management,* and it was implemented between December 2, 2008 and November 30, 2009. The project was financed trough PHARE 2006 Economic and Social Cohesion - Human Resources Development, under the program *Promoting lifelong learning and retraining for employment qualification*, contract number PHARE 2006/018-147. 04.02.02.01.605.

The Human Resources Analyst, Human Resources Inspector and Human Resources Manager training courses were conducted during 2009 at the Training and Excellence Centre in Human Resources Management (CFP - MRU).

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464 Enache Ştefania, *Specialiştii în resurse umane cer o nouă clasificare a ocupaţiilor,* Săptămâna Financiară, http://www.sfin.ro/articol_18516/specialistii_in_resurse_umane_cer_o_noua_clasificare_a_ocupatiilor.html, published on December 18, 2009, consulted on April 10, 2010.
465 Registrul Naţional al Furnizorilor Autorizaţi, www.cnfpa.ro, consulted on April 11, 2010.

3.1.1. Case study - methodology

To assess the effectiveness of these trainings we used the following research instruments: *focus group, monitoring questionnaire and evaluation questionnaire*. All the 61 trainees attended the training evaluation process and the instruments were designed to determine participants' perception of training effectiveness.

Monitoring questionnaire was designed to identify the usability of the information and skills learned during these training. For this purpose a methodology was developed that took up two research tools: questionnaire and focus group. Questionnaires were applied three times for each training program, at different time intervals, in order to capture the evolution of behavior and changes in work activities; the focus group was organized at the end of each training program.

Evaluation questionnaires were applied to participants at the end of each training program and referred to the following aspects: satisfaction with the training assessment of issues related to the training elements, evaluation of each training lecturers. The last part of the questionnaire had three open questions: to point out three positive and three negative aspects related to the training, to point out three issues they would like to change in the organization of the training attended.

The questionnaires were input in a database and processed in SPSS program.

3.1.2. Case study results

Overall, satisfaction of participants in the three trainings is held high, students declaring themselves satisfied with the most valued aspects. Of the 61 participants, 27 representing 44% said they were very satisfied with the training attended, and 48% said they were satisfied. A 5% of participants said that they are neither satisfied nor dissatisfied with the training attended, while 2 participants, representing 3% of the total, said they were dissatisfied.
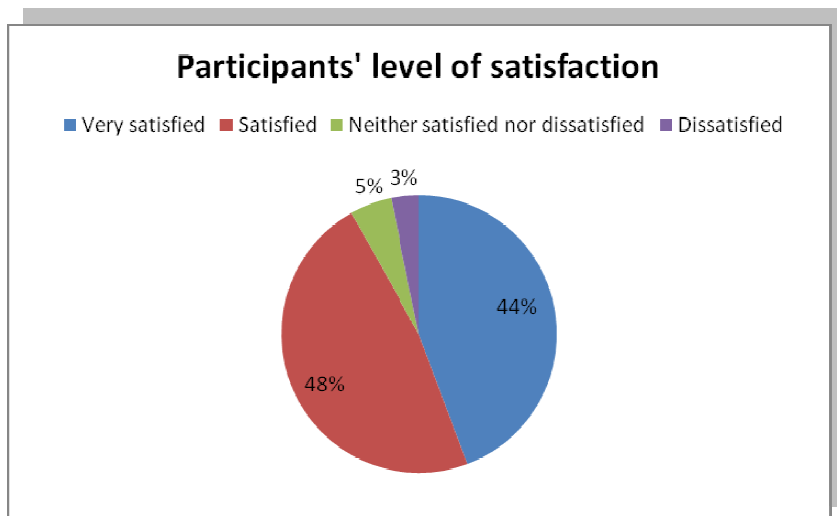
Exhibit 1. Participants' level of satisfaction

Some *conclusions* of our case study, based on the results of monitoring research are:

- These trainings were an opportunity for each student for personal development; improve knowledge and obtaining a diploma.
- They have appreciate unanimously the fact that people with extensive practical experience were involved as lecturers
- Students would like a greater involvement of practitioners in HR for all training topics, and several examples of HR practice and conducting workshops.

- Discussions were open, face to face that encouraged dialogue and exchange of experience. Participants appreciated this kind of interaction that encouraged discussion, claiming that they had learned from the example of others.
- Participants of the Human Resources Manager training, unlike participants in the training of human resources analyst and human resources inspector, had no objections with regard to the mixed groups A and B (A-for those who work in human resources departments and B-for those who are not working in human resources departments).
- For most indicators their value grew up, which means an increase of responsibilities of staff working in human resources involved in the human resources analyst, inspector and human resources manager.
- In most cases, consequent to enrollment in the trainings, our participants have increased the responsibilities and the frequency of activities related to HR at the workplace.
- Increase the percentage of those who during the training:
    - Have received responsibilities without changing the job description.

Exhibit 2. Have received more responsibilities without changing the job description.

- Have planned their specific activities of human resources area.
- Have used a database of personnel records using computer.
- Have prepared and managed the accounting documents of staff.
- Have prepared retirement documents.
- According to monitoring questionnaire responses decreases the number of those who: organized training program for personnel worked in interdisciplinary teams, represent human resources department. These decreases can be explained by the fact that those activities are activities that have a lower frequency within a year in the HR department.

4. Conclusions:

Although in recent years we have seen a growing training market, Romania still has a long way in order to reach other countries. The year 2009 represented a decrease in training market, but the first trimester of 2010 shows a slight recovery as companies take into account employee training as a solution for overcoming crisis.

The number of training providers and authorized training programs has grown in the last years, but so did the expectations of participants and companies. Training providers must correlate their programs with the needs and expectations of participants in order to be successful. At the same time, they need to take into account the demands of companies.

When conducting a training program, training providers should ask themselves this question: What are the participants' expectations? Our experience with the training programs organized within the Training and Excellence Centre in Human Resources Management has sown us that participants have a great need for knowledge and personal development. Participants want to learn practical things, as well as to understand how HRM systems and methods are operating.

At the same time, participants expressed their desire to know and understand the real problems that practitioners have experienced. The training programs organized revealed that participants believe that a hundred hours are not sufficient to understand HRM strategies; they would like if more hours were assigned for the courses. Participation in workshops, solving exercises and a greater emphasis on legislation are also among the requirements of training participants.

As for our purpose to induce an attitude and mindset change among employees involved in human resources activities, we believe that a shift in the mindset has been made, but efforts are needed still to inoculate in their thinking a non-discriminatory and ethical attitude.

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INTERCULTURAL WORK TEAMS, A CHALLENGE IN THE NEW CONTEXT OF ROMANIA'S EUROPEAN INTEGRATION

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In the context of globalization, organizations proceed to adapt to exploit new opportunities by creating intercultural work teams (IWT). Consequently, their management acquires new dimensions. To be successful, international companies should adapt to cultural norms of the host country, without neglecting their own organizational cultural values that have ensured their success. IWT are the main instrument used currently to achieve this fit. IWT are the basic unit for performance in any global organization. We analyze the situation of IWT in Siemens VDO Romania and Alcatel-Lucent Romania, as promoters of teamwork and intercultural knowledge transfer inside them.

Keywords: work teams, intercultural, globalization, management

JEL Classification codes: M 12

1. The Need and Opportunity of Work Teams

Globalization is a continuously growing phenomenon which requires organizations to consider more complex factors in an international framework, something that rarely occurs without teamwork.

A management approach in a country does not necessarily give the same results in another country. Performant managers must know how to overcome this cultural barrier, either be it national or organizational, which makes people react differently to the same challenges, transforming the opportunity offered by working in teams in a success. Performant management appears to be problematic in IWT, as individuals tend to bring widely different views on appropriate ways to reward, recognize, evaluate, train and develop the members of global teams.

Teamwork and, management of work teams have been the subject of numerous researchers in several fields, thus denoting the difficulty of exercising this in practice. The more difficult appears to be managing a work team whose members are from different national and/or organizational cultures or whose manager comes from a different national and/or organizational culture, a management that is to be oriented towards achieving performance. We refer especially to the management of IWT, a new challenge for managers in the context of European integration.

Forming teams is generated by the organizations' need to adapt to the external environment, ensuring their flexibility and competitiveness[466] in the new context of globalization.

Changes in the structures of the company, enterprises, markets, transactions, call for a focus on teams, only them being able to assume continuity, flexibility, professionalism and long-lasting performance. Teams "with a variable geometry" and "distance" teams show this more than ever[467].

Teams are the basic unit of performance in any organization. In any situation requiring a real-time combination of multiple knowledge, skills and judgment, teams inevitably get better results than some people with restrictive roles and responsibilities. Teams are more flexible than a larger group, being

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[466] Escriba-Moreno, M. Angels, Canet-Giner, M. Teresa, "The combined use of quality management programs and work teams. A comparative analysis of its impact in the organizational structure" www.emeraldinsight.com/1352-7592.htm *Team Performance Management* Vol. 12 No. 5/6, 2006. pp. 162-181.

[467] Nifle, R., „Le management des équipes à distance, Une application du modèle de Management Comunautaire Avancé", http://journal.coherences.com/article361.htmljeudi 10 août 2006.

more easily formed, developed, refocused and dismantled. Teams and performance are an unbeatable combination[468].

If the work group means a sum of component parts, namely of individual work, by contrast, teamwork is more than that amount[469], it is that "group of individuals with complementary skills which develop a distinctive identity, working together in a coordinated manner and being committed to achieving a common goal of whose achievement they are considered equally responsible."[470]

Many definitions approach the team as a group of two or more persons. Can a working group composed of two people be considered a work team? Is the dyad a work team? We say no, because it does not hold all the "ingredients" that give it this quality. Who coordinates, who exercises control, who oversees the work?

2. Work teams' typology
In organizations specific to the new international configuration, teams are found in different forms.
According to the criteria of cultural diversity, we identify:
1. *Team culturally homogeneous.*
2. *Intercultural team* – characterized by diversity of the national, organizational, managerial, culture etc.
3. *International team* – people from at least two different national cultures working together in the same organization or the same project, who have at least one common objective, which is the project goal. So, they can work together, interrelate, cooperate under the same management[471].
All these types of work teams are themselves found in the following forms:
A second criteria is department number:
1. *Improve departmental team* – consist of employees working in the same department, led by the manager of the department concerned. Are established to identify and solve department problems, being authorized to implement solutions with a small number of approvals from outside[472].
2. *Interdepartmental team* (problem-solving teams, special teams) – are made of people from at least two departments, for finding alternative solutions to complex problems, members being elected according to experience in the field. They are limited decision-making teams, being dismantled after solving the problem. Members of these teams engage only partially, being mainly engaged in tasks of the departments they work in.
Another criteria is homogenity of skills needed to perform of the team:
1. *Functional team*, or stand alone teams – operate with traditional organizational hierarchies, their members possessing similar skill sets and qualifications, with the same functional specialties.
2. *Interfunctional team* (of processes improving, policy-making organizational teams) – their members belong to several functional areas of the organization, who are focused on a specific objective. While other teams usually have a more focused mission to a particular task, multifunctional teams focus on a specific process. The multifunctional team or the process improvement team identifies process issues that will be

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[468] Katzenbach, J.R., Smith, D.K., The Wisdom of teams-Creating High Performance Organization, A Harperbussines Book, 1994, p. 15.

[469] Katzenbach, J.R., Smith, D.K., „Teams at the top", https://www.mckinseyquarterly.com/Teams_at_the_top_42.

[470] Bibu, N.A., „Managementul organizaţiilor într-o lume în schimbare. Cum să facem faţă globalizării şi internetului?", SIM 2002, Ed. Mirton, Timişoara, p.238.

[471] Bibu, N.A., Brancu, Laura, „Convergences of the Romanian societal culture with European culture clusters in the process of European integration. The role of intercultural teams management in increasing European cohesion", 2008, http://mpra.ub.uni-muenchen.de/9476/.

[472] Harringhton H. J., Harringhton J. S., Management total în firma secolului 21, Ed. Teora, Bucureşti, 2000, p. 213.

corrected by an operational team. While the process team works on, the operational team only meets until the reported process problem is solved[473].

Fourth criteria is management:
1. *Managed team*.
2. *Semi-autonomous team* – are composed of interdependent members jointly responsible for achieving goals, being assisted by a coordinator who liaises with the organization.
3. *Self-managed team* (self-directed, self-determined, self-regulated, and autonomous) – are composed of individuals having an interfunctional training, which interact and have responsibility and authority to perform a series of specific activities. They operate in the context of minimum intervention from management. Self-managed teams are favored by today's business environment, being agreed by employees, who want a greater freedom of action at work. Self-managed teams require significant interaction and a greater cohesion among members. They are the proper environment in which its members conduct efficient work in reduced surveillance.
4. *Self-managed interfunctional team* – self-managed interfunctional teams [474] have a specific role in achieving continuous improvement in all activities within an organization. Facilitating communication, innovation, and increasing autonomy of decision, in a self-managed interfunctional team everyone is aware it must take first responsibility for the results. Within self-managed interfunctional teams, members show a basic training, plus several additional trainings, they being experts in their own field and able to work with specialists in other departments of the organization.

Fifth criteria is objective:
1. *Creative team* – focusing on discovering the new.
2. *Tactical team* – formed to carry out well-defined plans.
3. *Project team* – a team formed for a limited time in which members cooperate to achieve the unique objective of the project.
4. *Quality circle team* – identify, analyze and solve problems at work, recommend solutions to management.

Sixth criteria is territorial division:
1. *Traditional team* – characterized by the face to face communication style, working in a given space.
2. *Virtual team* (geographically dispersed or not, the members are not in the same physical location) – These are teams whose members primarily interact electronically and who meet face-to-face only occasionally, usually temporary. Examples of such virtual teams include work teams whose members are located in different geographic areas, characterized by cultural diversity, or project teams. Their effective leadership and management can be very different from that applied to traditional teams.

Last criteria is level objectives' achievement
1. *Ordinary team* – fulfill the objectives at the proposed level.
2. *Performant team* – achieve their objectives at a level higher than proposed.
3. *High performant team* – very high effectiveness and efficiency, due to a tremendous effort and productivity.

3. Intercultural work teams
We bring into discussion an new approach to describe project teams: according to the "Hollywood model"[475], they are groups of individuals from various corporations that come to work together to develop a project (a movie-metaphor of reality), then dissolve, coming perhaps back together at one point to accomplish another project. In our opinion it represents an intercultural project team in terms of organizational culture, and not necessarily in terms of the national one. Therefore, an international team

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[473] Harrington-Mackin, Deborah, Cum se formează o echipă de succes, Ed. Teora, Bucureşti, 2002, p.15.
[474] Petrişor I, Progresul organizaţional, Schimbare, Transformare şi Inovare organizaţională, Ed. Mirton, Timişoara, 1999, pp. 169-173.
[475] Bennis, W., Powell, Sarah, "Great groups and leaders", http://www.emerald-library.com,*Team Performance Management*: An International Journal Volume 6. Number 1/2. 2000. pp. 34-36.

is always an IWT, reciprocity not being valid. We will further use the term of IWT referring to the diversity in terms of the national culture of its members.

Why is the use of an IWT so important?

The IWT is a more complex version of a national team. This is currently the best existing form of organization to make best use of new technologies and knowledge, expertise and creativity of people from different cultures. Teams are organized as support networks for the mission of the organization, its objectives and strategy by creating, acquiring and transferring knowledge. There are new types of forms of IWT, such as the intercultural project teams. Also, there is a shift from the traditional model of building IWT to the model of intercultural virtual teams, to improve the knowledge creation process. IWT are different and therefore their potential for creativity is greater than culturally homogeneous teams[476].

Multinationals, in particular the network type, use IWT as:

- a mechanism for encouraging innovation, organizational learning and transfer of knowledge;
- a path of breaking national boundaries, encouraging development of information flows through horizontal communication;
- a means of encouraging the various inputs in decision making, problem solving and evaluation of strategies;
- a way to develop global perspective;
- a way of sharing values through social development, supported by an informal, normative control.

To a certain extent, for certain international tasks, teams are formed by sending employees in different locations of the organization. Expatriates develop relationships that persist even after the tasks are completed. These informal links can then be activated for work, providing the project team members. Not everyone wants to be an international operator. In order to have available potential operators, multinationals are aware that they must provide international experience at all managerial levels, regardless of nationality. The idea of having a team of employees able to work in different environments, having different duties and jobs is promoted[477].

The individual will bring in the IWT besides thinking patterns, feelings and personal reactions also fundamental features of the original national culture, generating an additional source of conflict. The way this conflict will be resolved within the team will make it creative, or not, in achieving its objectives.

Some conditions for effective IWT, adapted by research[478] which has found the factors contributing to the effectiveness of multifunctional teams, could be:

- composition – all relevant specialties are needed, the more the team is diverse, the greater its creative potential is;
- objectives have to be complex, their accomplishment can only be achieved through collaboration;
- physical closeness – it is preferable that team members are close each other to facilitate informal contacts; otherwise techniques to replace the spatial closeness have to be applied;
- autonomy – teams need a certain autonomy from the organization and functional specialists need a certain degree of authority in decision making;
- rules and procedures are necessary to prevent chaos;
- team leaders need technical expertise and skills to work with people.

At this point, the interpersonal relations between team members formed after meeting face to face still have a great importance. They are the basis for building trust. Teamwork largely depends on the ability

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[476]Bibu, N.A., Brancu, Laura, „Convergences of the Romanian societal culture with European culture clusters in the process of European integration. The role of intercultural teams management in increasing European cohesion", 2008, http://mpra.ub.uni-muenchen.de/9476/.

[477]Dowling, P.J., Festing, M., Engle Sr, A.D., International human resource management-Managing people in a multinational context, South-Western Cengage Learning, USA, 2009, p. 151.

[478] Johns G., Comportament organizaţional, Ed. Economică, Bucureşti, 1998, pp. 249-250.

of members to trust each other[479]. If we are to think about IWT dispersed geographically, this means that management methods must be applied to replace the lack of spatial closeness between team members, by using appropriate communication techniques by which members can communicate sensitive information. Also, an aspect that leaves room for discussion would be the system of motivating members of IWT. What would be best so it is also the most effective – the one of the national culture or the one of the organizational culture? Perhaps, that of the team culture.

Thus, IWT management becomes more complex, including aspects of national culture of various members and the most effective ways to supplement its characteristics and bring those skills in line with the needs of the team.

3.1. Interculturalism and work teams of Siemens AG

Siemens AG, the leader in manufacturing and services in the electronics and electrotechnics field, can be regarded as one of the pioneers in promoting diversity in Germany. In 2001, the company published "Principles for promoting and managing diversity"[480], showing that in countries with many nationalities, cultures, ethnic groups, religions and different conceptions Siemens wants to attract people from all these groups, motivating them to develop their abilities, giving them equal opportunities in professional and personal development. Within Siemens VDO Automotive in Timişoara most of the activity takes place in IWT. Our study made on one of the project teams (formed in the division called "Quality Team") has shown that an important role is played by the degree of fusion or assimilation of the cultures involved. The team has eight members and each of them is responsible for completing a number of projects. Often they overlap, meaning that two or even more members have to handle the same projects, discuss with the same customers, thus working as a team. The German organizational culture has asserted itself, Romanians assimilating it quite easily, even if the number of German managers, initially the majority, dropped; on the other hand, however, one can observe that Romanian culture makes its presence felt. The specific German order and discipline, correlated with the Romanian creativity and diligence, make up an ongoing objective that the team manager does not overlook. In this case, we cannot talk about assimilation, but rather about a mutual complementation of cultures.

3.2. Interculturalism and work teams in Alcatel-Lucent

Another company that focuses on intercultural skills development of employees is **Alcatel-Lucent**, the largest manufacturer and supplier of equipment, technology and integrated telecommunications solutions, with a presence in over 130 countries on all continents, with a representation over 100 nationalities. Alcatel-Lucent Romania Timişoara operates in department teams, intercultural project teams. A feature offered by the company to its employees worldwide is the access to international learning and/or online documentation tools, which include the "Culture Wizard" solution [481], specific for intercultural training and information. When the financial-accounting department has introduced a new working model based on the concept of *shared service center*, and the team from Romania gradually took over projects from across Europe, both team leaders and employees have noticed that they started to encounter more difficulties in communicating with colleagues abroad. Moreover, working with 20 different countries on the European continent, employees began to be increasingly annoyed while for the same kind of demand they found that were receiving very different feedback and responses, without understanding why. It was actually a problem of intercultural misunderstanding. Thus arose the opportunity to merge traditional communication training with interculturality elements, having as support the tools Culture Wizard already existing in the organization.

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[479] Benson-Armer, Richard şi Tsun-Yan Hsieh, 1997, „Teamwork across time and space",
https://www.mckinseyquarterly.com/ghost.aspx?ID=/Teamwork_across_time_and_space_246.
[480] http://www.siemens.com/responsibility/en/employees/diversity.htm.
[481] http://rw-3.com/.

The first group participating in the training was the team that took over the project "Nordic countries" – Denmark, Sweden and Norway. The interculturality section of the training aimed to clarify the following issues: definition and content of cultural dimensions, comparative description of cultural profile of Scandinavian countries compared to Romania, focusing on major differences, the impact of intercultural differences on interpersonal relationships. One aspect that has surprised the participants referred to the communication style, Nordic countries being characterized by a more direct way of communication than we are used with in Romania. Once this issue was clarified, training participants agreed that direct style approach practiced by their foreign colleagues is not an insult, and in no case has it any connotation of impoliteness. Romanian employees understood that they need to structure their messages in a more clear and concise manner to capture the attention of their northern partners. Again by the analysis and discussion of this dimension, Romanian employees have found that Latin style to interrupt, to speak all at once, creates an impression of an extreme lack of professionalism in front of their Danish, Swedish and Norwegian colleagues. As advancing in accumulating intercultural knowledge, problems that the team had in the beginning within the joint project began to resolve. Such modules can be developed so that they can have direct applicability to specific problems encountered by different types of teams.

4. Conclusions

We talked about companies whose professionals are brought in and sent all over the world to form teams almost like a puzzle. Globalization and IT technological progress make possible to conduct activities and collaborations with anyone anywhere. These are challenges that professional managers must face, beyond overcoming the intercultural implications of a possible status of expatriate manager.
The multinational companies that are present in Romania use ITW in order to develop their activity, to implement new technology, to realize research and innovation projects. These teams are enhanced due to diversity's potential. Our studies, performed on the two companies, show that Romanians are open and adaptable to work in intercultural teams; this has been proved by their team's performances. The Romanians know to adapt to defined rules, clear procedures, specific to another's cultural organizations, succeeding in transmitting their creative spirit to the team. The rules and procedures are German, Austrian, Swedish, Danish, the atmosphere and human relations have all the best out of Romanians spirit.

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A NEW   GENERATION - QUALITY DESIGNER

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Now more then ever the quality management need some changes, not because of generation changes but because of the new provocation '' green products''.
The ''green products'' provocation needs changes to be implemented in each manufacturing technology and also in quality management. The organization must to be flexible to costumers needs and also to the new trends in industrial fields. This new generation for quality management change appear as a result of new eco-age , when in every second a new method, a new discover in researching work will bring more and new solutions to similar problem but in different places. The paper present the investigation results in a common manufacture organization who produce industrial products and also the solutions propose by author to improve the quality products and organization quality management.

Keywords: green products, manufacturing change, quality simulation

JEL: 032

Introduction

Any system performance improvement processes in an enterprise, is effective when internal processes are stable and controlled.

For that reason companies wishing to become or stay competitive, they need competent persons in the planning and control processes but also identify specific methods for improving internal coordination changes.

The new generation of green products can be realize only with the implementation of the new methods of simulation and modeling products characteristics and shape from the first stage of product design, when the engineer-designer can anticipate the future damage and failures of the products in his life cycle curve.

The implementation of a maintenance service, represents an important function of the enterprise which leads not only the possibility of both foreseeing and anticipating the possible flows , but also the opportunity of planning the interventions which will permit us to avoid them, as well as to get certain cuts of the expenses under crisis circumstances of the firm.

Maintenance must also be the production partner. Maintenance role is often undermined and productive function is not recognized.

Now that the old term maintenance and repair is replaced with maintenance, serving as a higher level of fixed assets, which must aspire to any enterprise, optics has a new culture-oriented management and achieves maximum business efficiency.

Our maintenance costs are extremely complex, requiring a thorough knowledge of their workload.

Lowest costs are the prevention and remedying defects. Unlike them implement a corrective policy is very expensive. Many of the maintenance costs are not covered by the records of the company, they are difficult to identify and measure.

They are hidden costs and the expenses are situated in the hidden parts of iceberg product quality.

Economic and technical characteristics of equipment can match the availability, thus paying maintenance activities are carried out by the entire organization, this leads to undue expense, and paid the outstanding work and providing the necessary resources to conflict in their servicing.

A good manager wants to have accurate records and information on the state system which he leads, because efficiency resulting from the correctness of decisions.

Research and methods

The paper presents some solution for a traditional organization witch have problems in adaptation and be flexible to the new trend in management and quality management.

The investigation identifies the quality problems in technological process and present some solutions.

Some companies have already made a beginning by introducing and certification systems quality management and the environment. Known as reference standards for these systems focus on identifying key processes and process leaders.

Following the consultancy services offered to implement management systems Quality environment and training to improve managerial skills revealed clear need to identify support for the reorganization of production and management processes, but nobody pay attention to the maintenance management

The progress of various categories of cost and efficiency indicators leads to the best solutions in solving everyday problems little things who can give the solution key for organization problems.

Available remember dashboard, develop a budget for maintenance activity, the monthly allocation for each machine or plant part.

Building maintenance budget can be achieved only by changing the traditional optical manager in terms of management effectiveness of each action is characterized not only technically but also economically.

Starting with the organization dates and elements we can present a new management concept of total productive maintenance, which together with other pillars of the company can realize a house of quality and a house for quality. For that reason the base of the quality house is TQM total quality management, the columns are:

- preventive maintenance,
- maintenance-productive;
- 5 S;
- auto maintenance,
- Continuous-improvement gives the answer to the link between quality and maintenance.

The roof of quality house is TQP, total preventive maintenance sustain by all five columns.

These keys TQM and TPQ together with production efficiency, configure up golden triangle quality, weakness of one full set of columns compromise the triangle and the quality house.

Total quality is the basis of total productive maintenance, we can define eight basic points of total productive maintenance system: abolition of losses, self-maintenance, maintain productive, technical training and operational, design and management, quality products, service-site performance, safety management, all these factors lead, in turn, the success of the company's productive activities.

Company's mission is to provide technical conditions for obtaining total quality through effective exploitation of the means of production.

The six major sources of losses that lead to support the implementation of such a system are:
a) Stop-time accidental: time to change, adjustment and adaptation of equipment, micro-machine stops, slow-functioning equipment,
B) Defect quality: start-faults.

It requires the resumption of Ishikawa diagram to outline the steps necessary to obtain a practical quality in manufacturing activity.

Applying Ishikawa's strategy may be removed where, considering the price as the main criterion, is made to purchase second-hand equipment, which in the short term, are advantageous due to lower investment costs, but inhibit the medium and long term competitiveness.

5S concept is good to comment, for any type of organization and to identify the sources of success:
-SEIRI -setting, elimination of unnecessary things,
-SEITON-order, methodical
-SEISSO - inspection control

-SEIKETSU-cleaning

-SHITHSUKE-discipline, moral education, and respect for others.

Initially, the 5S increase production and maintenance costs, but contribute substantially to strengthening labor motivation, employees and improve company's image in the eyes of providers and beneficiaries.

As adopted by all members of the company the 5 S are elements of culture and, while no longer necessary additional expenditure.

In the Romanian tradition, the technological process inside the organization was seen as a noisy place, filled with dirty equipment, served by workers in gowns, oil stains, leaving the assembly by visual measurement and hammer to corresponding technical documentation, recent years have brought changes, so the first steps were made.

In the process of implementing the 5 S, everything starts from the manager, from top to bottom, the holder of the established human intelligence and machines characterized by force and precision.

Man can improve its qualities and capabilities through training and practice, and companies can move pushing for continuous training of employees.

The key to success in implementing quality and its diagnosis is to make all the steps in six sigma programs, which is a wizard with no errors in the production of products, manufacturing tolerance errors 0.

Quality control movement has expanded the original named new quality control method, means providing a product that is better than the best, no better than most.

Also, starting from control, planning, implementation, quality must be closed circle, spread across the following segments of the new product: product research, production planning and production.

Six-sigma is home-sigma statistical term used to measure the standard deviation of average distance, is a program of excellence, as allocated no more than four errors in one million operations.

Target level of damage is the same for both producers and service functions. Six Sigma is a rigorous standard, expensive, because we know that quality brings investment, and vice versa, because so many operations to monitor costs, but at the same time and correct them immediately.

The companies have resorted to this method have found that improved quality means fewer defects, eliminate stagnation, greater customer satisfaction.

Improving quality is more important than the cost of implementing and maintaining six sigma programs.

Organization of work and the possibility of rescue efforts have led to a return to investment is the best solution compared to years to find solutions to save the company to use the process correctly.

The method is based more heavily on quality control, to have a competitive advantage, to produce error-free, to make good things come alive on quality.

We could allow employees mistakes?

A single mistake could not slow down too much company and management style. If in the course of occasional errors, they do not affect too much production, but considering the many errors could be made in the course of the entire company, the economic impact on productivity, customer satisfaction and profitability is dramatic.

This method of management approaches organization to find and identify what he know or should not, what he need to know and to act to reduce errors and their adjustment, which for organization means time, money, opportunities and consumers.

The method applies the following steps:

a) measurement, identification of Y and X options: plane measurement, accredited-measurement system, measurement process;

b) consumer-finding design: high-precision processes, development projects;

c) implementation-generating and evaluating alternatives: constructive remedies, control design.

The best method, six sigma projects is the beginning, not inside the company as a business, but outside them, focusing on the answer to:

How can we make our products more competitive on the market?

Six Sigma is the key to open new levels of quality, performance, provision of services and achievement of profit. The manager has in his hand the destiny of the company, everything depends. The method is today the ideal solution for busy managers, the first steps are choosing the project team, systematic education of employees is known on various levels.

Who are the major players in the program: Masters Black Belt, Green Belt, Orange Belt, Yellow Belt, this structure allows visualization of transfer tasks in the organization levels, each performing specific tasks under the program:

-Enforceable are those that deal with method and explain its implementation within the organization;

-Champions will try to present and explain what was used in this program and remove any barrier;

-Master Black Belt is actually the one who will train staff, will manage and oversee the production process of the activity;

- Black Belt, who would work effectively only nonstop for the project;

-Green Belt, are those who will assist those working in the Department of Black Belt. It is vital that everyone knows exactly what to do and its role in achieving quality. Of course nobody wants that after investment in Six Sigma and after time spent coaching and training people, project selection favorable for the production company to lead, eventually, lower profits and achieve a satisfactory quality.

The method is a way of life for business, they continue throughout the implementation period is initiated at the same time use other production projects, by finding new methods for obtaining profit increase.

Implementation of quality takes time requires achieving infrastructure in first year, followed by total quality house building foundation with the following magical elements:
- defining objectives, gaps and desires of consumers;
- current performance measurement process;
- analyzing and determining the causes that led to defects;
- implementing a new project to eliminate the defects;
- monitoring the performance, following the implementation of the new project.

Six Sigma, for manager is actually the solution to any problem if it satisfies the following:
- learn the basics of the method it will use;
- select the best specialists and projects;
- makes a team work;
- apply appropriate methodology with tools.

In other words, if:
- define the target group for six sigma project, ie internal and external customers;
- measure and analyze the features of the process;
- implement, monitor and maintain phases.

Through them we discover, in fact, the new method DMAIC-define, measure, analysis, implementation, monitoring.

Like any start virtually any method will be in Six Sigma, should start going through all the steps needed to know all the internal and external factors.

Obviously, they could not obtain satisfactory results if we go directly to the fourth or fifth step.

We can measure if we set the unit and we do not define the problem we face. Below is the logical scheme of the five steps of DMAIC methodology:

-Definition of the problem- identify the major problems of process, selecting a project to combat one or more of the problems, vital factors determining required measurement, analysis, implementation and control.

-Measure problem- selecting critical characteristics of the product or process quality, standard - definition performance variables Y, a system of measurement for Y, establish a process able to create the size of Y;

-Problem-analysis- defines Y one implementation targets, identifying sources for Y, finding potential causes that could affect the size of Y and identified several vital Xi;
-Implementation-issue-discovering vital link between the variables Xi, setting acceptable tolerances for Xi, establish a measurement system for Xi, control problem, measurement accuracy determination for Xi, control system implementation.

Conclusion
Studies shows that in organization works long day, workers are perceived a rhythm witch is very intense, but at the same time there is a low productivity, competitiveness and restricted items. It is evident that the development needs economic performance is about upgrading the skills and human resources areas such as labor organization, design - sizing - measure - control -improvement - from business process management, quality management, change management, risk management, project management and not at last maintenance management with direct consequences on labor productivity and competitiveness performance.
Some companies have already made a beginning by introducing and improving business through quality products, services macroeconomic market at an affordable price is what is sought using the method. Tools and techniques applied so far known to improve quality are of the past, no longer satisfy consumers the economy today, as a result of changes in society.
Manager is focusing and promote a new management on:
-channeling efforts of all employees in achieving product quality;
-to identify and isolate the factors affecting product quality, company image;
-to encourage the entire organization personal in business activity;
In conclusion this method is a guide to understanding and management of each sector of business on the road to quality.

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THE IMPACT OF ORGANIZATION'S PERSONALITY ON MANAGERIAL BEHAVIOR

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Organizational climate and the conditions that determine the "personality" of an organization represent important factors in determining the managerial behavior. Climate and behaviors are strongly influenced by organizational culture. Managerial behavior is determined by the variety of ways of realizing functions and by their attitude to employees and subordinates. These features of the each manager' behavior is defined management style.

This study examined the relationship between individual's personality, organization's personality, the environmental factors and managerial behavior. Data were collected from thirty enterprises (micro, small and mediums) from Bihor County. The results obtained from these sources suggested that the size of the lead group has a great influence on managerial behavior.

1. The influence that culture have on organization's personality

Organizational culture is a way of thinking, a specifically way to see problems and solve them and a sense of belonging to a team. This feeling exists because people have found that everything works fine within the organization. Taking into consideration Edgar Schein's view, organizational culture is formed primarily to resolve two problems that any organization faces with: adaptation to external environment and internal integration.

Personality is the key element behind any organization and what it stands for, and the story that its products tell to customers. Every business element, from interactions with customers to the product packaging is an element of organization personality, and these are the aspects that inspire customers' delight or indifference[482].

Organizational culture has a number of economic and social effects on the organization as an open system, on its employees and on the management practices. For employees, knowing organizational culture provides the understanding of organization's history and the behavior that will better fit to the community they belong. Employees will adhere to the specific values, to the philosophy of the organization, strengthening their confidence that they achieve the objectives in which they strongly believe. The organizational culture provides numerous criteria by which managers can make a useful behavior control in order to stop unwanted events and to acquire those accepted in that organization. Many experts consider that organizations that have strong cultures also obtain remarkable results, although it is difficult to make a link between organization culture and its performance[483].

The main organizational culture's functions can be[484]:

- It defines the boundary between one organization and others.
- Conveys a sense of identity for its members.

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[482] Bhargava, Rohit, Personality not included, Why companies lose their authenticity and how great brands get it back, McGraw Hill Publishing, New York, 2008, p.5.

[483] Burdus, Eugen, Management Treaty, Economic Publishing, Bucharest, 2005, p.261.

[484] http://www.scribd.com/doc/23413135/Organizational-Culture, accessed on 18.04.2010, at 15:55.

- Facilitates the generation of commitment to something larger than self-interest.
- Enhances the stability of the social system.
- Serves as a sense-making and control mechanism for fitting employees in the organization.

In certain organizations there is strong culture because managers and employees respond positively to the stimulus from the organization due to their alignment towards the organizational values. In organizations where people have minimal alignment towards organizational values we can talk about weak culture. In strong cultured organization people don't challenge organizational thinking in spite of the fact that they have different thoughts, psychology and ideas for it. The charismatic style of management, the friendly atmosphere among people or the evangelical belief in the organization's values can provide a strong organizational culture.

The requirements of a good organizational culture can be considered the following[485]:
- There should be openness and humility in the nature and behavior of every person in the organization from top to bottom.
- The environment in the organization should induce accountability and personal responsibility.
- The employees should have freedom of taking risks with their new ideas but within their limits.
- Managers should encourage employees to experiment and convert the aspects that they consider negative into positives ones.
- The organizations should work only on the basis of clarity, transparency and reliability between the people and the organization.
- By integrating the people to put the effort collectively multiplies the organizational strength.
- Collaboration with organizational culture consultants whose theories can lead to business success.

Organizational culture's orientation towards results and performance can be done by achieving the sense of employee's satisfaction and by induction of loyalty feeling. For obtaining and maintaining a strong culture, employees must be treated with respect and encouraged to take initiative, be creative in everything they do and it is necessary for managers to set some reasonable clear standards, and to give them enough autonomy[486].

2. Factors that determine the managerial behavior

Organizational climate determines factors or variables that influence members and groups' activities and attitudes in an organization: rules and regulations, organizational or environmental constraints, decision-making strategies and motivating people, means of transmission of information, etc. The main dimensions of organizational climate are[487]:
- The structure of tasks and the methods used for accomplishing the tasks are well controlled and organized.
- The relationship reward-punishment: additional rewards for promotion and increased salary are based on performance and merit, rather than other considerations, such as seniority, favoritism etc.
- The centralization or decentralization of making decisions.
- Increasing people's achievements or desire to do good work and contribute to company performance.
- Increase training and development and the degree to which the organization seeks to support training and development performance.
- Security and risk or the degree of pressure and employees' uncertainty feelings and anxiety.
- The general feeling that individuals have a good job.
- The employee's sureness that their work is approved and appreciated by supervisors.
- The organization knows that the objectives can be achieved in a flexible and innovative way.

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[485] http://www.scribd.com/doc/23288238/Organizational-Culture, accessed on 18.04.2010, at 12:56.
[486] Nica, Elvira, Managerial Psychology, Economic Publishing, Bucharest, 2008, p.23.
[487] Prodan, Adriana, Successful Management, Polirom Publishing, Iasi, 1999, p. 91.

Managerial behavior cannot be independent of any of these components which form the organizational climate. For example, at the upper levels of the hierarchy there is a wider space of freedom on setting goals, decision making and motivational strategies, the monitoring arrangements, etc.

Behavioral scientists agreed that there isn't an ideal recipe that managers should follow in order to obtain success. Each manager organizes and leads in the way that he/she considers is better for the organization. Even if there are some rules concerning organizational management, each manager will interpret and adapt them according to his/her natural mode of being[488].

Often it is assessed the participatory management because of the involvement of all employees in problem solving and decision making hence, due to favorable effects on performance. But not always such a management style is positive when a change is to be made within organizations.

Between organization culture and managerial behavior within it there is a direct link. An organizational culture may lead to a positive behavior by promoting values. Also, managers in an organization, through their daily behavior by performing roles and performance management may foster an ethical behavior within the organization.

To maintain the organization culture and the managerial behavior at a high level, the following recommendations will be useful[489]:

- Realism in determining objectives and values support in accordance with the organization's possibilities.
- Encouraging all initiatives within the organization that contributes to maintenance of the culture accepted by managers and employees.
- Allow the expression of different opinions that belong to organization's employees.
- Development of training programs for managers and employees, which can contribute to the cultural values promoted by the organization.

Graphically, the relationship between environmental factors, individual's personality, organization's personality and managerial behavior can be represented like this:
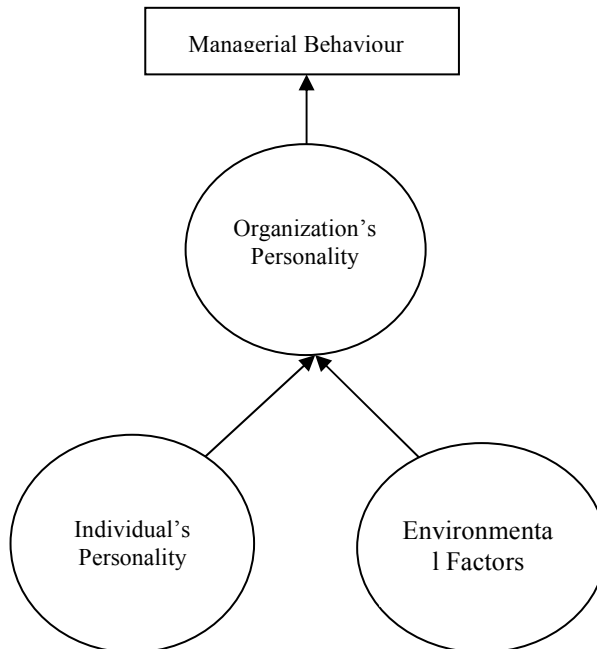
Figure nr. 1 Factors that determine the managerial behavior

[488] Burciu, Aurel (coord.), Introduction in management, Economic Publishing, Bucharest, 2007, p.131.
[489] Burdus, Eugen, Management Treaty, Economic Publishing, Bucharest, 2005, p.265.

3. How does the size of the group influences the managerial behavior?

When talking about managerial behavior, we can identify eight roles managers play according to the size of the lead group[490]:

- *President* Controlling and coordinating team members, recognizing their talent and focusing more on what is feasible rather than imaginative and exciting.
- *Involved* Assumes all the needed actions instead of forming the employees' thoughts and decision-making abilities.
- *Innovator* Demonstrates a creative thinking.
- *Evaluative* The ability to analyze problems and make suggestions objectives.
- *Organization's employee* Role based on the implementation of ideas by taking those skills which transfer ideas and plans into practice.
- *Team's employee* Requires a good understanding of needs and support of employees.
- *Resources investigator* Searches for resources and ideas outside of the team and support team's efforts in achieving goals.
- *Implementer* Ensures that the objectives are achieved on time and at a high standard.

When trying to enhance managerial skills it is imperative for managers to understand that their behavior is interpreted differently according to a subordinate's personality. Indeed, the same message that a manager is communicating (even if the content is the same) could be interpreted in several different ways depending on the personalities of the subordinates[491].

Managers tend, depending on the group he leads, to adopt a certain behavior. Although the ideal conditions are difficult to meet, managers choose their teams from the best people they have, encouraging their flexibility role. There is a need for managers to distinguish between the roles assumed by each team member. Knowing the expectations of colleagues, the manager may end the tension and avoid the group collapse earlier.

In order to give a real answer to the question presented in the subtitle 3, we made a research on a number of thirty organizations from Bihor county (ten of them were micro enterprises; ten were small and the last ones middle). The thirty managers had to note the following decisional situations from 1 to 10, taking into account the frequency of using them within their enterprise, (using 10 for the most frequent): manager makes decisions, manager "sells" decisions, manager presents and discuss decisions, manager presents the attempt of making decisions and manager defines the limits (the groups make the decisions). The table below represents the final values calculated by simple arithmetic average for each type of enterprise that we studied.

Type of enterprise	Decisional situations				
	manager makes decisions	manager "sells" decisions	manager presents and discuss decisions	manager presents the attempt of making decisions	manager defines the limits (the groups make the decisions)
micro enterprise	1	3	8,5	9,5	10
small enterprise	8	5,5	9	9	7,5
middle enterprise	9,5	9,8	4	1,5	1

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[490] Prodan, Adriana, Successful Management, Polirom Publishing, Iasi, 1999, p. 96.
[491] http://www.entrepreneur.com/tradejournals/article/136076050_3.html, accessed on 18.04.2010, at 20:00.

Table nr. 1 Final value of decisional situations

Group size can influence the decision-making style. From the sample of firms that we surveyed, is seen that, when talking about groups of 1-9 employees, managers prefer to make decisions taking into account employees' proposals and establishing the limits, when group increases at 10-49 employees, managers prefer to make decisions, present and discuss them with the employees and when talking about groups larger than 49 employees, managers "sell" and make decisions without employee's participation.

The results of our research can be graphically presented in the following way:
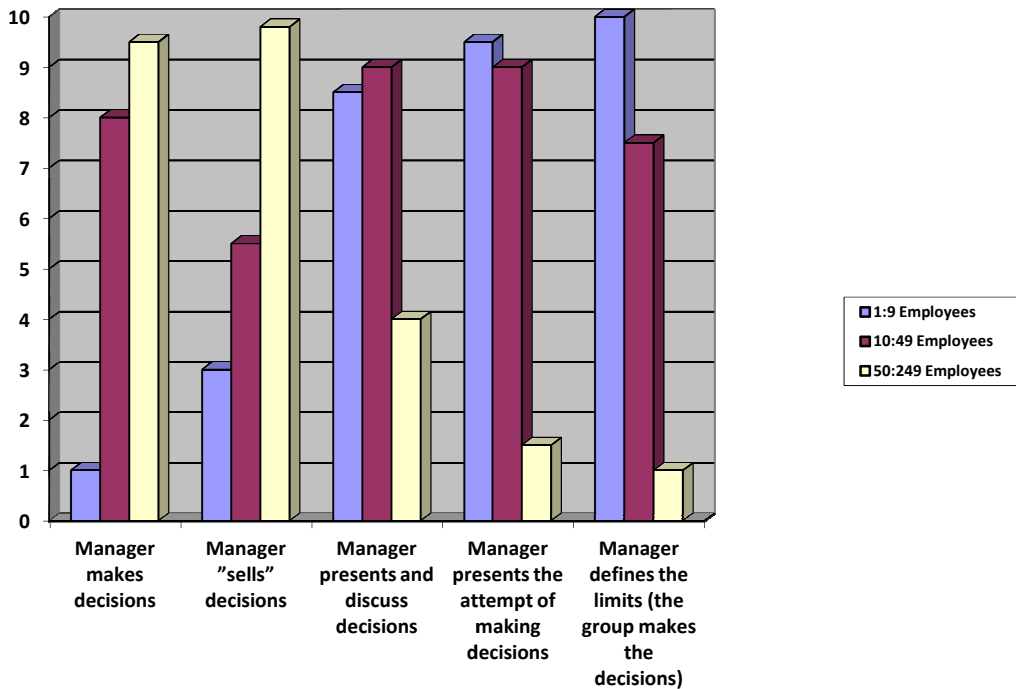
Figure nr. 2 The correlation between employees group and making decisions styles

4. Conclusions

Organizations are evolving, adaptive, strategic, and rule-based cultures which act on and respond to changing internal and external environments.

The cultural match between an individual and an organization is determined by the degree to which the individual's personal traits fit the organizational culture, or perhaps vice versa. A lower cultural match may indicate that the individual is drained of important resources by having to continuously adjust to the workplace environment. A higher cultural match suggests the potential for a more satisfying interaction for both the individual and the organization.

In order to increase the organization's performance, managers have to ensure that employees feel comfortable in the specific organizational environment, they feel motivated by this environment and they will be able to achieve organizational goals.

The success of any company depends in part on the match between individuals' personality, manager's personality and organization culture and personality. Organizational culture is the set of operating principles that determine how people behave within the context of the company. All the different behaviours of people need to have the same base: beliefs, values, and assumptions that dictate individual's actions.

Managers need an accurate understanding of the organization's culture in order to direct activities in a productive way and to avoid the destructive influence of having employees who are not committed to the company's goals.

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PROSPECTIVE LEADERS' VIEW ON ROMANIAN SOCIETAL CULTURE

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This study deals with Romanian prospective leaders' perceptions and expectations concerning the societal culture. It is a part of a European research project, *GLOBE Students*, dealing with the interrelations between societal culture and leadership. The basic theoretical constructs and methodological framework of investigation are those developed by GLOBE international research project. In adapting our research to student population peculiarities, GLOBE *Beta* questionnaire was altered through adding new items (scales). The sample consists in 429 students in business/economics and engineering, belonging to three Romanian universities. The findings show that in student's opinion there are significant differences between societal culture practices and values (expectations) on all nine cultural dimensions in GLOBE model.

Introduction

More than one million students are enrolled in Romanian universities and other tens of thousands abroad. Their number tripled in the last decade (Numarul studentilor din Romania a ajuns, în 2008, la un million, '2009). The students are a very important group of population, because from it will be selected the next generations of managers and leaders. And for many reasons, they will be different from the present managers and leaders. In this context, it is surprising how little knowledge is available about the students' values and the impact of these values on their perceptions on management. Same surprise is encountered on reverse case: students' weak knowledge about present leaders' cultural values. This is why we hope that the present study will contribute to a better understanding of the students' perceptions of present societal culture dimensions and their cultural expectations.

During the last edition of Romanian students in United Kingdom Conference (London, October 25, 2009), the Director of one of the biggest audit and consultancy companies in the world (British native), asserted that the fundamental difference between Romanians and British behaviour is that while Romanians focus on *practices – doing things as they are told to do*, the British focus on *values*, doing things as they *should do*. On the positive side, he acknowledged that Romanians are good communicators in foreign languages and are in the world top in IT. At the same time, among the drawbacks he mentioned excessive bureaucracy, lack of long term planning, "astounding" H.R.M., corruption and legal regulation fluidity (Boros, 2009). The mentioned advantages and drawbacks could get a rational explanation based upon a closer look at societal *cultural practices and values*. For this, the school should teach the pupils *how to learn, practice and develop* our cultural values, while the academic education should provide the students lectures on how to measure and compare different societal practices and how to build own cultural expectations.

The present study aims at answering the following questions: 1. How do the students perceive the societal cultural dimensions? 2. Which are the students' cultural expectations (values)? 3. What are (if any) the differences between the perceived cultural *practices* and expectations (*values)*? 4. Are the students' perceptions and expectations sensitive to their demographic variables?

Theoretical remarks

It is well known that there is no one generally accepted definition of societal culture. Probably this is why cultures differ one from another. Our study shares the definition used by GLOBE international research project: *Culture* (in general) is a set of shared motives, values, beliefs, identities and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations (House et al. 2004:15).

How we measure the culture of different entities (groups) in order to compare them? The word "measure" is linked to some *measureable dimension*. So, if we want to measure cultures, than must accept that these cultures can be characterized by *sizes* (probably different) of the same dimension.

GLOBE research characterizes the culture through nine *discrete global dimensions*: *performance orientation, future orientation, assertiveness, power distance, humane orientation, institutional collectivism, in group collectivism, uncertainty avoidance, gender egalitarianism* (House et al, 2004). The definitions and their theoretical support are provided by GLOBE books (House et al, 2004; Chhokar et al. 2007). GLOBE compares these dimensions across 62 societal cultures, analysing *how* different or similar are those cultures and *why* are they different or similar. But the cultural dimensions of a group are *not static*. The culture is not only a given set of beliefs, norms, patterns, projections and institutions configuring the cultural aspirations of a given group. This is why, GLOBE model distinguishes between cultural *practices (how the culture it is)* and cultural *values (how the culture should be)*. While practices describe the (actual) *cultural product* of analyzed community, the values describe the *desired cultural product*. In other words, practices display the socio-cultural *phenomenology*, while values concern the *targeted future* of that community in the field. Of course, the distinction between practices and values is a relative one. Philosophical speaking, a good practice is a *learned* value. Almost always the values are about something important. This is why they are followed by individuals and groups. This might explain why some authors consider that values express the effectiveness of most efficient individuals, such as leaders (House et al. 2004; Javidan et al. 2006a; 2006b), while practices express the average effectiveness of a society. Values distinguishing a culture from the others are *predictors* for cultural practices, as well as for leadership features and behaviours in that culture (House et al. 2002). The shared values become good future practices. Values distinguishing a culture from the others are *predictors* for cultural practices, as well as for leadership features and behaviours in that culture (House et al. 2002).

Based upon GLOBE model, studies from different societal cultures proved that there are significant differences between practices and values all over the world (House et al.2004; Chhokar et al. 2007), including Romania (Catana, Catana, 2010 in print). The mentioned findings are based on data collected from present middle managers. Or, our study pursues to discover the *cultural identity of future managers and leaders* in Romania. The findings about the students' perception on cultural practices and their expectations about societal culture are helpful in imagining the societal culture in its dynamics. Axiological speaking, the values the students aspire to, will probably be their future practices (as managers and leaders), their future behavioural patterns. From cultural perspective, a society oriented towards future leaders' values is a dynamic one. We expect to discover significant differences between practices and values due to the simple fact that the *values are more important than practices in the students' world*.

Research methodology

As shown above, in performing our study on Romanian students' opinion about societal culture *dimensions* we used the methodological framework created by the GLOBE project. Data about societal culture dimensions has been collected using GLOBE II Beta questionnaire. *Culture dimensions* have been measured using the scales in section 1 (*as it is*) and, respectively, section 3 (*as should be*). Scales in section 1 ask the students to value "the way our society is" (practices), while scales in section 3 ask the students opinion about "the way our society should be". In order to test the *statistical significance* of the differences between societal practices ("as it is" variables) and societal values ("as it should be"

variables) the paired-samples *t-test* was employed, using the 0.05 significance threshold. All the answers are assessed with seven points Likert scales (1=strongly agree; 7= strongly disagree, with some items reverse coded; see the GLOBE Culture and Leadership Scales Guidelines and Syntax for the GLOBE Leadership and Culture, 2006).

Data collection run between November 2008 and April 2009. The *sample* consists in 429 students attending business/economics and engineering in three Romanian universities. The basic assumption in choosing the sample was that most of future managers and leaders will be economists and engineers. The sample is structured based upon the following *criteria*: gender, age groups, field of study, level of study, interest in management career, and interest in founding a business venture (see *Table 1*). In testing *statistical significance* of differences between different groups of the sample, the *independent samples* test was employed, using the 0.05 significance threshold (equal variance assumed or not for Levene's test).

Table 1 Sample demographics

	Gender		Age groups		
	Female	Male	18-22	23-27	≥ 28
Field of study: Business/Economics: 168 (39.16%)	128 (76.2%)	40 (23.8%)	81 (48.2%)	72 (42.8)	15 (9.00%)
Engineering:261 (60.84%)	111 (42.5%)	150 (57.5%)	187 (71.6%)	74 (28.4%)	-
Level of study Bachelor: 278 (64.8%)	140 (50.4%)	138 (49.6%)	246 (88.5%)	19 (6.8%)	13 (4.7%)
Master: 151 (35.2 %)	99 (65.6%)	52 (34.4%)	22 (14.6%)	127 (84.1%)	2 (1.3%)
Interested in management career Yes: 288 (67.13%)	174 (60.4%)	114 (39.6%)	174 (60.4%)	102 (35.4%)	12 (4.2%)
No: 141 (32.87%)	65 (46%)	76 (54%)	94 (66.6%)	44 (31.2%)	3 (2.2%)
Interested in founding a business venture Yes: 317 (73.9%)	178 (56.1%)	139 (43.9%)	199 (62.8%)	107 (33.7%)	11 (3.5%)
No: 112 (26.1%)	61 (54.5%)	51 (45.5%)	69 (61.6%)	39 (34.8%)	4 (3.6%)
TOTAL: 429	239 (55.7%)	190 (44.3%)	268 (62.5%)	148 (34.5%)	13 3.00%)

Findings

The preliminary findings of our research are presented following the succession of research questions. *Table 2* displays the mean values, ranks, significant differences and ratios between cultural practices and values in students' opinion.

Practices perception*: The way Romanian society it is*

It seems the students make up a cultural community perceiving a high power distance (5.80) and a relatively high in group collectivism (5.13). They also feel Romanians have practices less future oriented (3.44) and enough uncertain (3.49). The other practices got lower scores than the scale midpoint (4), while gender egalitarianism is situated in the scale midpoint.

Cultural values **(**expectations): *The way Romanian society should be*

The students believe the cultural dimensions should change their hierarchy comparing with current perceived practices. They expect: performance (5.89), institutional collectivism (5.71), humanism (5.41), future orientation (5.24) and control of uncertainty (5.10). In their cultural logic, these expectations could be attained if the power distance is significantly reduced (2.64). Gender egalitarianism (4.14) and assertiveness (4.00) are scored in the middle band of the scale.

Differences between practices and values

All the dimensions of societal culture record significant differences between practices and expectations (t-test values are high and sig-2tailed got 0.000 for all). The highest difference is recorded for power distance (t = 51.576; sig = 0.000). Very high difference is also recorded for performance orientation (t = -37.525; sig =0.000), uncertainty avoidance (t = -29.636; sig =0.000), humane orientation (t = -29.279; sig =0.000) and, respectively, future orientation (t = -26.878; sig =0.000). Even though the differences between the other pairs of cultural dimensions are statistically significant, they have a lower *differentiation potential* in students' mind. The differentiation potential is shown by the size of the ratio between practices and values in *Table 2*.

Table 2 Differences between perceived cultural practices and cultural expectations* (N = 429)

Cultural dimension ("as it is")	Rank	Mean	t-test (sig 2-tailed)	Mean	Cultural dimension ("as should be")	Rank	Practice/ Values
Uncertainty avoidance	8	3.49	-29.636 (0.000)	5.10	*Uncertainty avoidance*	5	0.68
Future orientation	9	3.44	-26.878 (0.000)	5.24	*Future orientation*	4	0.65
Power distance	1	5.80	51.576 (0.000)	2.64	*Power distance*	9	2.19
Collectivism 1	5	3.78	-19.155 (0.000)	4.94	Collectivism 1	6	0.76
Humane orientation	4	3.84	-29.279 (0.000)	5.41	*Humane orientation*	3	0.70
Performance orientation	6	3.66	-37.525 (0.000)	5.89	*Performance orientation*	1	0.62
Collectivism 2	2	5.13	-11.474 (0.000)	5.71	Collectivism 2	2	0.89
Gender egalitarianism	3	3.99	-11.271 (0.000)	4.41	*Gender egalitarianism*	7	0.90
Assertiveness	7	3.51	- 8.717 (0.000)	4.00	*Assertiveness*	8	0.87

*paired samples, t-test

Sample demographics and differences in cultural dimensions

Table 3 shows that seven out of nine cultural dimensions are sensitive to the sample demographic variables. *Statistically significant* differences between societal practices and values were found in the following cases (based on *t* value):

Study level (bachelor or master) influences the students perception on *practices* concerning *gender egalitarianism* (t = 3.499; sig =0.001) and *performance orientation* (t =2.659; sig = 0.008). At the same time, the study level influences the students *expectations* concerning *uncertainty avoidance* (t = 2.727; sig = 0.007), *performance orientation* (t = -2.360; sig = 0.019) and *humane orientation* (t = 1.983; sig = 0.048).

Field of study (business/economics or engineering) influences the students perception on *practices* concerning *institutional collectivism* (t = 2.342; sig = 0.020), and their *expectations* about *performance orientation* (t =-2.841; sig =.005) and *gender egalitarianism* (t = -2.270; sig = 0.024). *Gender* (female vs. male) leads to differences in perception of *gender egalitarianism* in *practice* (t = -2.102; sig = 0.036) and *in group collectivism* (t = -2.653; sig = 0.008) and *assertiveness* (t = -2.188; sig = 0.029) at *expectations* level.

Students *interest in following a management career* (Yes vs. No) influences respondents perception on *practicing institutional collectivism* (t =2.170; sig = 0.036) and *gender egalitarianism* (t = -2.198; sig = 0.029).

Finally, the *interest for setting up own business venture* (Yes vs. No) is a factor differentiating the *expectations* concerning *institutional collectivism* (t = 3.124; sig = 0.002).

Table 3. Sample demographics and significant differences in cultural dimensions

Cultural dimension	Sample Mean (N=429)	St. dev	Mean (G1)	Mean (G2)	t-test (sig–2 tailed)
GENDER (G1=female; n=239; G2 = male; n=190)					
Practices					
a. Gender egalitarianism	3.99	0.674	3.92	4.06	-2.102 (0.036*)
Values					
a. Collectivism 1	4.94	0.751	4.85	5.04	-2.653 (0.008*)
b. *Assertiveness*	5.10	0.768	3.93	4.09	-2.188 (0.029*)
FIELD OF STUDY (G1=Business/Economics; n=168 ; G2=Engineering; n=261)					
Practices					
a. Collectivism 2	5.13	0.779	5.24	5.05	2.342 (0.020*)
Values					
a. *Performance orientation*	5.89	0.706	5.77	5.97	-2.841 (0.005*)
b. Gender egalitarianism	4.41	0.567	4.34	4.446	-2.270 (0.024*)
LEVEL OF STUDY (G1= Bachelor; n= 278; G2= Master; n=151)					
Practices					
a. *Performance orientation*	3.66	1.00	3.75	3.48	2.659 (0.008*)
b. Gender egalitarianism	3.99	0.674	4.07	3.82	3.499 (0.001*)
Values					
a. *Uncertainty avoidance*	5.10	0.768	5.18	4.96	2.727 (0.007*)
b. *Humane orientation*	5.41	0.769	5.46	5.31	1.983 (0.048*)
c. *Performance orientation*	5.89	0.706	5.83	6.00	-2.360 (0.019*)
INTEREST IN MANAGEMENT CAREER (G1 = Yes; n=288; G2=No; n=141)					
Practices					
a. Collectivism 2	5.13	0.779	5.18	5.01	2.107 (0.036*)
b. Gender egalitarianism	3.99	0.674	3.84	4.08	-2.198 (0.029*)
Values : none					
INTEREST IN FOUNDING A BUSINESS VENTURE (G1=Yes; n=317; G2=No; n=112)					
Practices: none					
Values					
a. Collectivism 2	5.71	0.902	5.79	5.48	3.124 (0.002)

Conclusions

The present study shows that next generation of Romanian managers and leaders (students in business/economics and engineering) looks like a cultural body with homogeneous perceptions on societal cultural practices and with well outlined cultural expectations. The main two characteristics of the Romanian students' cultural portray are perception of a significant *power surplus* in the hands of elites and, respectively, of a significant *deficit* in society performance orientation. Students' cultural dynamics is highlighted by (statistically) significant differences between current cultural practices and their expectations (values).

Our study has theoretical and practical relevancy. From theoretical point of view, it proves GLOBE theoretical model based on CLT and ILT. From practice perspective, our study has relevancy for employers, universities, government and students. The employers could get an image of the cultural profile of future managers and leaders, based on which can design development programs for present managers and leaders, according to the trend expressed by students' population. Universities and government could use our findings in designing the strategies aiming at preparing the students for the market of next elites in economy, for creating and developing a leadership culture among young generations. Students themselves could take into account our findings in clarifying their options for own business or management positions. Our research is an ongoing, thus its findings and conclusions should

be taken in this context. Certainly, they could be influenced by the sample size, structure and geographic location. At the same time, it is probably that certain perceptions and expectations had been influenced by the fact that the data collection took place in full economic crisis. Additional, the students form a specific population, still in molding process. They are influenced by a lot of social factors which were left out of our attention. The methodological limits should be also, mentioned. Some of them might be diminished in future research, pursuing two major objectives: a) performing comparative studies based upon the data collected in GLOBE students research for other European countries and b) comparative studies based upon Romanian students population and middle managers (GLOBE II research).

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PROSPECTIVE ROMANIAN LEADERS' VIEW ON LEADERSHIP DIMENSIONS

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This study deals with Romanian prospective leaders' perspective on outstanding leadership dimensions (styles). It is a part of a European research project, GLOBE Students, dealing with the interrelations between societal culture and leadership. The basic theoretical constructs and methodological framework of investigation are those developed by GLOBE international research project. The sample consists in 429 students in business/economics and engineering, belonging to three Romanian universities. The findings show that the most preferred leadership styles are team oriented and charismatic (value based). Only a few leadership styles seem to have weak, but statistically significant correlations against a sig. = 0.50 probability threshold with important socialization agents for the students.

Introduction

In trying to explore and develop the leadership skills and abilities in the Romanian students, both teachers and students could use as starting point the findings of different *field inquiries*. Here there are some of them. A *Gallup* inquiry discovered that in 2009 one in four Romanian employees believed that his role in the company is of a "simple doer". At the same time, the majority of managers do not know how to assume a strategic role (Mihai, 2009a). For the same year, *Hart Human Resource Consulting* showed that more than 67% from 100 executives in large local companies had a narcissistic and arrogant behaviour, 60% did not share the outcomes with their teams and 58% took excessive risky decisions (Mihai, 2009b). According to *Institute for Leadership & Management,* about one third of employees lost their confidence in organizational management and leadership and 46% would live the company along with the first offer from another organization (Mihai, 2009c). *Hay company* asserts that two third of Romanian managers constantly create a negative working climate, making the employees to feel frustrated and offended (Mihai, 2009d)). When asked about "how are Romanian managers in power positions", a foreign consultant of *Hermes Advisors*, answered: "You address to a boss with *long live* greeting. He is the one taking decisions and telling you when to stop talking. The boss does not develop people because this would threaten his position. Is authoritarian and acts being obsessed by power. Even though they are creative and determined, the Romanians choose too often to play the role of *boss* in the detriment of manager or leader role". (Cum sunt romanii la putere, 2008).

With such a "helicopter view" on management and leadership practice, our study aims at answering the following questions: 1. Which are the leadership dimensions (styles) valued by Romanian students? 2. Which are (if any) the significant correlations between students' opinion on outstanding leadership dimensions and the socialization agents influencing their *cultural* beings? The answers to these questions will help us in imagining *quo Vadis* the next generation of Romanian leaders is oriented.

Theoretical remarks

The term *leadership* does not have a univalent understanding. Our study shares the meaning given to it by GLOBE research: "the ability of an individual to influence, motivate and enable others to contribute

toward the effectiveness and success of the organizations of which they are members" (House et al.2004:15).

The leadership theories are fascinated by the cultural approach in the last two decades. Explicitly or not, their aim is to study the correlations between cultural dimensions (at societal and organizational levels) and effective leadership dimensions. It seems that the members of a given society or group posses in their minds a package of dimensions (features, styles) characterizing an effective leadership and assess successful leaders based upon these dimensions. In short, this is the core idea of *Implicit Leadership Theory* (ILT) (Lord, Maher, 1991). In other words, an individual cannot be an effective leader if the others do not *perceive* him as being such. This perception springs from the societal culture (Schein, 1992). GLOBE project extended ILT paradigm at the community culture level (society, organization, group), setting up the *Culturally Endorsed Leadership Theory* (CLT) (House et al.2004; Javidan et al. 2006). The central idea of CLT is that the cultural *expectations* of a given community can be predicted from *perceived* leadership dimensions (styles, attributes) in that community. A leadership style is a reflection of a certain societal culture (Kopelman et al, 1995), meaning that cultural values influence the leadership practices (Lombardo, 1983; Trice and Beyer, 1984; Schneider, 1987; Schein, 1992; Schneider et al. 1995) and both are found in the group perception about successful leadership (CLT). Leader acceptance by the followers depends on the interactions between *CLT* attributes and leader behaviours. Leadership effectiveness essentially depends on leader behaviour and CLT attributes. In other words, in group members' perception, a leader is the most effective if applies CLT dimensions. This means that successful leadership dimensions are normative in group members' perception, reflecting how should be a successful leader and not how he actually is.

On a solid theoretical basis and using 112 personality and behavioural descriptors, GLOBE research developed 21 first order, and then 6 second order universally accepted leadership dimensions: charismatic, team oriented, participative, humane, self protective (narcissistic) and autonomous. The definitions and theoretical basis of these dimensions are found in GLOBE books (House et al.2004; Chhokar et al. 2007).

The six dimensions are *universal* but always and anywhere *culturally dependent*. This means they have different *sizes* in different societal cultures. In fact, the differences concern the way in which they are applied by leaders. In the end, we deal with some theoretical constructs, useful ideals in modelling behaviours. They help us to understand the leadership success sources. But the universality of the six leadership dimensions should not be taken as meaning optimum leadership, as universal leadership pattern.

In developing students' leadership abilities, some authors distinguish between *traditional leadership* and *shared leadership approach*. For instance, Glen Omatsu argues that in traditional leadership approach the leader is a rare, strong and powerful person, using his charisma when deciding, commanding others and communicating. In shared leadership approach, the leader is a part of the team, leadership is embedded in leader's ability to work well with others to get things done, and it is based upon commitment to dignity, equality, democracy and transformation in human beings (Student leadership training booklet). It is our belief that shared leadership concerns a leadership style in convergence with students' cultural values

Research methodology

In performing our study on Romanian students' opinion about leadership dimensions we used the methodological framework created by the GLOBE project. Leadership dimensions were measured using the scales in sections 2 and 4 (leadership attributes and behaviours). These scales ask the students to value if the attributes and behaviours stated in the items *inhibit or contribute* to outstanding leadership.

To adapt the study to the population of interest, in section 5 (importance of decisional criteria) seven new scales were added for measuring the influence of important reference groups (family, teachers, friends, managers, TV/radio stars, models from society and science) on students' value system and leadership expectations. All the answers are assessed with seven points Likert scales, where 1 = this behavior or characteristic greatly inhibits a person from being an outstanding leader and 7 = this behavior or characteristic contributes greatly to a person being an outstanding leader. Some items wee reverse coded, following the GLOBE Culture and Leadership Scales Guidelines and Syntax for the GLOBE Leadership and Culture (2006).

Data collection run between November 2008 and April 2009. The sample consists in 429 students attending business/economics and engineering in three Romanian universities. The sample is structured based upon the following criteria: gender (55.7% female, 44.3% male), age groups (62.5% belong to the age group of 18-22 years, 34.5% to 23-27 years and 3% to 28 and over), field of study (39.2% is enrolled in business/economics and 60.8% in engineering), level of study (64.8% bachelor, 35.2% master), interest in management career (67.1% Yes), and interest in founding a business venture (73.9% Yes). The basic assumption in choosing the sample was that majority of the future managers and leaders will be economists and engineers.

Findings
Which are the leadership dimensions (styles) valued by Romanian students?
Table 1 displays the rank (mean values and standard deviations) of students' preferences in assessing the second order leadership dimensions (from GLOBE model).

Table 1. Second order leadership dimensions
(N=429)

Leadership dimensions	Minimum	Maximum	Mean	Std. Deviation
Team-Oriented	2.07	6.83	5.8940	.64304
Charismatic/ Value Based	1.16	6.91	5.7605	.67109
Humane orientation	1.75	6.88	4.7270	.83871
Participative	2.25	6.75	4.7264	.82644
Self-Protective	2.39	5.86	3.7159	.53216
Autonomous	1.00	6.75	3.6608	1.09483

Team oriented leadership (5.89) and charismatic leadership (5.76) are the most preferred leadership dimensions. The low standard deviations for these dimensions (0.643 and, respectively, 0.0671) show the relative high homogeneity of the answers. The third preferred styles are humane oriented (4.727) and participative leadership (4.726) with mean values situated on the middle band of the scale and higher standard deviations. Finally, the students do not prefer, but tolerate protective (3.71) and autonomous leadership (3.66). The answers are homogeneous in the case of protective leadership (standard deviation 0.532), but not homogeneous in the case of autonomous style (standard deviation 1.09).

Table 2 shows the students preferences for more detailed leadership attributes and behaviours (questionnaire items and first order leadership dimensions). This data is congruent with that displayed in Table 1, all of examples belonging to the first two preferred leadership styles.

Table 2. Selected leadership items (top 10)

Item	Mean	Belongs to	
		First order leadership dimension	Second order leadership dimension
Effective bargainer	6.38	Diplomatic	Team oriented
Diplomatic	6.34	Diplomatic	Team oriented
Intelligent	6.33	Malevolent (reversed)	Team oriented
Communicative	6.28	Team integrator	Team oriented
Administratively skilled	6.25	Admin. competent	Team oriented
Coordinator	6.19	Team integrator	Team oriented
Inspirational	6.19	Visionary	Charismatic
Motive arouser	6.18	Inspirational	Charismatic
Trustworthy	6.17	Integrity	Charismatic
Decisive	6.17	Decisive	Charismatic
Informed	6.15	Team integrator	Team oriented
Team builder	6.13	Team integrator	Team oriented
Dependable	6.13	Malevolent (reversed)	Team oriented

Correlations between leadership dimensions and socialization agents influencing the students' life
Data in Table 3 portray the correlations between leadership dimensions valued by student's community and the socialization agents influencing their value system.

The dominant note is the lack of significant correlations. In the cases the correlation is statistically significant against a sig. = 0.50 probability threshold, it is very weak. Self protective style has positive correlation with models from society, politics, economy and sports (Pearson coefficient = 0.095; sig. = 0.049) and negative correlation with the education got in family (Pearson coefficient = -0.102; sig. = 0.035). Participative leadership has negative correlation with models from society, politics, economy and sports (Pearson coefficient = -0.104; sig. = 0.031) and with examples from science and research (Pearson coefficient = -0.104; sig. = 0.031). Autonomous leadership is positively correlated with models from science and research (Pearson coefficient = 0.097; sig. = 0.044).

Conclusions and future research
Due to the fact that space constraints do not allow discussing the findings, we only focus on general conclusions and future research options.

The students' first two leadership preferences are *team oriented* leadership and *charismatic/value based* leadership. Some of leadership dimensions correlate with certain socialization agents which influence students' cultural and leadership expectations. Universities and government could use our findings in designing the strategies aiming at preparing the students for the market of next elites in economy, for creating and developing a leadership culture among young generations, for setting up national mentorship networks in educating and developing managers and leaders. Students themselves could take into account our findings in clarifying their options for own business or management positions.

The findings and conclusions should be taken in the context of an ongoing research. Certainly, they could be influenced by the sample size, structure and geographic location. At the same time, it is probably that certain perceptions and expectations had been influenced by the fact that the data collection took place in full economic crisis. Additional, the students form a specific population, still in molding process. They are influenced by a lot of social factors which were left out of our attention. The methodological limits should be also, mentioned. Some of them might be diminished in future research, pursuing two major objectives: a) performing comparative studies based upon the data collected in GLOBE students research for other European countries and b) comparative studies based upon Romanian students population and middle managers (GLOBE II research).

Table 3 Correlations between second order leadership dimensions and agents of socialization

Second order Leadership dimensions	Pearson coefficients and significance level						
	Parents/ family	Teachers	Friends	Superiors	Radio/ TV stars	Examples from society	Examples from science
Charismatic/ Value Based	-0.004 (0.938	0.054 (0.268)	-0.008 (0.866)	0.082 (0.090)	-0.053 (0.272)	0.072 (0.136)	0.036 (0.454)
Team-Oriented	0.012 (0.806)	0.037 (0.446)	-0.027 (0.578)	0.049 (0.307)	-0.062 (0.200)	0.030 (0.538)	0.001 (0.987)
Self-Protective	-0.102* (0.035)	-0.043 (0.370)	-0.007 (0.885)	-0.023 (0.642)	0.082 (0.090)	0.095* (0.049)	0.080 (0.099)
Participative	0.032 (0.507)	0.082 (0.088)	-0.083 (0.087)	0.035 (0.469)	-0.065 (0.181)	-0.104* (0.031)	-0.104* (0.031)
Humane oriented	-0.047 (0.335)	-0.002 (0.970)	-0.006 (0.907)	0.011 (0.826)	0.010 (0.836)	0.020 (0.676)	0.031 (0.526)
Autonomous	-0.013 (0.784)	-0.045 (0.354)	-0.024 (0.622)	-0.040 (0.412)	0.076 (0.114)	0.093 (0.054)	0.097* (0.044)

 * Pearson Correlation is significant at .005 levels (two tailed)

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SIX SIGMA: A METRIC, A METHODOLOGY AND A MANAGEMENT SYSTEM

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This article is a theoretical article regarding Six Sigma. Six Sigma has been interpreted over time within quality theory as a metric, methodology or a management system.
We explain Six Sigma using a logistics context: Delivery-On-Time (DOT) rate problem. It is a theoretical context useful both for academic users and practitioners.
At the beginning of the paper the DOT problem is generally described, while Sigma is presented according to statisticians view in the second part of the paper. Six Sigma is then presented as a metric for process' capability. The fourth part of this article contains details regarding Six Sigma usage as a methodology for improvement, while the fifth part of this article refers to Six Sigma as a management system which can be used at firms' level.
The last chapter is dedicated to conclusions regarding the possible use of Six Sigma in Romania.

1. Introduction

Logistics – the movement of goods at global level has become an important subject on the agenda of economists, politicians and ecologists especially after 2000 and once more with the actual economic crisis. Logistics has been perceived as a cost once with the introduction from military field to business in 1950-1960 by Americans. At the present moment discussions suggest that 10 percent from the final price is paid for logistics by the high performing nations (Crişan et al., 2010). Logistics can be considered a part of operations. There are several managerial problems which are to be solved by logistics managers, from logistics network design and performance management (as strategic problems) to daily problems related to customer service.

As logistics insures the movement of goods to the customer, one of the measurements of logistics performance is the delivery-on-time (DOT) rate. It is a proportion between the number of orders delivered on time and total orders delivered. There are discussions that the number of delivered orders is not a relevant performance measure for delivery, but the value or volume delivered. We shall not insist further on this aspect, for this article DOT refers to the number of orders delivered on time.

DOT is a result, is a measure of logistics performance. According to a previous research we have performed in 2009 (Crişan, 2009), only 43,14% Romanian logistics managers use such a measure. Measurement is not a goal itself, but improving performance. The main goal of this article is to present Six Sigma as a metric, a methodology for problem solving or a management system using the DOT example.

The paper has six parts: introduction; Sigma presentation as a statistics' measure for central tendency; Six Sigma presentation as a metric for process capability; Six Sigma description as a methodology for improving the capability of a process; Six Sigma as a management system useful at firms' level. The sixth part contains conclusions regarding Six Sigma possible usage within Romanian business.

2. Sigma

Sigma (σ) is a Greek letter used by statisticians to denote the standard deviation for a set of data. Let's consider the variable X- the values of daily DOT for a given company A for 365 days. If variable X has the mean μ, then the variance of X is given by:

$$Var(X) = \frac{\sum_{i=1}^{n}(x_i - \mu)^2}{n},$$

where n represents the volume of the population (in this case 365), $i = \overline{1,n}$ denotes each value (day in our case) of the population.

The standard variation (σ) is the square root of variance.

3. Six Sigma as a metric

Six Sigma concept comes from statistics. A process which has a normal distribution[492] is represented as a bell-shaped distribution, also called a Gaussian distribution (figure 1) (Breyfogle et al. 2001, p.38). The shape of this normal curve depends solely on the process, equipment, personnel, and so on, which can affect companies' A delivery activity. This normal curve represents the spread of DOT resulting from daily delivery, using current equipment, materials, workers, and so forth. The normal curve says nothing about the range of DOT acceptable to the customer. This curve is the empirical quantification for the variability that exists within the DOT delivery process.

Lower specification limit (90%)   **Normal distribution** $\mu = 94\%$ **Upper specification limit (98%)**

$$-6\sigma - 5\sigma - 4\sigma - 3\sigma - 2\sigma - 1\sigma \quad \mu \quad + 1\sigma + 2\sigma + 3\sigma + 4\sigma + 5\sigma + 6\sigma$$
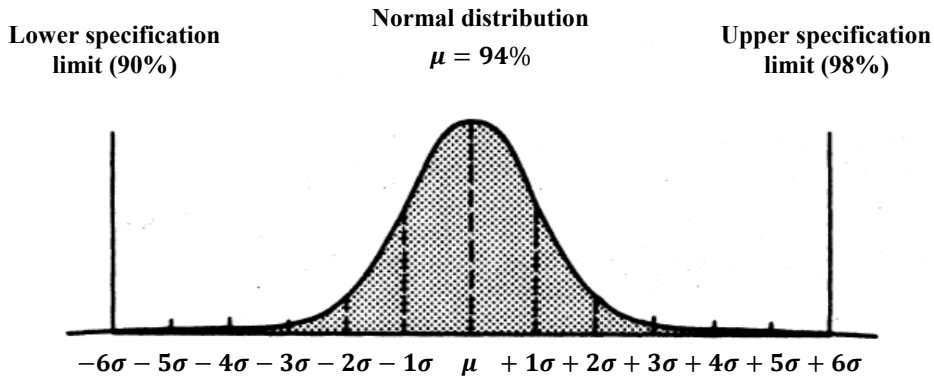
Figure 1: A capable process

The normal curve is represented by statisticians considering the value of σ regarding this variable and the average DOT value, which is shown as the middle of the curve on the x–axis. The standard deviation is expressed in percentages in this case. The total area under the normal curve is assumed to be equal to a proportion (decimal value) of one. This means that all possible DOT values range from -infinity to + infinity on the X-axis. Although this normal distribution theoretically allows for DOT to have 10% or 100% values, this is a practical impossibility and has such a low probability of occurring that it is irrelevant.

We do not have to deal with the infinite properties of the normal distribution. The normal distribution in science, engineering, and manufacturing is typically between ±3σ about the target mean. ±3σ represent 99.73 percent of the total area under the normal distribution (Breyfogle et al. 2001, p.39). The difference of 0.27% is the probability of our firm to obtain DOT values outside of the interval ±3σ. If a process is centered, for every 100 days, 99.73 of them, approximately 99,8 days, will have DOT values that fall within the interval ±3σ. Still this corresponds to 2,700 defective DOT per million DOT

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[492] Not all processes are normal distributed, but most of them are. Specific statistical tests should be used to establish this aspect for specific processes.

measured. Just imagine 2700 organs not delivered on time in 1 million opportunities. For the interval $\pm6\sigma$, the ppm (parts per million) value is 0.002. In Motorola Six Sigma quality program the number of errors expected is 3.4 ppm because they have considered a possible mean variation of $\pm1,5\sigma$ (Brigham, 2005).

According to figure 1 each process can be considered a Six Sigma process. Any process normal distributed can be represented using a normal curve and has the values in 99.9999998% of the cases within the interval $\pm6\sigma$. The problem is weather the values -6σ and $+6\sigma$ from the mean are below or upper real needs.

Things are more specific in business: any process has to generate an output considering requirements. In order to understand the Six Sigma concept in business, we have to explain the term customer requirement. In quality management literature the goal of economic organizations is to satisfy customer needs. As customer needs are intangible, economists and engineers use measurable features for defining customer needs. These measurable features are called requirements and refer to products which firms manufacture in order to satisfy customer needs. Products are now described using sets of requirements – measurable features. Requirements are set for a product considering customer needs (the so-called VOC – voice of customer) regarding the product, but also other stakeholders' (for example the VOB – voice of business, which is the voice of the shareholders) requirements regarding the product but also the process. DOT is a service requirement generated from VOC. Considering VOC, the management establishes lower specification limit (LSL) for the DOT requirement (it could be 90%) and upper specification limit (USL) (98% - quality costs and performing better than 98% means that the company spends more than it has been planned for better deliveries). The value of DOTs without management's specification limits are defined as defects, failures, or nonconformities.

The mean for this interval is 94%. Figure 1 describes a process which has the DOTs values between 90% and 98% in 99.9999998% cases.

It is a capable business process because LSL and USL are exactly -6σ and $+6\sigma$. A **capable process** is that one where customer requirements objectives (LSL and USL) are both within the interval $[\mu - 6\sigma, \mu + 6\sigma]$.

It is also **a centered process** because the mean of the requirements interval [LSL,USL] is the same as the mean of the population $[\mu - 6\sigma, \mu + 6\sigma]$. This means that DOT values are between -6σ and $+6\sigma$ and it also takes into account customers' specifications.

Six Sigma is now in business a metric of process capability. The capability of a process is related to the standard deviation of a process and it can be measured by the following expression:

$$C_p = \frac{USL - LSL}{12\sigma}.$$

If C_p is higher than 1 and the process is centered, we deal with a capable process - it means that the difference between LSL and USL is bigger than 12σ, which, if the process is centered, means that the number of errors is below 0.002 ppm. In figure 1 C_p is exactly 1 because LSL=$\mu - 6\sigma$ and USL=$\mu + 6\sigma$.

If C_p is smaller than 1 and the process is centered, we deal with non-capable process - it means that the difference between LSL and USL is smaller than 12σ, which, if the process is centered, means that the number of errors is greater than 0.002 ppm. In figure 2 LSL=$\mu - 4\sigma$ and USL=$\mu + 4\sigma$. C_p is:

$$C_p = \frac{USL - LSL}{12\sigma} = \frac{(\mu + 4\sigma) - (\mu - 4\sigma)}{12\sigma} = \frac{8\sigma}{12\sigma} = 66.66$$

Normally, the process will have results within the interval $[\mu - 6\sigma, \mu + 6\sigma]$, while the customer asks for values within the interval $[\mu - 4\sigma, \mu + 4\sigma]$. Considering C_p value, our process is capable on 66.66% of the interval $[\mu - 6\sigma, \mu + 6\sigma]$. The probability of appearance for values without the interval $[\mu - 4\sigma, \mu + 4\sigma]$ is only 63 DPMO (Defects per Million Opportunities), or 0.63%.
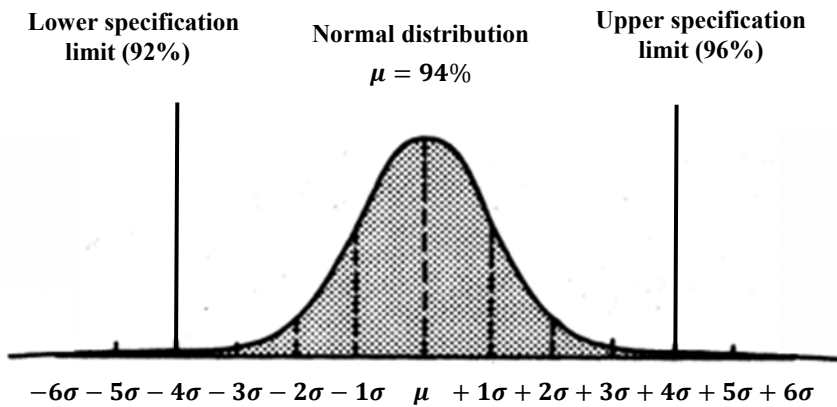
Figure 2: A non-capable process

In figure 2 we have a 4σ capable process. The process capability measured in σ values can be interpreted according to the next table:

Sigma level	Percentage of the total area under the normal distribution	Defective ppm
1σ	68,27	317.300,000
2σ	95,45	45.500,000
3σ	99,73	2.700,000
4σ	99,9937	63,000
5σ	99,999943	0,570
6σ	99,9999998	0,002

Six Sigma has become in this way a metric for any process capabilities. It can refer to any requirement established by the management, considering only the value of sigma (measured in processes' units) and the values of LSL and USL, both measured in processes' units. It is relevant weather these units are liters, centimeters, percentages or anything else.

4. Six Sigma as a methodology

Measuring is not a goal itself, but improvement. Six Sigma practitioners use Six Sigma to measure the capability of a process, but they also used specific tools for improving the level of quality, usually for decreasing the variation within processes (diminishing sigma and bringing processes at capability levels). Six Sigma has its own steps for improving a process capability, which are denoted by the acronym DMAIC (Define, Measure, Analyze, Improve and Control), established at Motorola. DMAIC is recognized as a methodology to analyze processes in order to root out sources of unacceptable variation, and develop alternatives to eliminate or reduce errors and variation.

While processes not capable are identified, management and statisticians can work for improving the capability gaps using this methodology. In our case the process is delivery and figure 2 denotes that we have a problem with delivering on time. We further present the general goals of each step within DMAIC methodology, the main outputs and the main tools which can be used:

The goal of the **Define** step is to define the project's purpose (goal – DOT in our case) and scope (area where we shall focus - delivery) and obtain background information about the process and its customers.

The outputs of the Define step consist of the following:

• The team charter - a clear statement of the intended improvement and how you will measure it, containing also the scope, the goal and the team which is going to perform this action;

• A process map.

• A translation of the voice of VOC into critical to quality measures (DOT is transformed from CCR – Critical Customer Requirements or CBR – Critical to Business Requirements).

For performing this step several statistical and management tools can be used: affinity diagrams, team charters, communication plans, control charts, critical to quality trees, data collection, Kano model, Pareto charts, Run Charts, SIPOC diagrams, tollgate review questions (Brassard et al., 2002). In our case, the goal of define should be describing how this low level of DOT is perceived by customers and which is the process behind DOT level (DOT is only a result of delivery process).

The goal of the **Measure** step is to focus your improvement effort by measuring the current situation. The outputs of the Measure step include the following:

• Data that pinpoints the problem's location or rate of occurrence.

• Measure the actual capability (sigma) of the process considering the chosen performance metrics (DOT).

• An understanding of how the current process operates.

• A more focused problem statement.

For this step several tools can be used: control charts, data selection, flowcharts, histograms, Pareto charts, process sigma, run charts, Taguchi loss function, tollgate review questions.

The goal of the **Analyze** step is to identify root causes and measure them with data. The output of this step is a theory that you have tested and confirmed whether there is a relation between the great Y (in our case DOT value) and small steps within the process which influence delivery on time (documentation on time, order packaging, order manipulation).

The Analyze step pinpoints the specific cause(s) of the focused problem. Several tools can be used: brainstorming, cause-and-effect diagrams, design-of-experiments, histogram, hypotheses testing, scatter diagrams, tree diagrams, tollgate review questions.

The root cause(s) are addressed through solutions implementation in the Improve step. The goal of the **Improve** step is to develop, try out, and implement solutions that address root causes and to use data to evaluate the solutions as well as the plans you use to carry them out.

The outputs of the Improve step include the following:

• Planned, tested actions that eliminate or reduce the impact of the identified root cause(s) of a problem (such as changing delivery routes considering several alternatives).

• "Before" and "after" data analysis that shows how much of the initial gap was closed.

• A comparison of the plan to the actual implementation.

It is a data driven approach: DOT is influenced in different percentages by different causes. Eliminating these causes DOT level shall be improved.

Several tools can be used: Gantt charts, brainstorming, control charts, FMEA (Failure Mode and Effect Analysis), histograms, involvement matrix, Pareto charts, PDCA (Plan-Do-Check-Act) matrix, process sigma, run charts, tollgate review questions.

The goal of the **Control** step is to maintain the gains you have made by standardizing your work methods or processes, anticipating future improvements, and preserving the lessons you learn from this project.

The outputs of the Control step include the following:

• Documentation of the new method – changing the documentation regarding delivery process.

• Training of fellow employees in the new method – new routing methods, new ways for preparing documentation, order manipulation or delivery).

• A system for monitoring the consistent use of the new method and for checking the results (introducing new forms useful for capturing several performance measures regarding delivery process).

• Completed documentation and communication of the results, leanings, and recommendations. The Six Sigma projects should be perceived by the whole organization, they shall become a part of firms' knowledge.

In this phase the tools which can be used are: communication plans, control charts, PDCA cycles, process management charts, run charts, Six Sigma storyboards and tollgate review questions.

The DMAIC methodology has been built as a managerial and statistical tool for solving problems within business. The main advantage is that this new set of tools can be used for any problem at any level. The question is whether this methodology is to be used by companies at all levels and if this can become a management best practice.

5. Six sigma as a management system

Six Sigma comes from statistics, but it is now the best practice for problem solving within several companies: Motorola, General Electric, Allied Signal, Nokia or other big companies have adopted Six Sigma projects using this name or making specific "rebrandings".

As a best practice, it is more than a set of metric-based problem solving and process improvement tools. Six Sigma offers the opportunity for management to make data driven decisions (Pyzdek and Keller, 2009, p.87).

Six Sigma has been implemented at firms' level by projects with 4 to 6 months to be completed. The objectives of these projects were chosen considering key results related to stakeholders needs. The priorities are developed based on analysis of key stakeholder needs and wants, including the customer, shareholder, and employee groups. In this way, data-driven management provides a means of achieving organizational objectives by quantifying needs or wants of stakeholder groups relative to current level, and acting upon the data to reduce those critical gaps in performance. Methodologies for performance management, such as the Balanced Scorecard, Tableau de Bord and Benchmarking are now completed with this data driven methodology.

The main advantage of this management system is making aware steps to improvements. As such, the *Six Sigma Management System* encompasses both the Six Sigma metric and the Six Sigma methodology. It is when Six Sigma is implemented as a management system that organizations see the greatest impact (Breyfogle et al., 2001, p.45).

6. Conclusions

Though we have focused on this article more on the metric side of Six Sigma, Six Sigma is a powerful tool for problem solving within business. As we have discovered in previous researches, we believe that the problem for Romanian managers is not whether they use or not Six Sigma, but is whether they make general measurements of business performance. DOT value is measured by 43.14% logistics professionals. Six Sigma is a metric, methodology and management system which helps you to improve performance if you are aware by the poor level of performance. More awareness is what we need, more focus on numbers and on data driven improvements. Six Sigma can then become a best practice within Romanian companies.

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THE HUMAN FACTOR AND THE SUCCESS OF ORGANIZATIONAL CHANGE

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The topic chosen for this study regards the concept of change, associated nowadays with the notion of existence. Starting from statements according to which change involves the direct participation of the members of the organization, we have formulated the study hypothesis from the perspective of the symbolic-interpretative theories which sustain that social changes result from the interaction between organizations, their members and the social actors.
Using specialty literature, we have offered a pertinent sociological perspective on change processes. We have discussed different analysis perspectives and some models of change analysis. We have investigated, on the basis of a research launched in the Academy of Economic Studies, the willingness to change of some young students that will graduate soon and we have drawn conclusions useful for the educational process in the field of business management.

Key words: organizational change, models of change, dynamic models, willingness to change

JEL code: M12

1. Mechanisms of organizational change

Organizational change represents an almost obsessive concern in the sociology of the organizations, maybe because of the importance paid to the bureaucratic slowness and rigidity or to the concrete problems permanently faced by the organization managers and by those responsible with the administrative reforms. In order to understand the mechanisms of organizational change and innovation, we should take into account, as M. Crozier and E. Friedberg[493] do, the created character of change. *Change is not natural: it is a problem that must be researched.* That is why we will discuss in the ollowing the next aspects:

a) change by crisis and adaptation: Michel Crozier and Erhard Frierberg[494] (op.cit.) state that an organizational system whose main characteristic is rigidity cannot adapt easily to change and consequently will tend to resist to any change. *Yet, the resistance to change, on which the organizational managers keep on insisting, is only an aspect of the bureaucratic problem, either public or private.* Their excessively centralized character makes change be considered a descendent trend, which should be applied uniformly and impersonally to the whole organization. Michel Crozier notices that from this fact results a crisis, often profound, which affects all the levels of the organization. The period of crisis is accompanied by unexpected behaviours: personal authority tends to replace the rules and the members are constraint to obey the arbitrary of some of them. The readjustments of the system of bureaucratic organization are operated by the means of such a crisis. Consequently, these involve not necessarily a transformation, but an adaptation meant to contribute to the continuity and development of the system of bureaucratic organization. It results that this system is formed not only from routine procedures, as we used to think, but also from short periods of crisis that fuel, by the adjustments they facilitate, the long stability phases.

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[493] Crozier M., Friedberg E., L'acteur et le système, Editions du Seuil, Paris, 1977.
[494] Crozier M., Frierberg E. – op. cit.

In the last chapter of the book *L'Administration en Miettes,* Francois Dupuy and Jean-Claude Thoenig[495] develop a similar point of view, analyzing the existence of mechanisms of adaptation in the French administration. Thus, the negotiated arrangements or the successive adjustments that eventually prove a great flexibility of the administration are meant only to avoid some more profound changes: administration "adapts by not changing".

b) change by collective learning: Crozier and Friedberg suggest that any type of change action is conditioned by the discovery and acquirement of some new collective capacities, new ways of thinking, new modalities of living together. Change means thus learning, especially learning a different way of cooperation - that is of inventing and establishing new "game" models. Imposing a model from outside or from above is replaced by involvement in a collective process, in which individuals and groups become actors of change.

Yet, this way to conceive change is confronted with a series of obstacles. The first of them consists of the previous structure of the concrete systems of action. The actors acquired abilities and competences related to this structure. This allows solving certain problems, but represents an obstacle for the collective learning, as it structures the participants' experience, their ways of thinking and acting, conditioning thus their capacities to invent new "game" rules. However, do all the organizations succeed in favouring a collective change process?

The answer offered by Crozier and Friedberg can seem paradoxical at a first glance, as the most favorable changes prove to be the organized assemblies in which there are many vicious circles – these are the most diversified assemblies. Indeed, where there is a redundancy of the vicious circles, the rigidity is lower because each of them put a weaker pressure on the system on the whole. At its turn, the system is less dependent on each of the regulation mechanisms it established and is not profoundly affected if one or more of them are broken. The multiplicity of the vicious circles produces within the organization new intervention limits. Change is thus facilitated by the game of the integration mechanisms. For Crozier and Friedberg, both the solution and the difficulty of change consist in breaking the existent vicious circles and in establishing some new ones. On the contrary, the poor diversified organizations, such as army, maintain themselves by strict constraints: coercions, a simplistic ideology etc. These types of rigid organizations cannot afford the smallest change without risks: this would affect the whole assembly and would lead to a crisis.

Does this mean that, according to Crozier and Friedberg, change can be done without crisis? We could doubt it, as well as we could regard skeptically the criteria on the basis of which it can be established if we deal with a reproduction or a transformation of the system of action. Despite of these, such an analysis draws attention on the fact that change is an open process that remains contingent.

c) change as a form of development: The change analysis proposed by *Renaud Sainsaulieu[496]* develops around the concept of development, largely used by economists interested in the future of the third world societies. Renaud Sainsaulieu transfers in the field of enterprises the concept according to which the development and the changes it involves can result only from certain local initiatives based on the progressive learning of other production and management practices. This conception on the change attributes an essential role to the cultural phenomena: they will determine the learning possibilities. Following Crozier and Friedberg, Renaud Sainsaulieu considers that the social development of an enterprise results not necessarily from an action change decided *ex nihilo*, but from a series of complex collective reactions to the pressures of the external environment and of the internal functioning. The common strategic „games" and the cultural adjustments they favour can contain thus a dynamic of the learning and can bear creativity and renewal.

Understanding change as development seems to be from many points of view a variant of change as an effect of learning. Indeed, this last term is in the centre of the both approaches. Undoubtedly, Renaud

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[495] Francois Dupuy and Jean-Claude Thoenig, L'Administration en Miettes, Paris, Fayard, 1985.
[496] Renaud Sainsaulieu, *L'identité au travail, Presse de la Fondation Nationale des Sciences Politiques, Paris, 1985*.

Sainsaulieu's approach is interesting, as it pays special attention to the existent resources, to the processes on the verge to begin, to the already started transformations and to their chances to spread and generalize. A similar perspective oriented also the hypotheses of a research programme focused on the analysis of the innovations within the public services. This programme followed especially the identification of the local renewal resources, as well as of the modalities to generalize them.

Yet, this latter approach delimitates from the strategic analysis, understanding change not as a crisis, as adaptation or as development, but as manifestation of multiple shifts and inter-shifts of the actors, cognitive schemes and involved tools. Renewal can be thus done in different ways, according to the resources used by actors in those organizations. On the other hand, the notion of shift, inspired by Michel Callon[497] and Bruno Latour[498], offers a more flexible framework for understanding various innovations and changes, drawing attention on the way some of them are acquired and consequently modified.

d) change and modernization: The common feature of the above mentioned papers is that all of them consider change as a problem and propose a conceptualized interpretation for it. Things are different with the notion of modernization that gained field at the end of the '80s, as an attribute of some different change processes, initiated both in the private enterprises, and in the public administration.

The notion of modernization has multiple meanings. It covers a diversity of actions, whose compatibility is not necessarily self-understood: investments in sophisticated technical material, redefinition of the relations with the clients or with the users, labour reorganization, applying the quality circles and other la important managerial techniques in Japan, communication campaigns aimed at modifying the internal and external enterprise image, etc. Moreover, it sends to different debates, as it is approached from the point of view of the public policies analysis and of the organizational sociology, or from the point of view of labour sociology and economy.

2. Models of change

The theories of the classical management and of the early modernism have always been focused on the idea of finding instruments of motivation, of knowing the organizations from the point of view of performance.

In these theories oriented towards stability, changes used to be seen as the result of the intention to do a good thing, more routine, more structure, and more rationality. A perspective focused on change gradually replaced the dominance of the views centered on stability, and all the three perspectives of the organizational theory embrace more now the dynamic ideas regarding the processes of the organization. On the other hand, in the post industrial societies, the interest for change has become more spread. More theoreticians believed that economic and technical changes were meant to lead to new organizational forms, such as the global structures and networks, but this idea did not prove to be true.

Modernists explained the needs for the new organizational forms in the terms of environmental change, without taking into account the predictions of the permanent and fast changes in products, markets, technology and society. In order to keep pace, the organizations had to be modeled for change and the organizational theories needed dynamic methods to be described and explained. As change has been more and more accelerated, theoreticians realized that the static models, although useful once, proved to be often inadequate.

All the symbolic-interpretative researches in the organizational theory are based on the dynamic methods because the processes of social construction regard aspects of the day-to-day life, which reproduce the existent structures and circumstances, or lead to their alteration. According to the

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[497]Michel Callon, Réseaux tehnico-économiques et irreversibilité, Les figures de l'irreversibilité en économie, Paris, Ed. De L'Ecole des Etudes en Sciences, 1991.
[498]Bruno Latour, *Organizational Studies, Critical Perspectives on Business and Management,* Edited by Warwick Organizational Behavior Staff, London, 2001.

symbolic-interpretative perspectives, organization is not a static entity, but rather a dynamic process in a permanent state of change. Similarly, the postmodernist view upon fragmentation and chaos rejects the vision of stability in the favour of a paradox of stability / change within the organizations. Thus, as the organizational theory continues to develop towards the directions defined by the symbolic-interpretative and postmodernist researches, the notion of organization is replaced by that of organizing, this change being called by Weick many years ago as the "theory of inaction".

Anyway, it should not be believed that modernism is left away by the discourse regarding the organizational change. On the contrary, the evolutionist and development models, such as population ecology and the organizational theories of the life cycle have become more and more sensitive and dynamic to change. Moreover, the recent discoveries as regards the theory of systems introduce ideas about the own reproduction and the own reference system of the organizational theory, which contribute to creating a new metaphor – learning organization. This metaphor challenges the ex modernist models of organizational change that assumed that the organization adapts to external pressures. Instead of these ones, they suggest that the organization creates its own internal dynamics which is described as a process of the organizational learning.

In order to illustrate the evolution of the way of thinking as regards the organizational change we will start with a first model of planned organizational change – Kurt Lewin's model: "unfreezing – change – freezing" – and we will continue with the "Big Tree" model that offers an example of the dynamic and evolutionist thinking about change from the perspective of the modernist trend.

a) _Lewin's model_

Kurt Lewin[499] developed a theory of social change that defines the social institutes as equilibrium of forces, some of them favouring change, and others restricting it. According to Lewin stability was not defined by the forces opposable to change, but it was rather a dead end between the pro and con forces. Lewin's theory was more a theory of stability than of change because he defined change as an instability that interrupts a stable equilibrium. According to Lewin's model, change involves three separate activities: *unfreezing* that melts the equilibrium sustaining the stability of the institutes; *change* that involves influencing the direction of movement in the system that was unbalanced by the unfreezing and *freezing* that takes place when the new behavioural patterns become stable or institutionalized.

b) Change according to the Big-Tree model

Kanter, Stein and Jick[500] called Lewin's model "the model of the organization as an ice cube", criticizing it as a static and linear concept that reduces an extraordinarily complex process to a childish formula. They state that change is ubiquitous and multidirectional and that is why Lewin's model cannot reach the level of complexity necessary for analyzing the phenomenon of the organizational change.

Kanter and his colleagues sustain that according to Lewin's model organizational change is seen only as an application of the efforts concentrated in a single direction, at a certain moment. Their theory considers change multidirectional and more or less continuous. What apparently has stability at the surface is an unfelt or unprovoked change.

Kanter and his colleagues had divergences as regards the concepts of organization that do not fit the conditions of apparent stability, considering necessary a new understanding of the organizations and management. For instance, rather than planning and directing change as in Lewin's model, the

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[499] Kurt Lewin, *Principles of Topological Psychology, McGraw – Hill Book Company Inc., New York, 1936.*
[500] Kanter, Stein and Jick, *The Challenge of organizational change: How companies experience it and leaders guide it,* Free Press, New York, 1992.

manager's duty within in a new organization is to react to, exploit and generate change. For the new organizations, Kanter and his colleagues presented their own Big-Tree model.

The Big-Tree model demonstrates as a variety of key concepts and theories produced by the theoreticians of the organization can be combined to form an integral explanation of the organizational change. In this regard, Kanter and his colleagues presented a theory of the relation between organization, environment, social structure, organizational culture and physical structure. What is intriguing at the Big-Tree model is the fact that it is built on evolutionist models, as a base for the theory of organizational change. In contrast with Lewin's model, there is not a single agent of change in the Big-Tree model. According to it, change is implemented during the process of organizing, which is sustained by a multitude of forces.

Kanter and his colleagues define organizations as a "bunch of activities" that are modified together with the change of the activities or when are included new unities and individuals. They sustain that this influence on the activity is restrained and the change takes place at the all three levels of analysis specified by the organizational theory – environment, organization and individual.

While Kanter and his colleagues present a theory of change considered more complex than Lewin's, it is not clear that their point of view is as dynamic as they state. Thus, they present only another picture of other combined theories and this picture is itself at level 1 (a non-dynamic system). Another reason can be the fact that the researches in this field are focused on the transmission of the patterns of organizational change, rather that on the change at the ordinary level of the day-to-day life in an organization. In other words, they incorporate the theories of the life cycle and of the ecologic population less dynamic than it happens in the symbolic-interpretative and post-modernist perspectives.

3. Research regarding the young people's willingness to change

The discussion upon the organizational change cannot avoid its relation with the organizational members. Under these circumstances, it is natural to know the effects produced by change and the modalities through which we can educate the individual's capabilities related to change.

Aiming to promote the psychological advantages at the workplace, J.M. Burns[501] draws attention on the fact that both the employees and the management should learn how to effectively face change. Burns offers a concept of change through which he recommends to know ourselves and to develop personal strategies, more efficient in conflict with the stress. He says that people generally prefer stability, but nowadays each of us should become more skillful to adapt to the fast change of the labour environment. The common stress factors at the workplace should be identified and where possible the stress sources should be reduced and eliminated.

According to Burns, the potential stress factors are: *problems of career development*; *lack of safety at the workplace; too many or too less responsibilities at the workplace; inability to adapt to the new work practices; boring or unchallenging work*; *weak management support; lack of the required qualities; inability to use the existent qualifications; inappropriate preparation /requalification; lack of involvement in the decision-making process*; *lack of socio-emotional support/counselling; rumors about future changes; uncertainty regarding future.*

Each individual should face the stress challenge. Colleagues, friends, family and experts can help by offering information and emotional support. Burns draws attention on the necessity to practice a positive management, a positive self-coordination including the relaxation techniques, appropriate diet and sleep patterns, physical exercises, time planning. It is important to cultivate the self-confidence and to overcome the anxieties and fears by the means of increasing the capacity to give up the negative and self-destructive thoughts.

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[501] Burns J.M., Strategies and the Management of Organizational Change – a strategic alignement model, Journal of Information Technology, nr. 8, 1993, www. palgrave-journals.com.

Education plays an important part in enhancing the individuals' chances to face the process of organizational change. In this regard, we have tried to investigate the willingness to change of some students of the Academy of Economic Studies by carrying out a survey that took into account the students of the Faculty of Business Management taught in foreign languages, where we delivered the course of Change Management.

We used the questionnaire proposed by Liz Clarke (Managementul schimbării - Ghid practic privind producerea, menţinerea şi controlul schimbării într-o firmă sau organizaţie), on a sample of 97 students. The questionnaire allowed us to frame the respondents in four categories: *heroes* – who distinguish themselves through real capacities of coordination and even leadership (14 %), *artisans* – who pay little interest to the routine tasks of the management activities as they dedicate most of their time to carrying out the product or the service (39%), *strategists* – having the most recommendable style for approaching change and developing the business (36%) and *pedants* – who are concerned with study, who spend time to solve problems, but who are also attracted by details, almost insignificant (11 %).

Conclusions

All the information provided by the past experiences creates the necessary and useful framework – even if it is not complete – to manage changes that will take place in our organizations. The success of our actions is decisively influenced by the capacity of the human resources to understand the specific of change, its nature and the actions to follow in each step. The development of the human resources starting from this request is a strategic axis that cannot be ignored without condemning us to economic, social and cultural stagnation with extremely harmful long-term consequences.

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ASSESSMENT OF THE ORGANIZATIONAL CULTURE OF THE COUNTY EMERGENCY HOSPITAL "DR. CONSTANTIN OPRIS", BAIA MARE

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The study proposes assessing the organizational culture of the County Emergency Hospital "Dr. Constantine Opris" of Baia Mare, as a basis for developing a strategic plan to facilitate the successful implementation of organizational goals and objectives. As research instruments were used: OCAI (Organizational Culture Assessment Instrument) and the semi-structured interview. The identified organizational culture of the County Emergency Hospital "Dr. Constantin Opris" has characteristics of a weak culture with strong hierarchical accents. Regarding the preferred situation, is obvious the predilection for type clan culture values, based on participation, group cohesion and individual development. The results obtained from the application of the OCAI questionnaire reveals a mismatch between current organizational culture and preferred organizational culture, which requires adapting to contemporary society.

Keywords: Baia Mare, hospital, organizational culture, OCAI, interview, hierarchic-type culture, clan-type culture

The Assessment Method

Through culture, organizations show a certain image in the environment. The culture represents that "something" that renders the human dimension of the organization and allows a fresh perspective to reaffirm the role of behavior and experience about the method and rationality.

Based on these considerations, we propose assessing the organizational culture of the Emergency County Hospital "Dr. Constantin Opris" Baia Mare, as a prerequisite to develop a strategic plan for change this culture, so that to facilitate the successful implementation of organizational goals and objectives proposed by management.

The study included 50 subjects, hospital employees: 12 men (24% of the total sample) and 38 women (76% of the total sample). Sample analysis by gender showed a roughly similar proportion existing within the organization, the hospital having 2,037 employees, including 1,661 women and 376 men.

Of the total participants, 12 subjects (24%) are physicians heads of department, head nurses or coordinator nurses, 28 (56%) are doctors, nurses or nurses, and the remaining 10 subjects (20%) are employed by IT, Accounting, Audit and Welfare Departments.

The average age of the sample is 42.58 years, ranging between 25 and 63 years, and the average activity length within the organization is 16.34 years, ranging between 3 months and 36 years.

Regarding the training, 26% of subjects have postgraduate studies, 24% university studies and 50% post-secondary studies.

Sample selection was random, ensuring voluntary participation and anonymity.

Assumptions from which we started were:

H1: The Emergency County Hospital "Dr. Constantin Opris" Baia Mare has hierarchical / bureaucratic culture, old and deeply rooted.

H2: Organizational culture preferred by employees of the Emergency County Hospital "Dr. Constantine Opris" Baia Mare is different from the current organizational culture.

As research instruments were used: OCAI (Organizational Culture Assessment Instrument) and semi-structured interview.

The purpose of using semi-structured questionnaire was so complete data obtained by questionnaire and to identify issues not addressed by the questionnaire, but may have great importance for the organization.

Data Interpretation

Table 1. OCAI statistical indicators for present and preferred situation								
	Media		Standard Dev.		Minim		Maxim	
Type of culture	Present	Preferred	Present	Preferred	Present	Preferred	Present	Preferred
Clan-type culture	25.43	40.88	11.46	12.90	2	19.16	58.33	80
Autocrat-type culture	21.80	20.92	8.87	7.00	0	0	46.66	32.5
Market culture	21.34	19.63	6.50	6.57	0	0	31.66	35
Hierarchic culture	30.98	18.18	13.67	7.75	10	6.66	74.16	47.5

Statistical start indicators and the cultural profile of the organization obtained from the application of OCAI reveals for the present situation the dominance of hierarchic-type cultural values m = 30.98, but the differences obtained between this average and the averages for other types of cultural values are not significant, ie more than 10 points, so they do not support the existence of a strong hierarchic culture within the organization analyzed, but rather a weak culture, with strong hierarchic accents. Comparing the averages for the hierarchical cultural profile obtained for the current and the preferred situation reveals a significant difference (approximately 12 points), which indicates the willingness of employees to reduce the hierarchical culture values of the cultural profile of the organization they serve.

Hierarchical culture is characterized by emphasis on respect for authority, rational approach procedures and division of labor. The structure is hierarchical and power is based on formal authority (Pitariu & Budean, 2007), and communication is done through written arrangements from the top to bottom level.
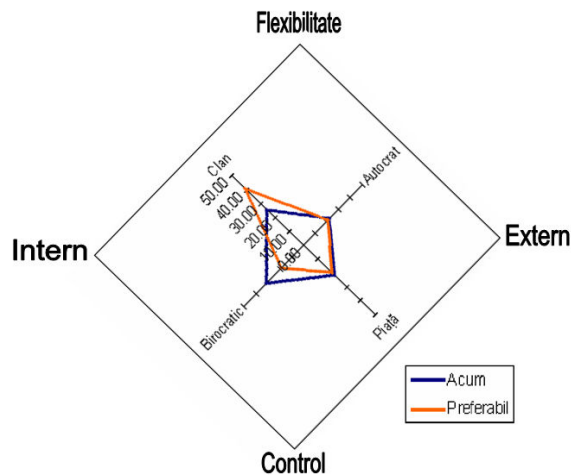
Regarding the preferred situation, is obvious the predilection for clan-type culture values m = 40.88, but also the trend to reduce the hierarchical characteristics of the cultural profile of the organization, in favor of the characteristics of the clan-type culture.

Clan-type culture is based on participation, individuals, the social element, mutual trust, group cohesion and individual development. The communication system is primarily verbal and informal. Decisions are often based on informal contacts (Pitariu & Budean, 2007).

Next, we have analyzed the cultural profiles on each dimension, to observe their matching with the general cultural profile.

Table 2. Upper averages obtained on OCAI dimensions

Dimension	Current Situation			Preferred Situation		
	Average	St. Dev.	Type of Culture	Average	St. Dev.	Type of Culture
1. Dominant Characteristics	27.98	22.30	Hierarchical	40.90	22.55	Clan
2. Leadership	35.20	22.13	Hierarchical	36.90	19.13	Clan
3. HRM	34.20	23.02	Hierarchical	39.90	21.62	Clan
4. Organizational Binder	30.60	22.98	Hierarchical	39.70	19.23	Clan
5. Values	28.80	21.29	Hierarchical	41.50	21.52	Clan
6. Success Criteria	29.40	20.27	Clan	46.40	20.92	Clan

The global examination of the upper averages, resulting from the application of OCAI for each cultural dimension in part, reveal a high congruence of organizational culture within the County Emergency Hospital "Dr. Constantin Opris" Baia Mare, both for the present and for the preferred situation, but, according to Cameron and Ettington, corporate efficiency is better associated with the type of culture, than the power or congruence of culture.

Cultural profiles conducted separately for each cultural dimension reveal about the same issues as the overall cultural profile, indicating a shift to interiority and control for the present situation, and to flexibility and interiority for the preferred situation.

Data obtained through interviews, and results from the application of OCAI indicates an organization with strong bureaucratic accents, functioning as means of legitimizing power, of the need for stability and predictability, balance and consensus. Content analysis of interviews revealed some aspects that could not be identified through OCAI.

Reduced employee satisfaction regarding their work is largely due to shortcomings in the interpersonal relationships, organizational communication, or leadership style sometimes too directly, also to faulty design of health reforms. Reward system is perceived as unfair and demotivating.

Communication is done mainly from top to bottom in weekly reports, or through written arrangements. Healthcare teams form a pyramid structure, almost military, i.e. a type of organizational system that is closed. The power (decision making, the means to put the decision into effect and to control action) decreased as the employee is closer to the bottom. In general, cooperation and open communication are missing, and support for developing other skills beyond those strictly monitored by the institution, are not a priority. A cold and formal atmosphere is prevailing. Rituals, although frequent, were more intended to show the hierarchy of power than to create an environment for creative thinking.

Top management is focused on control and accomplishment of tasks, with reduced interactions with employees. There is also a low interest for the personal development of the employees and ensuring complementarity between the goals of the organization and employee needs.

Conclusion

Questionnaire items allow the classification of the organization in a specific culture, but the interviews seem more appropriate to identify deep aspects of organizational culture.

The results obtained from the application of the OCAI questionnaire reveals a mismatch between the organization's current culture and the organizational culture preferred by employees, which will require the need to change its orientation. Bureaucracy proved to be an appropriate organizational form under a stable environment, and following purely economic purposes, but in the conditions of the present society, characterized by rapid change and a deeply unstable environment, are necessary organizational forms able to respond adequately to these challenges.

Identified organizational culture County Emergency Hospital "Dr. Constantin Opris" has the characteristics of a weak culture with strong hierarchical accents. The lack of market orientation, the discouragement of the initiative, the lack of motivation, and communication difficulties dominate. Renewal spirit and innovativeness face obstacles because of inability to understand market mechanisms, but also because of attitudes, disinterest, blocking in the routine, and, sometimes, use of an inappropriate management style.

A worrying aspect is the static nature of the knowledge in the Emergency County Hospital "Dr. Constantin Opris", mainly due to the division into "occupational castes", but also to issues related to internal competition, which were taken up and internalized by members of this organization.

Practice shows that a person's expertise, however high, shall not ensure by itself a higher productive behavior. Moreover, the organization central unit is not the individual, but the relationship between behaviors that constitutes the collective mind (Chirică, 2003). Of course, without the necessary instruction, people cannot get superior results, but the continuum of training and service quality is an important value. They act as an informal control system more powerful than any other control system, because it provides purpose and meaning for what must be done to obtain performance results.

What we know for sure is that, currently, there is not a set of shared values, in order to connect members of organization. What unites them is an engagement into a deep and inefficient routine whose outcome is most often dissatisfaction.

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THE REPLACEMENT-RENEWAL OF INDUSTRIAL EQUIPMENTS THE MAPI FORMULAS

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Since the production has been found to be an economical means for satisfying human wants, this process requires a complex industrial organization together with a large investment in equipments, plants and productive systems. These productive systems are employed to alter the physical environment and create consumer goods. As a result, they are consumed or become obsolete, inadequate, or otherwise candidates for replacement. When replacement is being considered, two assets must be evaluated: the present asset, the defender and its potential replacement, the challenger. Since the success of an industrial organization depends upon profit, replacement should generally occur if an economic advantage will result. Whatever the reason leading to the consideration of replacement, the analysis and decisions must be based upon estimates of what will occur in the future. In this paper we present the Mapi algorithm as a procedure for evaluating investments or for analyzing replacement opportunities.

1. The replacement-renewal problem for firms

Due to the typical activities of industrial firms and their increasing need for mechanized and automatized productive systems, plants, machinery and equipment play a central role in investment decisions.

In fact, in the present context of international development, industrial firms tend to increase in size in order to strengthen their supply pool and to reduce the threats from the competition. On the one hand, this growth in size requires increasingly larger investments in industrial plants; on the other, trends in demand, the pressure from the competition, which reacts with contrasting strategies, and, above all, the important trends in scientific and technical progress, which heighten the obsolescence processes, make such investments in industrial plants riskier.

Management must thus continually evaluate with even more care the convenience of their plant investments; once the investments are undertaken they must monitor the prospects for future use in order to determine the economically useful life cycle, determining the optimal period in which to discontinue operating the plant.

In determining the economic viability of medium-term industrial plans, calculations regarding the *optimal duration of the plants* are taking on more importance. Such calculations estimate the period of time beyond which the continued utilization of a plant, already installed and operational, is no longer economically viable and should thus be *replaced* or *shut down*.

Regarding the size of the invested capital, an appropriate *replacement/renewal policy* is one of the most important and though-out decisions for industrial firms, precisely in order to maintain the maximum economic efficiency in the productive structure, thereby improving quality and increasing productivity

without increasing fixed unit costs.

If we consider the firm as a *viable system*, adopting Beer's sense (Stafford Beer, 1972) of the term, or as a system of efficient transformation, in Mella's sense (2007), it is clear that the decision to replace the plants is fundamental for maintaining the conditions of vitality and, more generally, for the necessary economic operating efficiency.

The replacement problem does not only concern plants and other fixed assets but is much more general: in fact, it can refer to the same businesses in which the plants participate.

In fact, as has been highlighted for years by the BCG (www.bcg.it), every business, after the start-up, boom and maturity phase, begins a period of decline.

The manager must then determine the optimal moment not only to discontinue the business in decline but also to replace it with another business, in a typical operation of the renewal of the business portfolio over time, thereby giving rise to a true *chain of renewal*.

Obviously the renewal of a business depends on the availability of other replacement businesses, and the moment for renewal is conditioned by the activation time of the new business.

We can thus view a business B_n as a link in a chain of business renewals in which its life cycle is not determinable in an absolute way, but only in relation to the business B_{n-1} that precedes it and B_{n+1} that replaces it (fig. 1).

Prolonging the life of B_n means delaying the start-up of B_{n+1}; calculating the optimal replacement time for B_n would thus mean optimizing the profitability and cash flow of the composite business $B_n + B_{n+1}$. However, the same reasoning must apply as well for B_{n+2}, and so on; this means there are no businesses that succeed each other over time with an autonomous existence, and autonomous profits and financial flows, but rather a chain of businesses *where the life of each depends on that of the others.*

Fig. 1. The business chain
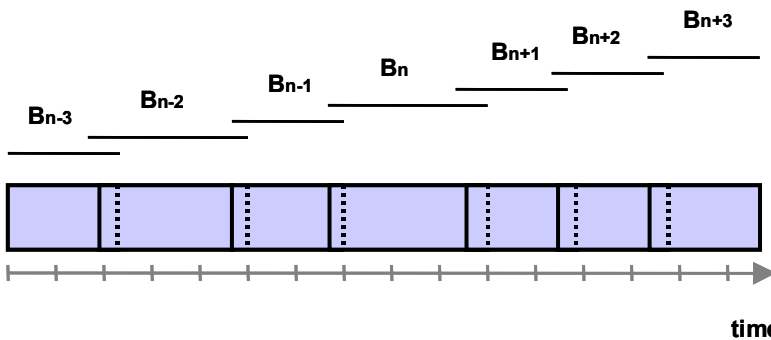
The above discussion leads to an important implication: from the financial viewpoint *the time factor can be recognized on the basis of two linked elements: timeliness in* starting up *a business and, at the same time, timeliness in* ceasing operations. *The former occurs when a firm perceives (or generates on its own) the potential for new demand; being* first *in the business means being* pro-tempore *in a position of near-monopoly and creating a competitive advantage until the time when competitors come on the scene.*

This type of timeliness leads to notable advantages, among which: being the first to gain a consistent market share (Smith & Reinartson, 1991), setting high prices before the arrival of competitors, fidelizing the clientele that is served first, fully exploiting the learning of costs in order to gain internal competitive advantages, anticipating the recovery of fixed costs by reducing the risk on invested capital, and obtaining good profitability, which improves the firm's credit capacity for future growth.

2. Plant replacement

The renewal problem can specifically refer to the calculation of the optimal date for replacing the industrial plants, understood as the *set of instrumental goods in a productive system, which are*

necessary to carry out a given business.

The economic value of the industrial plants varies over the life cycle, and this variation depends on several factors, all of which are linked to the physical wear and tear and the economic obsolescence due to technical progress of both the plant as well as the product obtained with its help. These factors act to modify the firm's profitability, which tends to gradually diminish, thereby necessitating the decision to replace the plants.

The calculation of the *optimal operating period* for a plant *E*, not included in a chain of renewals, is thus a typical economic-financial problem: it is necessary to determine how much time is needed to cover the purchase and operating costs for the plant with the sales revenue of the production obtained from its use, with the desired operating result.

The problem could be solved through Break-Even Analysis; since the life of industrial plants is usually several years, the financial present value of the future costs and revenues relative to the purchase cost must be taken into account.

It is also necessary to consider that the length of the operating period of the plant itself conditions the costs and revenues that derive from it, in that:

- the purchase cost of a plant equivalent to the one to be replaced presumably varies from year to year since, due to technological progress, the retired plant is replaced with one technically more advanced and with greater productivity;
- the cost and revenue flows are sensitive to the period of reference, because of both the volume of demand and the prices, if the more modern plant allows the same products to be obtained at lower costs, or products of higher quality and with more attractiveness for the market;
- the disposal value of the retired plant varies according to the year it is shut down.

The replacement policy does not concern the single firms but rather an entire productive system, since the totality of replacement policies of the various firms is in turn a factor that determines the level of activity of the productive sectors involved in manufacturing the plants, with effects that can extend to the entire economic system and to the latter's growth.

When firms begin to postpone the replacement of their plants, the immediate result is a decline in production and/or innovation regarding these industrial plants and this process – being part of a productive network (Mella, 2009) – can lead to a general crisis.

3. Conditions for replacement

Since for industrial firms the costs of plants represent a considerable portion of production costs, replacement policies play a key role in industrial plans.

In general terms, we can observe that renewal is not a simple operation that concerns only a single plant, but one that involves the entire productive system.

Especially with regard to complex plants, on which an entire business is founded, replacement involves all the plants that make up the productive network, since the introduction of a new and modern plant at a point in the network makes the other plants connected to it technically obsolete.

The renewal of large plants also involves implications, often relevant and radical, for the entire production, commercial and administrative organization, so that the replacement must be linked to measures that concern the firm as a whole.

Considering the time frame of the operation, we must always keep in mind that the convenience of undertaking renewal depends on the moment when the operation must be realized. Only if this occurs at the supposed optimal moment, from the economic point of view, will it allow the firm to maintain and improve its existing economic equilibrium or its re-establishment, when this is more or less seriously compromised by obsolete plants.

Negative consequences always result from carrying out renewal too late or too early with respect to the optimal moment.

When the replacement is delayed the firm will most likely see its production costs increase at an increasing rate and will not be able to remain price competitive with respect to its competitors, the more

so if the latter use more modern and efficient plants.

If the delay of the renewal is too long, the business connected to the plant will enter its declining phase, becoming "dog", so that it will have increasing difficulty raising the necessary capital for replacement, which is more urgently required due to economic necessity.

Similar problems would be encountered by anticipating the replacement since, due to the contraction of the pay-back period, the cycle of economic utilization of the previous investment would not be completed, and the capital that is invested and not yet written off through the depreciation process cannot easily be fully recovered through the sale of the retired plant.

Even from these simple considerations it is clear that management must place the renewal problem in the context of overall corporate strategy, understanding in a timely way the evolution of the organizational and environmental forces that influence its business and, more generally, its overall business portfolio.

If it is necessary to be attentive at the moment of replacement, this means that the optimal utilization period for a plant also depends on the characteristics of the rival plants that can be considered as alternatives.

From the above considerations it follows that, more than referring to an individual operation, renewal must be viewed more broadly to include the concept of "chain of renewals" in which the replacement of each link in the chain inevitably ends up conditioning all the subsequent links and, as a result, the entire chain of subsequent substitutions.

We inevitably associate with the concept of a chain of renewals that of obsolescence, viewed as a continual process of technological progress of the new plants with respect to those in use, both as regards productive efficiency, through an increase in productivity, as well as manufacturing quality.

Precisely because of the continuity of technological progress we need to take into account this important variable when making renewal decisions, since such choices involve the entire future chain of renewals and not merely a single replacement of a plant.

The first attempt in this direction comes from Terborgh and the Mapi formula he developed.

4. The MAPI formula

In 1949 the Machinery Allied Production Institute in Washington set up a study committee chaired by George Terborgh to come up with a new evaluation system for investments aimed at the equipment-replacement problem, which led to a general rule, usually referred to as the MAPI formula, that allows for the determination at a given moment of the opportuness of replacing an existing plant with a *new plant* that has come on the market, called the potential challenger plant.

Even if the MAPI formula has been the focus of criticisms, it offers a general solution to the equipment-replacement problem that covers a wide range of cases.

"Essentially, it provides a quick test of current replaceability on the basis of a prefabricated structure of assumptions and projections into which the analyst can insert the necessary stipulations and estimates for the case in hand (the amount of the investment, the income tax rate, the interest rate, the service life, the terminal salvage ratio, etc.). It is an elaborate gadget to simplify an otherwise almost insoluble problem." (Terborgh, 1956: p. 138).

The novelty of the potential replacement plant should be understood both in terms of its complete technical efficiency – since it has not yet been utilized – as well as the improvement it embodies due to technical progress. With particular reference to the latter, Terborgh assumes continual technological evolution, which posits that progress is continuous and capable of making available to the firm a plant perfected at every future instant (in an abstract sense). There is thus the assumption of a continued operational superiority of future plants with regard to those the market offers and will offer; or, conversely, a continual operational inferiority of the plant to be replaced with regard to the new ones.

- Plant E_t in use at instant *t* is called the *defender*. The new plant, $E_{t'}$, available at *t'*, is called the *current challenger*. Compared to the challenger, the defender has an *operating inferiority* that

manifests itself in the following values:

- gross revenues, E_t, less than those obtainable from $E_{t'}$;
- annual costs, E_t, greater than those required by $E_{t'}$;
- consequently an annual margin, E_t, less than that obtainable from $E_{t'}$; this margin has a monotonic non-decreasing trend for each future $t > t'$.

If the defender's margins have a *monotonic non-decreasing* trend year-to-year, then its *operating inferiority* will also have a monotonic non-decreasing trend.

From the theoretical point of view, if the cost of capital were zero then the optimal renewal policy would obviously consist in replacing the plant every year (even at every instant, given the hypothesis of the continuity of technical progress) in order to have the best plant at every moment. In fact, Terborgh writes: "Now we consider a hypothetical question. What would be the proper equipment policy if capital goods were available free? The answer is obvious. Equipment would be replaced with great frequency, generally once a year or more often. With this high turnover, we should have continuously a state of "perfect" or "total" mechanization, yielding at all times the very highest operating performance the technology is capable of". (G. Terborgh, 1962).

If we abandon this unrealistic hypothesis and assume that every investment entails a cost for the invested capital, then it is realistic to assume that the cost of the capital invested in the defender plant decreases as its period of utilization increases.

Regarding the challenger, as the utilization period increases there are two opposing trends at work: on the one hand, the cost of the invested capital declines, but on the other the *operating inferiority* increases.

The optimal solution is to find the point where the sum of the values of these trends is at a minimum – Terborgh defines this as the "adverse minimum" – that is, the minimum of all the alternative magnitudes, each of which is adverse: "Unfortunately machines are not to be had for nothing. They cost money, a fact which precludes the attainment of this state of technological blessedness. For when their cost is taken into account, mechanical perfection can be no longer the exclusive goal of equipment policy. The analyst has to choose between more capital cost with less imperfection or less capital cost with more imperfection. Now when we have alternative magnitudes, each of which is adverse, the best we can do is to find the proportion or combination of the two which minimizes the sum. This proportion is the key to correct equipment policy. It is the policy that minimizes the time adjusted sum or combined average of capital cost, and operating inferiority. This brings us to the concept of adverse minimum". (G. Terborgh, 1962).

Two fundamental hypotheses are posited to formulate the evaluation criterion:

- All the future plants (the succession of challenger plants) have an adverse minimum equal to that of the best plant at the time of the survey. This is equivalent to hypothesizing not only the continuity of technical progress but also its constancy and uniformity over time. This serves to narrow the analysis to the data regarding the defender plant and to the best plant available for substitution at that moment, without worrying about what would instead happen if, due precisely to technical progress, the successive challenger should have very different economic-technical improvements.
- The operating inferiority of the defender increases linearly over time; that is, both the costs regarding the physical deterioration of the plant (costs for maintenance and lower productivity) and those linked to the plant's obsolescence grow linearly.

These hypotheses reduce the analysis of the opportuneness of an investment in plant substitution to a comparison of the adverse minimum of the most technically-advanced plant (the challenger) and the plant in operation at that moment (the defender), based on the procedure indicated in the following section.

5. The calculation of the adverse minimum

We indicate by E_0 the defender plant and by E_1, E_2, E_3, etc., the challengers available for substitution in the subsequent years.

We indicate by m_0, m_1, m_2, m_3, etc., the annual margins (revenues less operating costs) that would occur under the assumption that after t_0 the best new plant is always utilized.

For convenience sake we assume that the margins are discrete and achievable at the end of each year.

If we set t as the instant in which the plant E_0 begins operating, and setting $h = 1, 2, 3,...$, then the initial annual margins for each new and improved plant will be:

$$m_1(t+1), \ m_2(t+2), \ m_3(t+3), \ ... \ m_h(t+h)$$

and, based on our hypotheses, we will initially have:

$$m_1(t+1) < m_2(t+2) < m_3(t+3) < \ ... \ < m_h(t+h)$$

If the firm keeps plant E_1 in operation in the year subsequent to year one, when technically better plants are instead available which, through technical progress, can offer increasingly greater initial annual margins, it will achieve lower annual margins: in other words, the firm would sustain costs due to the obsolescence of the plant with respect to new ones.

If the firm should thus maintain E_1 in operation past the first year, it would achieve lower annual margins, even while plants with higher annual margins would be available.

If we indicate by:

- $m_1(t+1)$ the annual margin achievable with plant E_1 one year after it has entered into service at instant t;

- $m_1(t+2)$ the margin achievable with E_1 two years after it has become operational; ...

- $m_1(t+h)$ the margin attainable with E_1 h years after its adoption by the firm,

then we obtain the following relation:

$$m_1(t+1) > m_1(t+2) > m_1(t+3) > \ ... \ > m_1(t+h-1) > m_1(t+h)$$

The above relation indicates that if the firm should continue to utilize E_1 for periods subsequent to the first year, it would suffer disadvantages from lower margins owing to the gradual deterioration of the plant, together with:

- an increase in the operating costs due to a reduction in the technical productivity of the plant;

- a reduction in sales revenue from products which, due to the wear and tear on the plant, may have lower quality;

- an increase in maintenance costs.

We thus define the *operating inferiority* of E_1, *for each subsequent year of utilization* (t+h), as the difference between the net margin of a new plant and that of the plant in consideration:

$$m_h(t+h) - m_1(t+h) = g_1(t+h)$$

The *net present value* of the operating inferiority, for a duration of "n" years of plant utilization, after adding the purchase cost C_1, and subtracting the revenue from salvage obtainable after "n" years, $S_1(n)$, at a chosen given discount rate, "i", takes on the meaning of the *total opportunity cost* of the plant for "n" years:

$$B_1(n) = C_1 - S_1(n) \, v^n + \sum_{h=1}^{n} g_1(t+h) v^h \qquad [1]$$

where $v = (1+i)^{-1}$ is the present value coefficient at discount rate "i".

Using [1], it is more significant to determine the *average annual burden of service of the plant* in use for "n" years:

$$b_1(n) = B_1(n) \; \frac{i}{1 - v^n} \qquad\qquad\qquad [2]$$

If we take "n" as a variable, we can calculate [2] for periods of increasing length, n = 1, 2, 3,..., and determine the period "n*" that corresponds to the minimum average annual burden of service [2]. This value, $b_1(n^*) = min$, represents the *adverse minimum* of E_1, "n*".

However, since we are looking for the desirability of substitution of the *defender* plant E_0, we must compare the adverse minimum of the challenger E_1 – that is, $b_1(n^*) = min$ – with the *annual replacement cost* of the defender E_0, called the *adverse cost*, which is calculated as follows:

$$\Delta_0(t) = \big[S_0(t) - S_0(t+1)\big] + S_0(t)\,i + g_0(t+1) \qquad\qquad\qquad [3]$$

where:

$\big[S_0(t) - S_0(t+1)\big]$ represents the loss in value of the scrap due to an additional year's utilization of E_0;

$S_0(t)\,i$ is a year's lost interest on the *terminal value*;

$g_0(t+1)$ is the operating inferiority of E_0 following its prolonged use for another year.

The defender E_0 should be replaced with the challenger E_1 when:

$$\Delta_0(t) > b_1(n^*) \qquad\qquad\qquad [4]$$

If this optimality condition is not satisfied then it is economically more useful to utilize E_0 for another year, at the end of which a new comparison will be needed, but this time between E_0 and E_2 for the following year.

If the inequality $\Delta_0(t+1) > b_2(n^*)$ does not still exist, then it will be necessary to utilize E_0 for another year and then compare E_0 and E_3.

The process should be repeated every year until the optimality conditions exist.

6. The MAPI formula as an approximative method

The procedure presented to this point is difficult to apply in practice due to the difficulties in estimating the *adverse minimum* of the challenger plant relative to the length of utilization of the defender. In fact, a too forward-looking knowledge would be required, which is almost impossible to satisfy.

To overcome this difficulty Terborgh suggests a simplified formula, commonly known as the MAPI Formula, which allows us to determine the sum of the adverse minimums of the challenger plant (thus its adverse minimum), thereby reducing the calculation to a comparison of data regarding only the subsequent year.

In practice, starting from the assumption that the simple average of the *operating inferiority* of the challenger for each period is higher than the corresponding equivalent annuality and that, on the other hand, the simple average of the cost of capital is lower than the corresponding average annual cost, financially calculated, then in order to avoid cumulative calculations for each year we can approximate the results by substituting the simple averages for the equivalent annualities that are theoretically required.

In fact, based on the assumptions made, the errors made as a result of this substitution are in opposite directions, and thus basically compensatory; since the sum of the simple averages is thus not that

different than the sum of the equivalent annualities, then the adverse minimum of the challenger can thus be approximated with a good degree of accuracy.

Rather than calculate for each year of the probable life of the challenger plant the annuality equivalent to *total opportunity cost*, as is the case in [2], Terborgh, in order to calculate the adverse minimum, provides the following formula, which is easier and more practical to apply:

$$b_1(n^*) = \frac{1}{2}\left[\left(C_1\, i\right) - g_l\right] + \sqrt{2\, C_1\, g_l} \qquad\qquad [5]$$

Where, assuming a salvage value of zero and an interest rate "i":

C_1 is the purchasing cost of the challenger plant;

g_1 is the average, constant over time (in case of the linearity of technical progress), of the *operating-cost inferiority gradient*; this is assumed to be equal to that of the plant in current operation;

The adverse minimum thus found is compared with the replacement cost of the defender plant, as shown in [3]. We thus return to the optimality condition [4], which determines whether or not renewal is appropriate.

7. An initial numerical example

A numerical example will clarify the application of the MAPI Formula given in [5].
Let us suppose the following data:

- the defender is operating for 12 years and has a residual value of € 20,000.000;

- after another year of operation the residual value is estimated to be € 12,000,000;

- the challenger, possessing greater technical efficiency, has an initial cost of € 200,000,000;

- the interest rate chosen is 10%;

- the challenger plant allows the firm to achieve, for the following year, the economic advantages indicated in Table 1, which compares the adverse minimums of the defender and challenger plants.

The value of the sum of the alternative minimums of the challenger plant is calculated by applying Formula [5].

Assuming a residual value of zero, a lower operating efficiency rate that is constant and equal to that of the defender plant, and inserting the following values:

$I_1 = 200,000,000$;
$g_1 = 60,000,000/12 = 5,000,000$;
$i = 0.10$

we obtain:

$b_1(n^*) = \frac{1}{2}$ [(200,000,000 x 0.10) – 5,000,000] + (2 x 200,000,000 x 5,000,000)$^{1/2}$ =
= (44,721,400 + 7,500,000) = 52,221,400.

Since: 52,221,400 < 70,000,000, and thus the optimality condition [4] exists, it is absolutely appropriate to replace the plant in operation with the new one.

Table 1.

EVALUATION ELEMENTS	ADVANTAGES FOR FOLLOWING YEAR IF THE CHALLENGER PLANT IS INSTALLED	ADVANTAGES FOR FOLLOWING YEAR IF THE DEFENDER PLANT IS MAINTAINED
Lower maintenance costs	3.500.000	
Lower labor costs	34.500.000	
Lower general production costs	25.000.000	
Lower insurance costs		3.000.000
	63.000.000	**3.000.000**
Inferior operating efficiency of the defender plant compared to the challenger plant for the following year		60.000.000
Loss in value of old plant		8.000.000
Passive interest on the residual value of defender plant		2.000.000
Sum of adverse minimums of defender plant		70.000.000

8. The new MAPI formula: one-more year test

With regard to the MAPI formula, Terborgh subsequently devised a new formula that, though based on the same principles as the preceding one, represents an extension and improvement over the latter.

This new Formula does not stop at indicating the optimal time for renewal but is extended to consider all types of investment opportunity for the firm, and thus even new business projects, thereby making the replacement problem more closely adhere to the logic of the renewal of businesses, which was touched on in section 1.

The intent no longer is to examine the economic conditions of use of an individual machine or plant but to examine whether or not an entire productive system can be improved by replacing one or more parts of the "whole", leaving the other parts unchanged.

The new MAPI Formula is set up to uncover the economic advantage that would accrue in the subsequent year's income by investing a given capital in a "new project", evaluating the qualitative-quantitative improvements to production.

The new formula is different, in both how it sets out the problem and the solutions it envisions.

As far as setting out the problem is concerned, Terborgh partially modifies his initial assumptions. In particular, there is no longer the assumption of the linear growth in the operating inferiority of the plant in current operation. While maintaining the assumption of the constancy of obsolescence, it is recognized that, during the use of the plant, the trend in costs due to its operation and maintenance will not always be constant.

Terborgh maintains the assumption of the equality of the adverse minimums of the future challenger plants, on the one hand, and the best available plant on the market at the moment of the survey on the other, but this hypothesis is restricted in the sense that these plants must be similar: that is, have the same initial cost and the same residual value as the current plants when they are retired, after the same length of time.

A new procedure, called a "one-more year test", is proposed according to which an *internal productivity rate* is determined for the subsequent year with regard to the net capital investment required to realize the project, and thus to replace the plants, which is compared to the hypothesis of not going forward with the renewal.

The algorithm provides an adjusted, after-tax rate of return criterion which the decision maker may use in replacement analyses or in selecting one investment opportunity from among many. The MAPI procedure is based on a one-year evaluation period. Alternatively, a period of several years might be considered with a "typical" single year obtained from an arithmetic average. Application of the MAPI formula requires the computation of six elements. These are used to calculate a rate of return for a one-year period based on average net investment. These elements are:

(1) The arrival operating advantage, expressed as the sum of the net increase in revenue and the net decrease in operating cost. From this we derive that the *next year operating advantage* is composed of the increase in the operating result in the following year deriving from the project.

(2) The initial net investment, expressed as the installed cost of the asset less any investment released or avoided.
   At this point it is important to define several concepts.

− *Net invested capital.* This is composed of the capital needed to realize the project, and thus to purchase the new plant, install it, etc., net of the disposal value of the used plant and of any investment avoided due to the project's implementation (costly repairs, improvements and change in the existing plants that would have been necessary without the new project).

− *Next year capital consumption avoided.* This is composed of the reduction in the residual value of the plant kept in service for another year if the new project is not implemented.

− *Next year capital consumption incurred.* This is the difference between the cost of the project and its value after one year, and in practice is equal to the amortization rate with interest of the new plant. Of all the above elements, *next year capital consumption incurred* is surely the most difficult to determine. The evaluations and forecasts required in this case extend, in fact, beyond the following year, since the annual share of costs for the investment project depends not only on the known amount of the purchase cost of the new plant but also on the residual value the plant will have at the end of the following year, and as a result on the estimated number of years of useful life. Thus, long-term forecasts are needed, which, nevertheless, can be avoided by using the diagrams developed by the MAPI formula, which allow the firm to determine a percentage which, applied to the net investment cost, allows it to calculate the value of the consumption of the required capital.

(3) The terminal net investment obtained from the appropriate Mapi chart.

(4) The average net investment, expressed as the sum of the initial net investment and the terminal net investment divided by 2.

(5) The average capital consumption per year, expressed as the initial net investment minus the terminal net investment divided by the comparison period in years.

(6) The increase in income taxes. The change in next year's income taxes is basically the net increase in income taxes from the project in the subsequent operating year.

We can thus calculate the *internal productivity rate* for the following year – also called the "Mapi urgency rating" – with the help of a simple formula that permits a ranking of the investments, so that the most urgent ones (in the sense of having a higher relative productivity rate) can be realized first.

The foregoing elements may be used to find the after-tax rate of return as:

$$\frac{(1) - (5) - (6)}{} \times 100 \qquad (4)$$

This formula allows us to determine the return on investment from implementing the new plant; that is, the percentage of net income to the capital invested in the operation for the following year that the renewal will ensure.

At this point, in order to determine whether it is economically appropriate to renew the plant it is necessary to compare the rate of relative productivity, or the Mapi urgency rating, for the following year with the minimum productivity rate required by the firm to undertake the investment projects (Mella ,1997).

If the former is greater than the latter, then the investment to replace the plant should be undertaken.

9. A final numerical example

To better understand the new Mapi formula, it is useful to give an example from Terborgh's Business Investment Policy. The problem involves determining the net profitability, expressed in percentage terms, of the investment in a new plant, equipped with devices that allow savings in manufacturing times, as a replacement for a similar existing plant.

The old machine is 39 years old and has a residual value of 200. It is assumed that paying a cost of 3,850 to adapt the old machine will provide another 10 years of use.

The overall cost of the new plant is 15,700 and it is assumed its useful life is 18 years and that it has a final residual value equal to 5% of the original cost. Linear amortization at constant rates is chosen, a tax rate of 50% of gross income is assumed, and normal or standard obsolescence (with a linear reduction of the annual margins obtainable with the plant's use) is adopted.

The calculations and analysis from the above data are shown in Table 2.

Table 2

REQUIRED INVESTMENT

1) Installed cost of project	15.700
2) Disposal value of assets to be retired by project	200
3) Capital additions required in absence of project	3.850
4) Investment released or avoided by project (2 + 3)	4.050
5) Net investment required (1 – 4)	11.650

NEXT YEAR ADVANTAGE FROM PROJECT

6) Assumed operating rate of project (hours per year)		3.300
	Increase	*Decrease*
Effect of Project on Revenue		
7) From change in quality of products	---	---
8) From change in volume of output	---	---
9) Total	--- (A)	--- (B)
	Increase	*Decrease*
Effect of Project on Operating cost		
10) Direct Labor	---	2.000
11) Indirect Labor	---	---
12) Fringe Benefit	---	350
13) Maintenance	---	1.160
14) Tooling	---	---
15) Materials and supplies	---	---
16) Scraps and re work	---	500
17) Dow time	---	425
18) Power	---	---
19) Floor space	---	---
20) Property taxes and insurance	150	---
21) Subcontracting	---	---
22) Inventory	---	---
23) Safety	---	---
24) Flexibility	---	400

REQUIRED INVESTMENT

25) Others	---	---
26) Total	150 (A)	4.835(B)

27) Net increase in revenue (9 A – 9 B)	---
28) Net decrease in operating cost (26 B – 26 A)	4.685
29) Next year operating advantage	4.685

Non operating advantage

30) Next year capital consumption avoided by project	
a) Decline of disposal value during the year	---
b) Next year allocation of capital addition	422

Total advantage

31)Total next year advantage from project (29 + 30)	5.107
32) Total next year advantage after income tax (50%)	2.553,50
33) Mapi Chart – Allowance for project	785
34) Amount available for return on investment (32 – 33)	1.768,50

35) **MAPI URGENCY RATING** (1.768,5/11.650)x 100	15%

The value of 785 – that is, the share of capital cost – was calculated by recording from the appropriate monogram the percentage (4.7%) that must be applied to the original cost of 15.700 for a plant with a presumed useful life of 18 years, a disposal value of 5% of the original cost, and for which we assume that 25 out of each 100 of capital invested is obtained from credit operations with an interest rate of 3%, and 75 from stock issues that pay a 10% dividend.

This explains how the calculation was made to determine the affect of the plant renewal on the "following year's" percentage of net income to capital invested in the operation.

10. Critical considerations

The critical considerations which can be made about the Mapi formula basically refer to the particular nature of the hypotheses underlying the problem that is posed; these do not always appear to conform to the actual operating conditions of firms. Among these we wish to point out:

- the hypothesis of the linear diminution of costs of future new plants; that is, the linearity of obsolescence and the evolution of technological progress at a constant rate over time;
- the hypothesis of the equality of purchase costs of future plants and those of the best plant currently available at the moment of the survey;
- the hypothesis that the comparison should be limited to the productivity of the plant currently in operation and the new plant only for the following year.

These hypotheses clash with the reality the firms operate in, since technical progress shows instead an uneven trend over time and the purchase prices of the plants in subsequent periods are not easy to predict.

Limiting ourselves to considering only the costs and revenues from the plant for only one year, ignoring the trend in costs and revenues from the plant in subsequent years, can lead to unreliable results if, in effect, such costs and revenues turn out to be different from those considered in the analysis.

Obviously using data from the industrial plans could help in extending the calculations for a longer period.

The model developed is thus able to produce valid results only in so far as these are limited to the field of application fixed in the initial hypotheses.

This must always be kept in mind in order to best adapt the model's findings to the possible cases that arise in the actual management of the firm.

As Terborgh himself underscored, the formula does not solve all the renewal problems: "No knowledgeable person has ever claimed universality of application of the MAPI formula. It was conceived and presented as a replacement formula (the term "replacement" being broadly construed to include mixed replacement-improvement-expansion situations), its main purpose being to indicate the proper timing of re-equipment decisions. It was offered as an improvement over the primitive rules of thumb so widely employed in American industry to make these decisions. As such, it has proved very useful, as evidenced by the extent of its employment." (Terborgh, 1956: p. 138).

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CLIMATE CHANGE DISCOURSE. CASE STUDY: RAIFFEISEN BANK

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This study investigates the climate change discourse as this is a highly debated topic nowadays. A case study is revealed in this paper, which consists of applying the critical discourse analysis method at Raiffeisen Bank, one of the most important international banks. The findings of this study disclose that misleading messages are construed in climate change discourse by using some persuasion means in order to support the statement of the discourse. The study was conducted by combining a wide variety of sources, such as articles, strategies, and reports.

1. Introduction
Actions for both adapting and mitigating climate change are fewer and smaller than it is necessary, may be because climate change cannot be perceived directly and the reaction to it depends on how it is communicated. Climate change could be seen as physical process (non-discursive), as well as rhetoric (discourse) of different stakeholders. The aim of this paper is to reveal the issues on which climate change debate is focused, as well as the discourse of Raiffeisen Bank in this area.

2. Background
Climate change is a strongly debated subject, but the debate was not always focused on the same issue. Firstly, the focus was on the process itself – does or does not happening, then it shifted to the human agency, and now it is about the consequences and actions needed. Thus, Crist (2007) suggests that since climate change is now a fact, it is worth focusing more on consequences where uncertainty is legion.
Climate change is beyond its physical dimension an invitation for action. Firstly, by assuming that humans are the causes, and not a natural process beyond their power and will, it results that they has to be the ones who do something to prevent the process. Secondly, if a change takes place in the environment humans will need to adapt to it. These also could be considered as reaction stages. Thus, Huq (2006) argue that two and a half decades ago the focus was on preventing climate change through mitigating emissions, while now adaptation has to be twined with mitigation, because some effects of climate are inevitable.
The scientific debate is not entirely settled (since the "climate consensus" was already criticized by Corcoran in 2006), but it has gave a consistent explanation of the processes and also provided indications on what is to be done. In addition, climate change information is now a mighty flow that reaches far in society.
Despite these premises, appropriate action is lagged, a strong emphasis being on the need to be more active. Since developed countries already have a climate policy, there is a global market for greenhouse gas emissions, renewable energies have stronger support as ever, businesses disclose their contribution to climate change mitigation we could say that society is already active. Thus, the issue is not to be

active, but to be more active. What more active means could be approximated by looking to the gap between what is needed and what is achieved. Research done in this respect has revealed that the difference between active and more active is huge.

What prevent an appropriate reaction to climate science's findings is therefore considered an issue of communication and is researched as such using semiotics and discourse analysis. Some of the outcomes are contradictory. Gare (2007) explores the semiotics of global warming and finds that market, as a field defined by Bordieu, has overlapped all facet of life and this transferred the debate to individuals or institutions that do not have the expertise needed to handle it. Therefore, the blend of climate change messages that often contradict themselves is not convincing enough to change behaviour. Discourse analysis of climate change related articles, web pages and ads in the United Kingdom has brought Ereaut and Segnit (2006) to the conclusion that climate change discourse "looks confusing, contradictory and chaotic". Nevertheless, solutions are viewed differently. Gare (2007) considers that in order to have more meaningful climate change messages it is necessary to restrain market's field by heavily taxing advertising. Thus transnational corporations will have less power to corrupt semiotics through rhetoric that undermines people's capacity to think rationally. Ereaut and Segnit (2006) consider that the most effective way of stimulating climate-friendly behaviour is to treat this activity as a brand to be sold, thus expanding again market's field.

3. Raiffeisen Bank's climate change rhetoric

The **Austrian Raiffeisen Banking Group** dates back to the year 1886 when the first local, cooperative Raiffeisenbank was founded in Mühldorf in Lower Austria. 10 years later there were already as many as 600 savings and loan banks operating according to the Raiffeisen system in Austria. From 1894 on these individual cooperatives founded Regional Raiffeisen Banks (Raiffeisen Landesbanken; the first one was founded in Tyrol) with the primary purpose of liquidity equalisation. Finally, Raiffeisen Zentralbank (RZB) was founded for the same reason (equalisation of liquidity for Raiffeisen Regional Banks) in 1927 as Genossenschaftliche Zentralbank (GZB) and was renamed in 1989. Today, Austria's Raiffeisen Banking Group has the largest retail banking network and a market share of approximately one quarter of the domestic banking business (RZB, 2010a). The structure of the Austrian Raiffeisen Banking Group is highlighted in Figure 1. The Raiffeisen Banking Group is Austria's market leading banking group with EUR 260.2bn of total assets as at 31.12.2009. Its principal focuses in the financing field are retail customers as well as small and medium-sized enterprises. It employs around 85,000 people around the world (RZB, 2010a).

Raiffeisen Zentralbank Österreich AG (RZB) was founded in 1927 and is the central institution of the Austrian Raiffeisen Banking Group (RBG) and the core company of the RZB Group. With a balance sheet total of € 147,9 billion as of 31 December 2009, Raiffeisen Zentralbank Österreich AG (RZB) is the third-largest bank in Austria and one of the country's leading commercial and investment banks (RZB, 2010b; RZB 2010d).

Raiffeisen International is a fully-consolidated subsidiary of Raiffeisen Zentralbank Österreich AG (RZB). RZB owns about 70 per cent of the common stock, the balance is free-float. The shares are traded on the Vienna Stock Exchange. Starting already in 1987 by founding what is today Raiffeisen Bank Hungary, Raiffeisen International has consistently entered growth markets and expanded its regional and local presence (Figure 2). Recent examples are the acquisitions of banks in Kosovo, Belarus, Albania and Ukraine in 2002 through 2005. In January 2006, Raiffeisen International acquired 100 per cent of Russian Impexbank. In July 2006, it purchased Czech eBanka. Both banks were integrated into the network by merging them with the existing local Raiffeisenbanks. As of year-end 2009, Raiffeisen International managed subsidiary banks, leasing companies and a number of other financial service providers in 17 markets of the region. 56,500 employees served more than 15 million customers in around 3,000 business outlets. This presence provides Raiffeisen International with the most extensive and closely-knit distribution network of the international banking groups active in the region (Raiffeisen Zentralbank Österreich AG, 2009; RZB, 2010c).

Figure 1 **Structure of the Raiffeisen Banking Group**

1.7 million members

Raiffeisen Banks
548 Raiffeisen Banks

Regional Raiffeisen Banks
8 Regional Raiffeisen Banks, Zveza Bank

RZB

Interests in Austrian financial institutions	The network in Central and Eastern Europe	Foreign branches, offices and equity participations	Specialist companies and back-office companies
Insurers, investment fund companies, finance leasing companies, building society, Raiffeisen Centrobank, Kathrein & Co., Nationalbank, Kontrollbank, card complete, PayLife, etc.	Raiffeisen International: Network Banks, Raiffeisen-Leasing International, other subsidiaries	Branches, representative offices, banks	Cash management and securities settlers, IT companies, real-estate and trading companies, private equity companies, etc.

(*Source:* Raiffeisen Zentralbank Österreich AG, 2009b: 25)

The "DNA" of the Raiffeisen brand consists of 12 success factors (Figure 3): (1) branches close by; (2) universal banking; (3) many customers are members; (4) Raiffeisen is everywhere; (5) entrepreneurial spirit of local branch staff; (6) partner for SMEs; (7) personal customer advice; (8) products and advice for all ages; (9) active socioeconomic role; (10) 100% safety for deposits; (11) Raiffeisen tiers promote one another; and (12) The Gable Cross, meaning the time-hallowed symbol of safety for Raiffeisen's owners, customers and employees (Raiffeisen Zentralbank Österreich AG, 2009b: 26-27).

Figure 2 **Raiffeisen's network expansion**
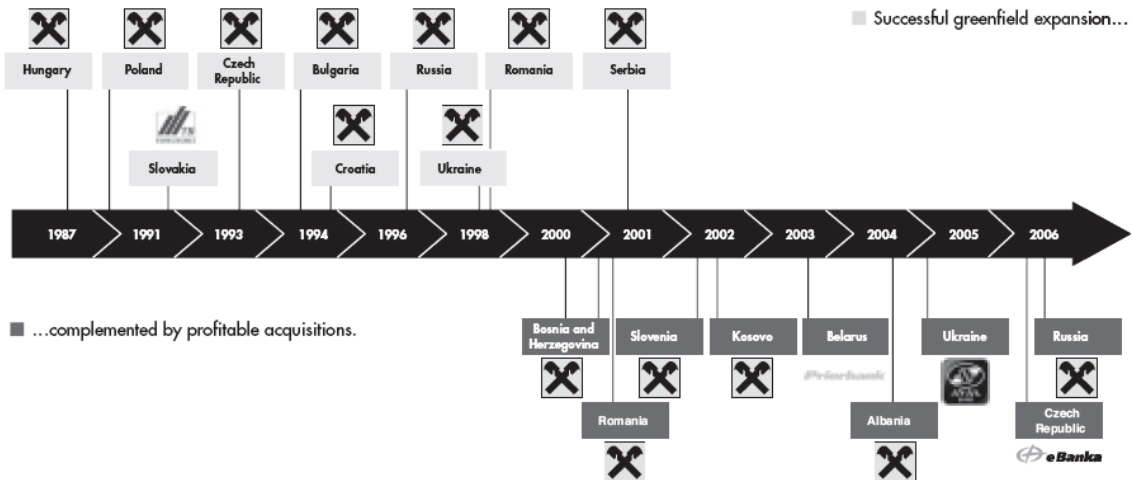
(*Source:* Raiffeisen Zentralbank Österreich AG, 2009b: 27)

Figure 3 **Success factors of the Raiffeisen brand**
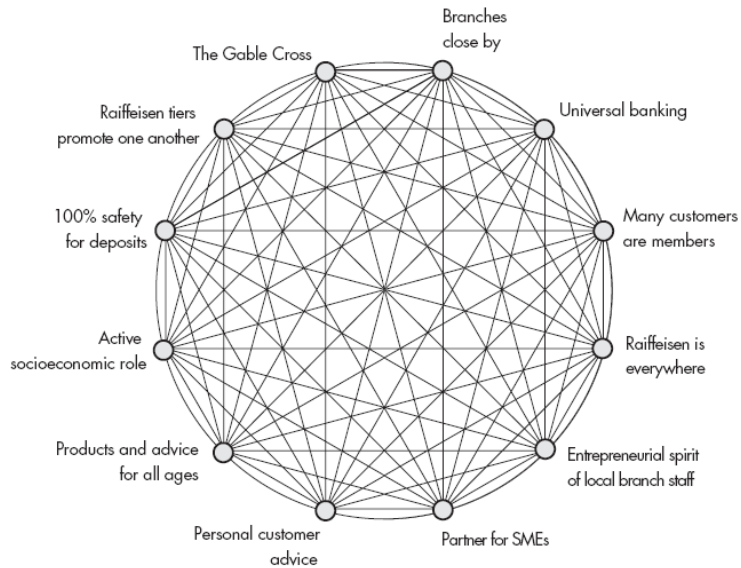
RZB addresses climate change in its Corporate Responsibility Report 2007/08 issued in March 2009, and also in its Corporate Responsibility Report 2008 issued in July 2009. The structure of these reports is based on five "guiding principles" of RZB, separate chapters being devoted to each of these principles, preceded by an overview of the company's values: (1) "who we are"; (2) "a future always needs a past"; (3) "we are here to stay"; (4) "our clients' success defines our own success"; (5) "the best become better with us"; and (6) "a strong cultural mix".

The first chapter of the reports entitled "Who we are" firstly presents the RZB Group and afterwards addresses the corporate responsibility in the RZB Group. The authors of the reports are emphasising the idea that the company is "committed to protecting the environment – especially against climate change; upholding human rights; fighting corruption; and contributing to the stable economic development of the regions where we operate" (Raiffeisen Zentralbank Österreich AG, 2009a: 15). In addition, the authors are using a diagram (Figure 4) and are citing Simon Zadek's model of the various stages of corporate social responsibility in order to demonstrate that corporate responsibility is a core component of RZB's culture.

Figure 4 **Stages of corporate social responsibility and RZB's achievement**

In the end of this first chapter the authors put emphasis on the five above mentioned principles and briefly explain each of these principles that are detailed in the following chapters.

Even though the report issued in March 2009 comprises 80 pages, and the one issued in July 2009 comprises 70 pages, both reports address climate change in only one page (subchapter 3.4 "Raiffeisen Climate Initiative". This may be surprising having in mind that the first guiding principle of Raiffeisen, declared by the authors, is "protecting the environment – especially against climate change". However, the authors are tangentially referring to climate change in other chapters (for instance subchapter 4.2 "Consideration of environmental and social factors"), trying to convince the reader that Raiffeisen is actively involved in solving the problem of climate change.

The Raiffeisen Climate Initiative (Raiffeisen-Klimaschutz-Initiative), as it is explained in the report, "brings together all the activities planned and implemented by Raiffeisen organisations relating to sustainability, climate change, energy efficiency and renewable resources. Its purpose is to exploit synergies, make a significant contribution to combating climate change and raise public awareness of the problem" (Raiffeisen Zentralbank Österreich AG, 2009a: 78). This climate protection was called into being in November 2007. "The goals of the *Raiffeisen* climate protection initiative are to take suitable action capable of making a significant contribution to climate protection; to create the prerequisites that will enable the members of the association to make the greatest possible use of potential synergies in the climate protection field; and to promote public awareness of the need for sustainability, climate protection, energy efficiency and renewable resources" (Ecker-Nakamura, 2008: 67-68).

The reasoning begins with the claim that RZB itself "makes a significant contribution to combating global warming". The main ideas, actions and facts described afterwards signify reasons in support of the claim. The second paragraph starts with the declaration that "RZB sets a good example on climate change", and some examples are given in support of this statement, such as: internal energy saving days at Raiffeisen; employees are informed about how to save energy outside work (based on the principle that "climate protection begins at home"); exhibitors provide comprehensive advice. The third and fourth paragraphs are also trying to demonstrate that RZB is actively involved in solving the problem of climate change. Other examples are given, and figures are used in support of the main claim ("limiting the average CO_2 emissions of new company cars to 150 g/km").

Furthermore, after "guiding" the reader to believe what the authors want him/her to believe some objectives and actions are highlighted in both reports. This is the part where the authors are trying to persuade that Raiffeisen has an important role in protecting the environment. However, it is to mention that the goals of "10% reduction in energy consumption at the headquarters building by the end of 2010" and "effective use of donations in response to regional social challenges" appear only in the report issued in March 2009, and they are not stated in the report issued in July 2009. Therefore, we may assume that these two goals have been achieved from March to July of 2009, or they are no longer important for the company. In addition, the actions planned in 2009 identically appear in both reports and these are: (1) helping employees to help: time off for employees to act as volunteer helpers after natural disasters or accidents; (2) training focus on corruption prevention: increased inclusion of corruption prevention in employee training courses; (3) internal environmental actions: implementation as part of the Raiffeisen Climate Initiative; (4) European Energy Service Initiative: planned entry of the RZB headquarters building for the European Energy Service Award; (5) solar energy: installation of PV arrays and solar collectors at the headquarters building; and (6) environmental indicator system: improvements to the RZB Group environmental reporting system.

The authors of the reports claim in subchapter 4.2 (named "Consideration of environmental and social factors"), that the loans are evaluated by focusing on environmental impacts. They even mention that "in one instance the review resulted in the rejection of a loan application". This way they are suggesting that the environmental impacts are more important for the company than its own profit. Also, the authors mention the company's "highly specialised teams of advisers on renewable and conventional energy sources", and the fact that the company financed small climate change and environmental

protection projects, including solar energy equipment. In addition, some figures, pictures (for instance a Bulgarian wind farm financed by Raiffeisen-Leasing International Ges.m.b.H.) and examples are used in order to sustain the claim that the company is sustaining and promoting environmentally friendly projects.

4. Conclusions

Climate change debate has undergone several stages and now it settled on the need for more action. The delay in acting is explained by several studies which are focusing on communication and which reveal that climate change messages come from many sources and crush in an inconclusive and endless public debate. The messages construed by an important climate change stakeholder, Raiffeisen Bank, could be evaluated as misleading since they use truncated or distorted information, and construe immutable facts and goods that justify both uncertainty and slowness in action. On the other hand, this company invests a lot in "greening" its image and preparing its future role as an environmentally friendly company.

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ANALYSIS OF HUMAN RESOURCES MANAGEMENT

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Along with other material, financial resources, human resource is an indispensable element of each work process. The concept of human resource derives exactly from the fact that it has a limited nature and it is consumed by usage in the workplace.
Any work process cannot be developed without the labour factor. Work is essentially a conscious activity specific to humans through which they release certain labour objects and transforms them according to his needs.

Keywords: human resources, analysis, indicators, labor profitability.

JEL classification: M, M2, M21.

1. Introduction
During work, the man highlights his physical and intellectual capacities, that is workforce.
The analysis of how human resources are managed in an enterprise follows the next issues:
- ensuring the human resources analysis;
- using (extensive and intensive) the existing human resources at the enterprise level analysis;
- the effects of insurance and human resource use.

2. Ensuring the human resources analysis
Ensuring the human resources analysis has the following priority objectives:
- provides quantitative human resources
- ensures the human resource in the units
- analysis in terms of human resource skills;
- term insurance with human resources.

2.1. Providing quantitative human resources at a company level analysis
Setting up a strategy for the development, the continuous deployment of work process involves knowing the human potential in quantitative terms.
 Its size, the classification, its co-interest must be consistent with the output produced, the technological potential the company disposes of. Managerial attributes are met when one knows, after the analysis, the human resource available, and could thus make decisions on hiring, restructuring or reducing staff.
Human resources available in an enterprise can be characterized by the following indicators:
1. *Number of employees at a time* - is the number of employees and is aimed at the beginning and at the end of management period.
This indicator includes all the employees with individual employment contract (indefinite or fixed) at a time, people who worked and those who have not worked, being on sick leave, maternity leave for childcare, holidays, leave without pay. Such an indicator highlights the whole human potential, but does not show its usability.

2. *Number of employees at some point* – it has the same information content as the number of employees at a time, but this indicator relates to both employees and contract personnel service, collaboration, agreements, being greater in size than the number of employees at a time.

3. Average number of employees - this indicator is calculated as a result of the existence of the movement of staff phenomenon(personnel entries and exits) and is considered as an indicator of the flow of personnel;
Average number of employees is calculated as a simple arithmetic medium of the daily employees livestock and it can be done daily, monthly, quarterly and annually.
4. Average number of staff – it is calculated as the simple arithmetic medium of the daily personnel livestock.
5. The maximum allowable number of staff - is the upper limit of the number of staff and it is determined having given the volume of activity and the average labour productivity, being noted down in the budget revenue and expenditure costs of undertaking.
Sizing the human resources shall be based on the production and labour standards. Labour standards are currently set by each company based on technical equipment, measurement, timing of the human resources, etc, these rules may be:
- of time;
- of production.

2.2. Ensuring the human resources in the units analysis
Such an analysis is necessary to highlight certain features of the workforce in an organization. Conformation of an optimal proportion between operational staff and the inoperative one represents a condition for an efficient activity. Grouping people to study and discover the causes which led to inefficient use is essential.
Depending on the purpose, the structure analysis is performed using several grouping criteria:
1. according to the role occupied in the production activities we distinguish:
a. workers:
- directly productive
- indirectly productive;
b. technical staff: - economic, engineers, sub engineers;
c. economic trained personnel;
d. technical management staff: foremen, technicians;
e. management and administrative staff;
f. general service personnel: service, security, firemen.
Such an analysis, in relation to the personnel occupation highlights the personnel needs of qualifications, of employment or dismissal.
2. by age:
a. under 25 years;
b. between 26-35 years;
c. between 36-45 years;
d. between 46-55 years;
e. over 55 years.
3. by seniority in the enterprise:
- this criterion aims the existence of a balance between experience and maturity of the elderly and the enthusiasm and initiative of the young. One can watch from seniority intervals from - 5 years, 5-10 years, 10-15 years etc., or selected age groups with a spacing of 5 to 10 years.
4. by sex:
a. male;
b. female,
5. according to training:
a. workers (skilled, unskilled);
b. professional staff (with secondary or higher education);
c. administrative technical staff (high school or higher);

d. management staff.

6. according to business functions:

a. research and development;

b. production;

c. marketing;

d. staff;

e. the accounts function.

Applying these criteria should not be a rigid, but flexible depending on the purpose and could also be found other classification criteria and applying the above criteria according to different levels of the human setup of the economic agents.

As a method of analysis it is used the total weight of each category of staff (rates structure) method.

2.3. Analysis in terms of human resources qualification

Workforce (human resources) is analyzed in dynamic both in terms of volume and of structure, but also in terms of its classification, so a qualitative analysis of human resource.

By qualification, in a narrow meaning, we understand the acquiring in a certain period of time of a minimum level of knowledge and skills in a domain, a checked and accepted quality by a committee based on examination of the theoretical or practical evidence.

Specific indicators of quality human resource analysis are:

1. Qualification weighted average (Km): $Km = \sum Ni \times ki / \sum Ni$

where:

Ni = number of categories of skilled workers

Ki = skill category

If workers, these categories range from I to 7.

2. Complexity of workers weighted average (Kt) : $Kt = \sum Vli \times Ki / \sum Vli$

Vli = Volume of work: in days /man, hours /man, standards/ man

Ki = category of complexity of the work(from l to 7).

Qualification is not a static size, it changes from one period to another, a change due, first, to the degree of complexity of the work that must be executed and on the other hand due to the technical progress. It is necessary to pursue the correlation of the qualification levels with the level of efficiency to determine the economic limit for qualifying expenditure growth. There are attempts in this regard, which correlates the indicators of skill increase with the economic efficiency growth indicators.

The deficiency of these indicators is that they issue from the assumption that the economic effects get the same proportion with the increase in skill level, in reality, economic efficiency growth is not only the result of the staff qualification, but of other direct factors of the nature of the setup and of the technical progress. The most commonly used indicator in this regard is the coefficient of elasticity which shows us how the efficiency indicators increase when change with a percentage of skill levels indicators takes place.

Qualitative aspect of workforce a trader disposes of is an important component in the functional companies organizational system, because, largely, the dimensioning of the volume of production and economic efficiency expressed in various forms (productivity, profit per employee, etc.)depend on its level. It is useful that the staff qualifications analysis to be done in "levels" according to the human organizational structure of societies. In this way, one can watch for:

- staff working in production units;

- average and higher wage staff from the functional departments;

- management and security personnel;

- management board personnel of the company (company management).

2.4. Term insurance with human resources analysis

Qualitative side of the workers related to ensuring the stability of personnel is an important prerequisite

in the efficient use of workforce.[74]

Workforce mobility is actually given by the interference of two flux of staff, which develops at the economic agents level, namely:

- personnel input flux;
- personnel output flux.

Depending on the nature of causes that lead to the mobility of working personnel, the economic agents are facing in terms of two different phenomena:

a. the labour movement is an enterprise staff movement during a period, both in terms of inputs and outputs for normal reasons: transfer, illness, retirement, death, disability;

b. labour turnover is an abnormal phenomenon which refers to labour output in an entreprise without the management's approval, or termination, as a result of breaking of employment contract.

Labour mobility and stability analysis is achieved through specific indicators:

1. Indicators of labour mobility:

a. indicators of the labour movement:

a 1) average ratio of staff input (Ci) : $CI = I/Np$

where:

I = input

Np = average number of staff

Analysis of personnel entries must be made considering the employment and namely their source.

Sources of employment come from:

a. labour-offices;

b. vocational schools;

c. high schools;

d. post-secondary schools;

e. higher education.

The principle that must underpin employment must be that of professional competence.

a 2) the average ratio of staff exits (Ce) : $Ce = E/Np$

where:

E = exit

Np = average number of staff

Within the staff output analysis there should be a clear distinction between natural leaves category and those with unjustified causes. For the second category, the implications of such a business phenomenon should be established.

a 3) Average ratio of total movement (Cm): $Cm = (I+E) / Np$

Where:

$l + E$ = input + output

Np = average number of staff

b. indicators of labour turnover - staff turnover coefficient (Cf) : $Cf = En/Np$

where:

En = total personnel output of unjustified reasons

Np = average number of staff

The analysis based on these indicators is carried out dynamically from one period to another, for at least 3 to 5 years. Such an analysis highlights the increasing or decreasing trends of the phenomenon of personnel movement.

2. Indicators of workforce stability:

a. age in the same unit is calculated by the relationship : $Vt = \Sigma t / \Sigma T$

where:

Σt = seniority expressed in years of all staff in that unit;

ΣT = total seniority of each worker, expressed in years

The value of this coefficient in ideal conditions should be also 1.0, this value would indicate a perfect stability of the workforce. The more it deviates from 1 value, the lower employment stability, with unfavorable implications on business.

b. the average age in the same unit is calculated as a weighted arithmetic medium between seniority of workers in the unit and the number of employees having the same experience:

$Im = \Sigma N \times t / \Sigma N$

Calculation of average age indicator in the same unit and its analysis should be made in dynamic to determine the trend. The values of this coefficient should be linked to the alleged economic and financial indices: production year, commodity production, turnover, added value.

3.Conclusions:

Practical work shows that the most common underlying causes of fluctuation are:
- dissatisfaction of employee- driven by causes more or less objective, from misunderstandings about the way of establishing entitlements;
- deficiencies in the work of organizing production and labour often lead to conflicts with the boss directly: deficiencies in planning workplace (facilities, equipment, supplies materials, lighting, ventilation, temperature, noise, danger, etc..) work schedule (shift work, overtime or holidays, granting leave, etc.), chiefs and colleagues attitudes ;
- poor working conditions with a higher degree of toxicity;
- psychosocial dissatisfaction: providing housing opportunities, proximity to home, transport desires and aspirations instability (lack of maturity, people change their work after various fads), unrealistic expectations prove
- profession complaints: a desire for better conditions in terms of the nature of the work(According to competence, to avoid monotony, opportunities for self-improvement), prospects for promotion.
Evidence shows that at least 50% of leaves are due to factors inside the enterprise, they can be directly influenced by foreman, head of department or co-workers by following a few rules:
- the permanent knowledge of members of a group and their behaviour in and outside the enterprise;
- training and fostering team spirit and creating an appropriate work environment;
- open and direct approach of problems which leads to the desire of changing jobs;
- particular attention given to newcomers in the band, regarding their group integration.

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STUDY ON THE PERCEPTION OF THE EMPLOYEES RELATED TO THE TRAINING OF FUTURE GRADUATES

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At present, taking into consideration the economic situation and the aspects related to the social life, the students need permanent guarantees that the standards of their diplomas are acknowledged by the future employees at a national and international level, and the employees need guarantees that they may choose from well trained future employees. Among the important elements of quality assurance, the feedback of the employers or potential employers – respectively of the business market, represents a strategic element of a competitive and efficient quality assurance system of any university.

Keywords: practical training, lifelong learning, higher education, tutors.

JEL Classification Code: M 20

Higher education is a service offered to society, which has a very strong impact on the personal development of individuals, as "it offers them the chance of being more freestanding, to have increased social mobility, professional and international mobility, increased incomes and increased empowerment"[502].

The permanent increase of the population who has access to this service (at least at the level of year 2008) has created higher expectations, increased demands of the beneficiaries of these services. Although several young people do not succeed in making the necessary effort to graduate, the profit brought by this kind of education is clear and unanimously recognized in the Romanian society, so that we may uphold that all Romanian competitive universities are engaged in lifelong learning.

At present, taking into consideration the economic situation and the aspects related to the social life, the students need permanent guarantees that the standards of their diplomas are acknowledged by the future employees at a national and international level, and the employees need guarantees that they may choose from well trained future employees.

There is a common belief, presented in the Standards and Guides for Quality Assurance[503], that the formal policies and procedures, prepared by the Romanian Agency for Quality Assurance in Higher Education (ARACIS) together with the Ministry of Education and the management of universities, offer a framework where each higher education institution may develop and monitor the efficiency of its own system of quality assurance, and thus, the superior quality of the educational services offered. By the development and implementation of its own strategies, policies and quality procedures, the higher education institution engages explicitly to promote quality in all its activities.

Among the important elements of quality assurance, the feedback of the employers or potential employers – respectively of the business market, represents a strategic element of a competitive and efficient quality assurance system of any university.

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[502] POPESCU Sorin, Constatin Brătianu coord., Gabriela Atanasiu, Costache Rusu, Constantin Oprean, Adrian Curaj, Ştefan Buzărnescu, Ioan Pânzaru, Ghidul *calităţii în învăţămîntul superior,* Editura Universităţii din Bucureşti, 2004, pag.7.
[503] www.aracis.ro

In this context, according to Law no. 258/ 2007[504] on the practical training of pupils and students, Order no. 3955 / 2008 on the approval of the general organization framework of the practical training strategies of the bachelor and master degree programs, of the Ministry of Education, Research and Youth, and the Regulation[505] on the professional training of the students of "Dimitrie Cantemir" Christian University, Bucharest, the Faculty of Economic Sciences of Cluj – Napoca has made a study on the perception of the employers related to the training of the students. This study is a preliminary test of the questionnaire which the faculty wants to use in the future in all its collaborations with the practice partners.

Based on an evaluation questionnaire for the interns, prepared at the faculty, the tutors (persons appointed by the practical training partner, who assure the observance of the training conditions and the knowledge of professional abilities planned for the period of the practical training), and the members of the department that prepares the practical training were asked to complete these questionnaires. We have interpreted the answers in this paper.

We have to mention that the staff of our training partners for 2009 – 2010 academic year, for the students of the Economy of Commerce, Tourism and Services are persons from the sales and marketing departments of various companies, performing commercial activities, in Cluj – Napoca:

No.	Practical training partner	Department	Number of employees in the department	Number of interns	Number of processed questionnaires
	Company 1	Sales department	5	3	15
		Marketing department	3	2	6
	Company 2	Sales department	4	4	16
		Marketing department	1	1	1
	Company 3	Sales department	3	3	9
	Company 4	Sales department	4	4	16
Total			**20**	**17**	**63**

The questionnaire includes several questions. The respondent has evaluated each intern practicing in his department, using an evaluation scale from 1 to 5, where 5 means "very well" and 1 means "insufficient".

Respondents' answers related to the evaluation indicators of the interns

Evaluation Indicators	Number of answers					Total
	Very well (5)	Well (4)	Indifferent(3)	Sufficient (2)	Insufficient (1)	
Work quality						
- understanding	9	29	4	18	3	63
- speed and amount of work performed	11	27	9	9	7	63
- achievement of the tasks given	17	19	5	12	10	63
Reasoning						
- capacity to make logic and viable decisions	20	25	5	9	4	63
- capacity to act independently or to	21	24	6	9	4	63

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[504] www.edu.ro
[505] www.ucdc.ro

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ask for help						
Creativity						
- capacity to suggest viable alternatives	7	16	9	25	6	63
- capacity to apply efficiently their knowledge and abilities	10	18	28	5	2	
Problem solving						
- capacity to identify, analyze and solve the problems	18	21	5	12	7	63
- capacity to analyze the impact of decisions before performing them	9	14	6	28	6	63
Planning and organization abilities						
- capacity to prioritize	6	17	8	26	6	63
- capacity to observe the planned program	21	25	6	10	1	63
- capacity to manage time in an efficient manner	9	14	6	28	6	63
Communication and interpersonal abilities						
- capacity to express correctly and concise, both orally and in writing	5	19	6	29	4	63
- capacity to be a good listener	11	19	5	26	2	63
- capacity to interact tactfully when he has contact with internal and external staff	12	18	10	21	2	63
- capacity to adapt to the team work, to collaborate to the achievement of the tasks	12	17	6	28	0	63
- punctuality	21	19	5	11	7	63
- capacity to evaluate critically his own activity and to be impartial	15	20	8	13	6	63
- capacity to maintain confidentiality and to be trustworthy	27	19	6	10	1	63
Professional curiosity and wish to learn	19	21	5	11	7	63
Ability to use the logistics (computer, telephone, etc.)	26	21	5	9	3	63

Respondents' evaluation

	Evaluation indicators	Average score
	Work quality	
1	- understanding	**3,36**
2	- speed and amount of work performed	**3,41**
3	- achievement of the tasks given	**3,33**
	Reasoning	
4	- capacity to make logic and viable decisions	**3,76**
5	- capacity to act independently or to ask for help	**3,82**
	Creativity	
6	- capacity to suggest viable alternatives	**2,89**
7	- capacity to apply efficiently the knowledge and abilities	**3,46**
	Problem solving	
8	- capacity to identify, analyze and solve the problems	**3,49**
9	- capacity to analyze the impact of decisions before performing them	**2,87**
	Planning and organization abilities	
10	- capacity to prioritize	**2,86**
11	- capacity to observe the planned program	**3,87**
12	- capacity to manage time in an efficient manner	**2,87**
	Communication and interpersonal abilities	
13	- capacity to express correctly and concise, both orally and in writing	**2,87**
14	- capacity to be a good listener	**3,17**
15	- capacity to interact tactfully when he has contact with internal and external staff	**3,27**
16	- capacity to adapt to the team work, to collaborate to the achievement of the tasks	**3,21**
17	- punctuality	**3,57**
18	- capacity to evaluate critically his own activity and to be impartial	**3,35**
19	- capacity to maintain confidentiality and to be trustworthy	**3,97**
20	*Professional curiosity and wish to learn*	**3,54**
21	*Ability to use the logistics (computer, telephone, etc.)*	**3,96**

If we make a graph of the results obtained, respectively the average value of the marks, taking into consideration that the maximum mark that may be obtained for each indicator is 5, we have the following information:

```
5

4        3,41        3,82        3,46                    3,87                    3,97   3,96
   3,36  ●    3,33  3,76●         ●    3,49       ●            ●    3,17  3,21  3,35●
3  ●          ●    ●         ●    ●            ●    ●    ●    ●    ●    ●    ●    ●
         3,36       2,89       3,49  2,87  2,86  2,87  2,87  3,27  3,57       3,54

2

1

0
   1  2  3  4  5  6  7  8  9  10 11 12 13 14 15 16 17 18 19 20 21

              ◆ Average score
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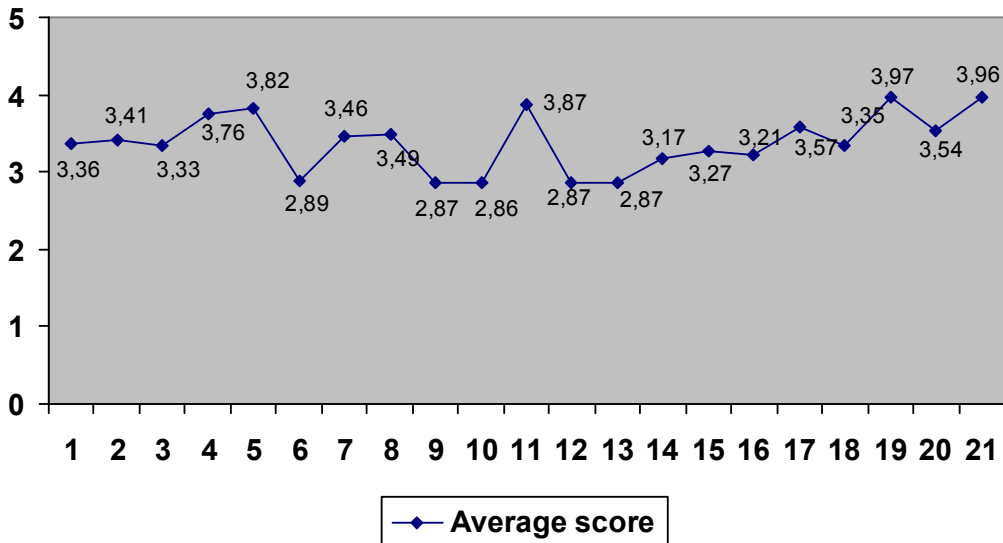
– the lowest average score is for the "***capacity to prioritize***" – *2,86* (when 41,26% of the respondents gave the mark "satisfactory" for this indicator). If this result is correlated with the very low score of the indicator "***capacity to manage time in an efficient manner*** " – *2,86,* we have an unfavorable image of the element "Organization and planning activities"; namely, the future graduates have problems with organizing activities. The majority of these students are not capable to identify the priorities and manage their time to fulfill their tasks. We may ask the question if this result is a signal related to the way the students are "fed" with theoretical elements, without having enough time to practice; or if there is a deficiency in the relationship with the practical training tutor, who cannot send the adequate information to the student. We think that both situations may be improved if in the future we lay stress on teaching strategies focusing on the student, on creating learning methods focusing on the student and if we renounce partly to the classical teaching method, which concentrates especially on giving information.

– we think that the low result obtained for the indicator "***capacity to express correctly and concise, both orally and in writing*** " – *2,87* is the unfavorable effect of the examination methods, as we know that in the higher education system, the written examination is the most used examination form. As if it weren't bad enough this way, we have gone further and generalized the level of the bachelor programs, and the students have multiple choice forms to complete for their exams. If for the written exams, where the students have to present the exam subjects, we have the possibility to see at least how they think, how they express in writing, at present, using the multiple choice tests and eliminating almost totally the oral examination, based on the hours spent by the students in front of the computer – we have "stolen" from them this minimum possibility to express themselves! We ask ourselves if this is a strong signal that the examination methods should be re-thought for the benefit of the student, by choosing methods focusing on the student, as we have already mentioned: case studies and role – playing games during the seminars, respectively oral examination or based on projects for semester examinations. Is this the result of the pressure made by universities that register many students, without being able to offer them the necessary conditions for a quality education service?

- as related to the result obtained for the indicator "***capacity to maintain the confidentiality and to be trustworthy*** " – *3,97*, we think that this is the result of the confidentiality conventions that the interns have signed with some practical training partners, by which they have undertaken to observe the confidentiality of commercial information they would find during their practical training;

– it is important to notice the results obtained for the indicators "capacity to act independently and to ask for help", respectively "capacity to observe the planned program", which make us see better the employment possibilities of the future graduates.

We think that this is a present-day subject. The partnership between universities and business environment is only the beginning, because as we try to understand each element that may connect the university and business environments, we find more and more questions that we have to answer as quickly as possible.

Analyzing the first information, we think that the persons in charge with the practical training of the students, together with the practical training partners, permanently involving the students and all academic staff, have to be responsible for these practical trainings and analyze the following aspects:

- alternatives of the teaching strategies focusing on involving the students in the teaching process, in order to offer them the possibility to improve their communication abilities, both in writing and especially the oral communication;
- involvement of the Student Career Orientation and Counseling Centre, which operates at each university and / or faculty and which should concentrate its whole activity according to the needs identified as a result of these studies, and at the same time to be a collaborator of the faculty in its relation with the business environment;
- re-thinking of the examination forms and change of the written examinations with other forms of examinations as projects, test based on oral examinations;
- organization of round table discussions where the representatives of the universities should discuss the best practices in the field of these strategic partnerships between the universities and the business environment;
- organization of periodic meetings with the representatives of the business environment to identify the contradictions between the training of the future graduates and the requirements of the employers, as related to their training for their profession;
- determination of performance indicators for the students' professional activity, correlated to the results of these permanent studies of the employers' perception, in order to obtain a quality educational service.

We think that within the context of the present reform of the Romanian education, the attention of the Romanian universities for the practical research activity, respectively for the students' practical training, both at the bachelor and master degree programs (or maybe especially at these levels) should represent an important part of the process for the adaptation of the institutional evaluation procedures to the European standards for higher education.

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SMES COMPETITIVENESS AND ENVIRONMENTAL INFLUENCES

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In the related literature, there are many ways in which company competitiveness can be defined and understood. The purpose of this research is a better understanding of the SMEs competitiveness from the West Region of Romania. This study presents preliminary results of a research focussed on SMEs competitiveness. There are some positive and negative local and national factors which are influencing firms' competitiveness. This study confirms us our presumptions. The internal and external environment's influences on SMEs are very strong. Managerial competence and good managerial practices are very important factors in the durable success of SMEs.

1. Introduction

SMEs plays an important role in our local economy. This role will increase in the future. It is very hard to determine the influencies on SMEs competitiveness. We are sure that both factors, internal and external, are important for SMEs competitiveness. We do not propose here a methodology to find which factors are very important in SMEs competitiveness. It is difficult, because the importance of factors is changing now from one period to another. But we can say that, in the actual turbulent environment, these factors are constantly important for SMEs competitiveness: managers and their managerial ability.

2. Literature Review

In the related literature, there are many ways in which company competitiveness can be defined and understood. There is not a universally accepted definition of company competitiveness and there is a lack of precise definition of this concept.

At a country level, competitiveness is determined by productivity, depends on firms strategies, is, partially, the results of relationship between companies and local business environment, depends on social and economic objectives synergy and is influenced by factors from external environment (M. Porter). According to Porter, there are some internal and external factors that create a context in which firms compete and determine the ability of a firm to maintain its market share, to compete successfully.

During the time, many researchers focused on company international competitiveness, with examples from multinational companies. A neglected subject was the SMEs competitiveness, especially those companies, start-up firms, from Central and Eastern Europe, which are operating only in a local and/or regional market.

Many researchers are considering that competitiveness is synonymous with success and that means achievement of firm's objectives.

3. Research Methods

Our research is going on from the following *assumption:* the SMEs competitiveness in the Timis county is influenced by external and internal environment including entrepreneur's profile and competency.

We have used a questionnaire with 23 pages, 6 sections (with subsections) and 111 questions. The first section contains information about founder, company, field, employers, turnover in the last 5 years. (basic information). The 2nd section (the entrepreneur) contains information about the entrepreneur: education, training, experience, motivations to start a business, succes factors. The 3rd section (companies profile) contains information about human, physical, financial resources, companies performance. The 4th section contains information about business environment. The last section contains information about entrepreneurship and ethics. This questionnaire was used in a previous research of a finished grant about SMEs competitiveness, directed and managed by Professor Nicolae Bibu, PhD. We also ask a question concerning the current crisis. We want to knpw if their firms were prepared for economic crisis.

The sample included only companies with income statement and balance sheet from an official database. We received and processed questionnaires with valid responses. The companies questioned were from *different fields*: production (70%), trade (20%), others (10%). The majority of questioned enterprises are in the top of *first 50% of competitors*. We focussed our attention on some SMEs county.

4. Results

In Romania, in 2007, the number of active SMEs was about 487,628. In 2009, the estimated number of SMEs was 600,000. Most of the SMEs were microenterprises, (88%), while 10% were small enterprises and 2% were medium-sized enterprises.

Sample structure by field of activity in 2007 shows us that there are many SMEs in the services sector, (75.5% including trade, different services, and tourism). In the industry and energy field were 12.41%, in construction 9.41% and in agriculture and forestry were 2.88%. In our country the number of SMEs was growing continuously since 2002. There was a favourable macro-economic context which influenced many people to start a small company.

In Romania, in 2009, the number of SMEs per 1000 habitants was about 26, very far from the EU average, 50.

In the Timis County, in 2007 there were 22,394 SMEs. Most of them were microenterprises (88.7%), while 8.9% were small companies and 2.4% were medium-sized company. Since 2002, when the number of SMEs was 12318, the number of SMEs was increasing continuously. Year by year, we can talk about a slowly growth. Most of SMEs were in services (79%). In the industry and energy field there were 11%, in constructions were 10% and in agriculture & forestry. The number of SMEs per 1000 habitants was about 32.5 in 2007.

We found that our companies have only internal competitiveness. This concept means that a SME is competing with other companies only in the local/regional/national market, in our case Timis / the West Region or Romania. We think that most of studied SMEs were defensive, very preoccupied to maintain their market share and gain an acceptable profit.

In our studied companies, the turnover was growing slowly in the last 5 years. The profitability rate was 15% (per all). In production SMEs the average of profitability was 10%. In the field of services, the profitability rate was 30%. It is important that we can discuss about the growth process. The net profit has increased continously, but the growth was very slow. The main factors for this continuous increase were: improvement managerial skills; new distribution channels; modernization in technology, growth in production capacity; improvement in people motivation. The products are sold in the domestic market.

We found that *entrepreneurs* are important in the firm's growth process. They are the key in the entrepreneurial process. The owners have learned to become good managers for their business. Most of them have higher education (70%). They have technical education (80%) and economic education (30%). 40% from all entrepreneurs have followed managerial training programmes. The average age for

entrepreneur is 45 year. About the entrepreneur position in company, 80% are also managers, in most than 50% cases they are top managers.

The *external environment* influence on SMEs perceived by owners/managers is very strong. The actual environment is more uncertain, very difficult to understand.

The external environment, is influencing the small and medium sized competitivietiess, and of course, management decisions. Through our questionaires, entreprepneurs-managers have identified some external factors with positive influences on their productive business, in the 2005-2009 (during the first 3 months) period: the increase in the demand for their products in local markets; infrastructure modernization; opportunity for investments financing (EU money, structural programme) simplified acces to loans; best quality of raw materials; production methods and modern technologies; growth in population buying power; positive modification in rules, governmental policies.

90% from questioned companies recognized that growth demand for their products in local markets is a very strong positive factors for their business, especially for companies with low performance. 60% from SMEs said that simplified acces to loans is not so important for profit growth average rate. Infrastructure modernization is a very important factor for 50% questioned SMEs, per all. 84% of SMEs evaluate as being important the influence of investment financing opportunities on profit and of course on development process. Financing is also very important for business development and for profit growth average rate. Financing opportunity is also important for turnover average growth rate, for 80% of SMEs.

In the same time, we have identified factors which may have a negative impact on business development. Raising prices on raw materials and utilities have a strong influence on SMEs profits. The growth of competition is a very important factor, with a strong influences on turnover and profit rate. Entrepreneurs are espected tthat competition for resources and clients will be very strong. Legal and political factors are also influencing managerial decisions in company. To many taxes creates problems for small firms.

Entrepreneurs were asked about their strenghts against competitors, which helps them to obtain good results: excellent organization; planning competence; good relationship with workers; marketing abilities; technical competence. Good workers, modern technologies, a good quality of the product/services, a good relationship with actual clients, inovation, enough financial resouces, good strategies are also important for company competitiveness.

New EU regulations, including environmental protection, is a important factors with strong influences on companies profit (48.1%).

The main obstacles for business were: the payment for delivering products; the low level of qualified workers and the weakness financial power (difficulties in obtaining financial resources).

Most of firms have appreciated that integration in EU is a positive factor for their business because of opportunities (new markets, free circulation of goods, a better access to raw materials). The influence of this factor on profit rate evolution is not so strong. All of entrepreneurs believe that increasing loyal competition is good, forced them to be more attentive to their products and clients.

Our questioned companies have the ability to provide products/services to consumers in an efficient and effectiveness manners. They have a competitive advantage among competitors and are able to generate profit (even the profit rate is low it is important that is profit).

Entrepreneurs consider that achieving success requires rapid, efficient and effective actions. Companies must be proactive, must be able to forecast the actions of external environment, anticipates changes and to prepare the answers. In our study, micro enterprises and small firms are active-reactive firms. They know that they must react in a short time, since the opportunity/threats have identified.

We can say that in most of the cases we found that there is a strategic approach, thinking, but few companies are really having a strategic plan.

There are many factors, from inside and outside the company, which can create a favourable conjuncture and the company achieve a temporary competitive advantage. The success consolidation

depends on entrepreneurs, on their managerial ability to adapt environmental changes. Small firms are not so oriented to innovation (product, process, method).

In the future, the entrepreneur-manager must talk about sustainable success in both markets. That is why it is not enough for companies to compete only on the internal market.

Most of entrepreneurs said that they were not prepared for the crises. They were not enough interested in growing economic efficiency in their companies, especially reducing costs.

5. Conclusions

After this research, we are able to formulate *some conclusions concerning the SMEs growth and competitiveness*, from our questioned companies:

- For small business entrepreneurs, forecasting time horizon is limited under two years; in most of cases, entrepreneurs are managers and they are very implied in day to day activities. They do not have enough time to prepare long time plans.
- They have personal objectives which are related with companies. We found especially short time objectives.
- They do not use planning modern instruments (for studying external environment).
- They do not use contingency plans.
- Most of entrepreneurs have a flexibility in behaviour.
- Small businesses are very strong market oriented.
- Some external factors (economic factors) have a strong influence on internal competitiveness in the Timis County.
- A very important problem is the quality of qualified workers. We know that people, workers and managers make the difference between companies.
- Personal implication of entrepreneurs in problem solving helps many small companies to obtain favourable economic results. But is not a good practice for long time. As companies grow, managers must learn to delegate authority.
- Management style is influenced by entrepreneur's personality, his knowledge about management styles;
- Many companies, especially small companies have lack of formal information system; they are not able to process efficiently external information. In forecasting, entrepreneurs need many and different information
- In decisional process, managers are based more on creativity and their experience.

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AN INTEGRATED AND EMPIRICAL MODEL OF PERFORMANCE ASSESSMENT. A CASE STUDY

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In this paper we present a new and competitive personnel assessment procedure, developed and tested on the General Social Care and Child Protection Department of Bihor County. The procedure is based on behavioral anchors evaluation scales and has a seven folded structure, completed by the employee and the hierarchical coordinator. The evaluation of this scale proved valid and also reveled the fact that in assessing the professional performances we cannot use only the self-evaluation, which is under the risk of subjective influence, but in the same time we cannot use only the evaluation of managers because they don't capture specific aspects of behavior on the workplace.
Key words: performance assessment, personnel evaluation strategies.

Performance assessment between theory and practice

The efficiency of organizations can be analyzed also in terms of the efficiency of its personnel: to what cost and with what results a certain activity can be carried out, how can one improve the results obtained, and how does each individual contribute to the achievement to the organization's goals are important questions. In the dynamic of labor markets and theories as well as practices of human resources, the role of assessment of goals, of structures and as people became an important dimension of evaluation of a given organization. Having efficient employees is a key element in both public and private organizations.

In an organizational structural, the appreciation of professional performances represents a goal which focuses mostly on an objective measurement of results. This activity is based on self evaluation as well as on a received feed-back regarding personal achievements. Nonetheless, personnel assessment can offer a starting point in stimulating performance, a method of correction deficiencies related to work results, as well as the foundation of human resources management strategies.

Romania is one the first countries that regulated this activity through the Law no. 12/1971 and then consequently in 1998, 1999 and 2001 (Laws no. 154/1998, 188/1999 and Governmental Regulations no. 775/1998 and 1084/2001) through which there was initiated a personnel assessment system first for public employees and then for other categories of personnel (Pitariu, H., 2003, p. 113-115).

Professional performance assessment represents a complex activity based on a synthetic analysis of previous activity undertaken by a person. This procedure starts from establishing the objectives of assessment, continues with the investigation of the situation and the construction of assessment instruments, data gathering and analysis, interpretation of results, description of performances and the creation of a strategy.

"Personnel assessment can be defined as a set of processes through which critical judgments are issued on the personnel, considered individually, as employees in a concrete position, with the aim of reveling the key elements of the way objectives are achieved, concrete actions are carried out and the responsibilities and competences are practiced, as well as to set the retributions, define the training strategy in terms of qualification improvement needed and elaborate the promotion perspectives". (Nicolescu, O., Verboncu, I., 1995, p. 324)

It is a complex process, often controversial. In order to ensure the correct measurement of results it is important to correlate this activity with an advanced evaluation technology which can offer logically set criteria, realist performance standards, as well as the use of adequate evaluation instruments and methods. In this context the evaluation procedures should correspond to the firm's vision regarding the way activities are organized and coordinates personnel, the procedures being standardized to avoid biases induced b y the evaluator. Standardization is ensured through training of evaluators, use of written forms and audio-visual matherials. More, the information used should be reliable to avoid errors in the results (Byars, L., Rue, L. W., 1991, p. 311-343).

Analyzing the way organizations assess personnel performances one can draw the conclusion that there is no ideal procedure, the methods and techniques used being the result of several factors such as: organization culture, the size of the firm, domain of activity, strategic trends, objectives, the employment methods, remuneration and promotion system, etc. (Mathis, R. L., Nica, P. C., Rusu, C., 1997, p. 162). In this context it is crucial to set several methodological and organizational standards for the assessment of personnel;

- the assessment criteria should be differentiated on the nature of jobs, the potential of the organization and its objectives;
- assessment should be unitary,
- assessment should be relevant, conducted during a longer period of time,
- assessment methods should focus on the characteristics of each separate jobs,
- assessment should be based only in correct information which can be verified,
- assessment results should be communicated to the persons evaluated, along with necessary recommendations. (Burloiu, P., 1997, p. 157)

The elaborated models of personnel assessment, as opposed to the empirical ones (Pitariu, H. D., 2003), are determined on criteria, concepts, methodologies and evaluation standards based on scientific knowledge. These models target the performance analysis of managers and personnel on the following elements: the structure of personality and specific experience, process related mechanisms of professional behavior, amd the product of professional behavior.

Another relevant aspect of the characterization of performance assessment systems is represented by the social actors involved in this process. Thus, depending on the organizational structure and culture, one can find only the involvement of the employee and its direct coordinator, or we can find also the involvement of: colleagues and collaborators, subordinates, internal or external clients, or even external evaluators (Abrudan, M., 2009). In this sense, it is worth mentioning that participative managerial styles promote an assessment procedure in which the assessed person is actively involved sometimes even at setting sanctions and personal developmental plans.

Proffesional evaluation scales
One way of assessing the professional performance refers to the use of behavioral scales. They proved to be the most effective types of performance appraisal systems, mainly due to their reliability, high validity and the possibility to reduce systematic errors compared to other evaluation methods. In this category are included the behavioral anchors scales (S.E.A.C) and the mix standard evaluation scales (SEMS) (Codoban et. all, 2003, p. 46). The evaluation scales that are focused on behavior are continuous assessment techniques in which the items used for classification are possible examples of conduct relating to a specific job. This kind of scales measures the specific level of performance for each dimension of the job. The evaluation scales based on behavior reveals concrete conducts, observable and measurable corresponding to the target job. Using behavioral anchor scales in the professional performance evaluation process we can obtain specific information about the persons which are evaluated. The first step in this technique is to establish the criteria that need to be followed in the evaluation process, and further to award grades for each criterion (Pânişoară, G., Pânişoară, I., O., 2007, p. 154). The starting point for the elaboration of a assessment system such as the behavioral anchor scales is the idea that the assessment errors can be avoided if the assessor is actively involved in

the grading process, objectively filling up the evaluation form. Also, is extremely important to involve the assessor in the elaboration of the scoring system (Pitariu, H. D., 2003, p. 153).

The logic of the scales with behavioral anchor S.E.A.C. (Landy, F. J., Trumbo, D. A., 1980, p. 276) is that the anchors are explanatory statements that can accurately distinguish a good from a weak one employee. These types of scales meet three important criteria: professional success factors are defined with great accuracy, anchors describe with precision the positional categories of each job dimension, and the grading process is based on specific instructions for operating the scale.

The construction of an expectation evaluation scale implies the involvement of specialist in the elaboration process (Smith, P. C., Kendall, L. M., 1963, p. 149-150). In the initial phase, specialists establish the dimensions of a certain sector. Subsequently, to each dimension are assigned professional performance behaviors: superior, medium and inferior. These examples of behaviors are then selected using a group of experts whose task is to eliminate those behaviors that cannot be properly framed in the dimensions. The selected items will represent the final scale used in this research.

Data and measure

To measure the job performance recorded by the social workers from the General Directorate of Social Work and Child Protection Bihor, we used an evaluation scale with behavioral anchors, based on the model of behavioral anchors scales SEAC. The scale was build using the support of professionals operating in the institution in order to capture specific aspects of the activity from this type of institution. We note that the scale with behavioral anchors used in this study was not validated before.

The research was conducted with the participation of 50 social workers and 8 head of services, employees of the Directorate of Social Work and Child Protection of Bihor. For the construction of the scale we involved the 8 head of services. Using the information gathered from them and the legal information regarding the performance criteria used in the individual performance evaluation of employees in public institutions (Order no. 13 012 of 13 November 2007), together with the experts, we drawn the items and the description of each item from the scale. This form was examined by a number of 7 experts (sociologists, social workers, psychologists), who were tasked with the discussion and the selection of the items included in the final scale. This evaluation scale uses professional performance criterion for the social workers who work directly with the beneficiaries of social services.

The scale is built on 7 dimensions (see Table 1). For each item, the assessor can give grades rating from 1 to 9, where 9 represents exceptional performance, 5 represents average performance and 1 represents poor performance.

One of the objectives of the study is the validation of the scale, both for the self-evaluation and for the evaluation by the manager. The research also sought to capture the difference between the self-evaluation scores and the evaluation scores.

Results

As presented in the table below, results show differences between the scores obtained through self-evaluation and scores obtained through evaluation by directors. Also the graphic representations of the distribution of scores for each dimension reveal us differences regarding the normal curve. The graphics implies higher Kurtosis values for the distribution of scores from the evaluation scale, compared to the self-evaluation scales. This means that managers more frequently use values from the two poles of the scale, compared with employees who have a tendency to use central values for the self-positioning on the scale. For each dimension of the evaluation scale, employees obtained lower scores from the directors, compared to the values given by themselves.

Table 1. Mean values for each dimension

	SELFEVALUATION		EVALUATION	
	Mean	Std. Deviation	Mean	Std. Deviation
D1. Theoretical and practical competences	7,53	0,680	6,67	1,546
D2. Professional interest, self-evaluation	7,90	0,941	6,80	1,369
D3. The ability of problems solving	7,73	0,861	6,98	1,233
D4. The ability of organization and planning	7,94	0,899	7,18	1,034
D5. Interpersonal relationships and communication abilities	8,18	0,882	7,53	1,120
D6. Compliance with labor discipline	8,45	0,738	7,43	1,000
D7. Ethic behavior	8,69	0,508	8,35	0,561
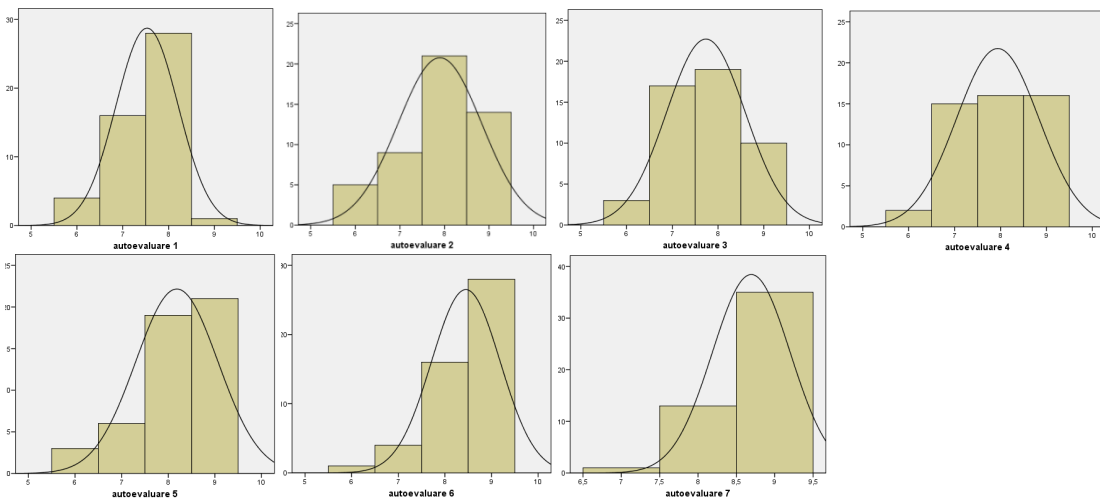
Figure 1. Distribution of the dimensions from the SELF-EVALUATION scale
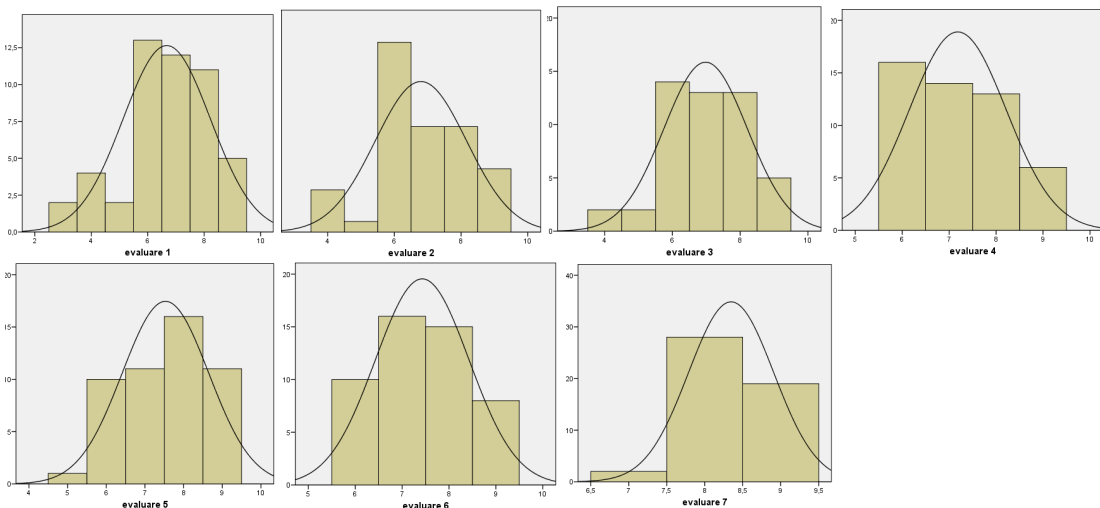
Figure 2. Distribution of the dimensions from the EVALUATION scale

Further analyses reveals significant statistical differences between all the dimensions used in the evaluation scale ($p < 0.001$). The test results suggest that the directors significantly gave lower grades to

their employees, compared with the values given by the employees for themselves. In this sense we draw attention to the subjective issues that may arise in the process of self-evaluation.

Table 2. Differences between the mean values of each dimension from the Self-evaluation scale (SEV) and Evaluation scale (EV)

SEV-EV	Paired Differences						t	df	Sig. (2-tailed)
	Mean	Std. Dev.	Std. Error Mean	95% Confidence Interval of the Difference		Mean	Std. Deviation	Std. Error Mean
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
D1	0,857	1,620	,231	,392	1,323	3,703	48	,001
D2	1,102	1,279	,183	,735	1,469	6,033	48	,000
D3	0,755	1,315	,188	,377	1,133	4,018	48	,000
D4	0,755	1,283	,183	,386	1,124	4,119	48	,000
D5	0,653	1,267	,181	,289	1,017	3,607	48	,001
D6	1,020	1,108	,158	,702	1,339	6,444	48	,000
D7	0,347	0,663	,095	,156	0,537	3,663	48	,001

The professional evaluation scale we tested is valid: for the self-evaluation scale, Cronbach alpha=0.827 and for the Evaluation scale, Cronbach alpha =0.908. The mean value for the EV is lower, compared to the SEV mean value. The scales register a normal distribution (see figures below).
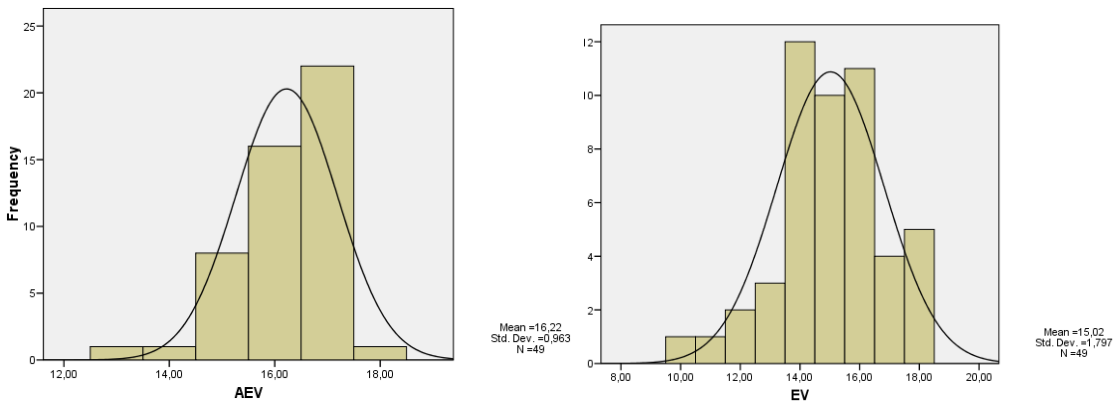
Figure 3. Distribution of SEV scale and EV scale

Test results show significant difference between the mean value of the self-evaluation scale and the mean value of the evaluation scale. The more objective evaluation by the directors places employees lower on the scale. This situation provides us a segment on the scale that refers to the difference between self-evaluation and evaluation.

Table 3. Differences between the mean values of the SEV and EV

	Paired Differences						t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		Mean	Std. Deviation	Std. Error Mean
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
SEV-EV	1,20408	1,84819	0,26403	0,67322	1,73494	4,560	48	,000

Discussion

In our study we tested a professional evaluation scale based on the behavioral anchors evaluation scales (S.E.A.C.). Our scale turned out to be valid, and thus we reinforced the conclusion that it is crucial that evaluation systems should be based on scientific knowledge, with the contribution of experts in this area, adapted to the characteristics of job description and should also be based on behavior.
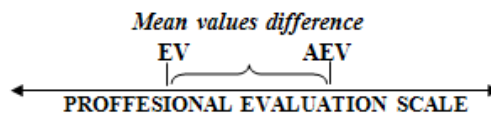
Figure 4. Proposed model for the professional evaluation

Also the analyses reveald significant differences between self-evaluation scale and the evaluation scale. In assessing the professional performances we cannot use only the self-evaluation, which is under the risk of subjective influence, but in the same time we cannot use only the evaluation of managers because they don't capture specific aspects of behavior on the workplace. Using both types of evaluation, and measure the final score based on the difference between the two values obtained, it provides higher fidelity for the evaluation process.

Consequently, an assessment procedure should include at least the appreciation of self and the appreciation of a direct coordinator, yet it would be interesting to evaluate the extend to which the assessment of others in the organization (subordinates and colleagues) as well as assessments of external clients can contribute to a more valid result. In further activities in this area we propose such an approach.

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MARKETING AND SALES OF THE BODY SHOPS CONNECTED TO GENERAL MOTOR'S COLLISION

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The producst and the services offered by Body Shops consist of work, parts and materials damandes for repair the damaged or cosmetic degraded vehicles. The client of the Body Shops is somewhat unusual in that two parties are likely to be involved. The first party is the vehicles owner. The second party is the insurance company responsible for pay. Both parties may be involved in selecting a repair shop, but ultimately the vehicle owner has the final authority in almost the cases.

1. INTRODUCTION

The document which starts the whole process regarding the repair sometimes referred to as the damage appraisal. Effective Body Shops use Marketing and advertising efforts for motive the potential clients. The client is free to have estimates written by other shops and make a selection based on his or her perception regarding the store's ability to meet his or her needs. The estimator's objective is to create a good impression upon the customer throughout the estimate process, resulting in customer's approval to perform the repairs. The approval is documented by creating a repair order for client to sign. The process of marketing and sales must enhance the estimator's ability to close the sale. They might be excellent technicians but in many cases they have not been prepared properly to become business people.

2. THE INVESTIGATION

This research study conclusioned that many potential customers have a negative perception regarding Body Shops. Effective shops are working to reverse this negative perception. The important factors which are having influence above the imagine are: location, signage, appearance of a shop, office appearance and the personal.

2.1. *Location*

The location has an important role in the development positive imagine for Body Shops. Dealerships have generally good locations but the Body Shops are normally behind of their facility. This sets "a back end of the business message" to customer. These factors can be overcome by using tall facility facades and large lighted signs or lettering.

2.2. *Signage*

Facility signs should portage an professional imagine. They should be adequate in customer's direction to the proper location for an estimate. These signs must begin on the entrance of the street and

continued to an exactly place on a parking. The location must be reserved exclusive for estimate preparation and must be aesthetically pleasing.

2.3. *Office appearance*
Once customer is inside the Body Shop, the physical appearance of the reception area and Estimator's office impact the customer's perception. The office should be clean, uncluttered and have an air of professionalism, while being warm enough to make the customer feel comfortable and welcome. The furniture, fixtures and housekeeping send non-verbal messages to the customer. Similar items leave an impression in the customer's mind including desk organization, wall posters and hangings, books and magazines, and file racks.

All of these items should be evaluated for their positive or negative effects on image and how they contribute to the sales process. If they do not contribute in a positive way, they should be eliminated or improved. Wall hangings should include certificates, diplomas, certifications, and credentials of technicians and management. The shop's mission statement, awards, recognition, certificates etc. should also be visible. As a general rule, if it's not framed, it shouldn't be hang. Reading material should be limited to items intended to impact image. These include a portfolio of customer testimonials, before and after photos of previous jobs, thank you letters from customers etc. Signs relative to policies should be in a positive tone. Examples include:

NEGATIVE SIGNS	POSITIVE SIGNS
No customers allowed in the shop	SHOP TOURS AVAILABLE, PLEASE SEE MANAGER
We do no loan vehicles	PLEASE SEE CASHIER FOR RENTAL CAR INFORMATION
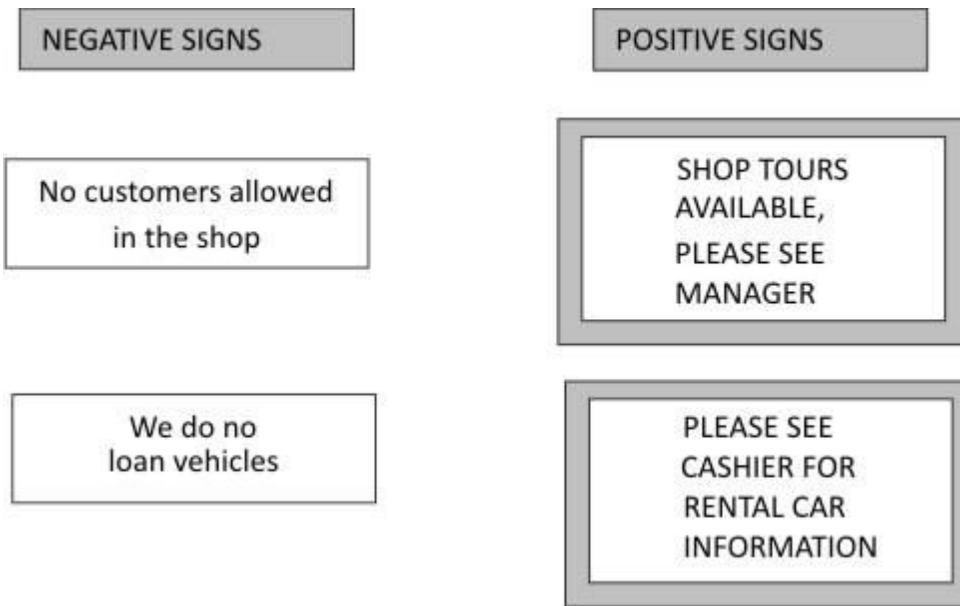
Personnel appearance
As in any sales environment, the personal appearance of the salesperson (in this case, the Estimator) is critical. This is the first opportunity for an individual to impact the shop's image. Clothing standards vary from market to market and may range from shirt and tie, to golf shirt and shorts. The hey factor in that the attire separates the Estimators from the other staff members. It should identify him/her as the person with authority. Shirt logos, name tags or badges are strongly recommended. Habits and personal grooming also affect the customer's perception of the shop's image.

Features, advantages & benefits
Highly effective shops developed a list of features, advantages, and benefits (FAB's) offered to customers. Communication of these FAB's it the customer helps deliver the value of the shop's products and services. Examples of FAB's invlude:

- warranties;   - rental/loaner cars;
- business hours;   - facilities;
- technician certifications/training;   - insurance company relationships;
- equipment;   - storage and towing capabilities.

Features, advantages and benefits (FAB's) are communicated to the customer through various marketing techniques during the sales process. Tools used to convey these FAB'a include:

- brochures;   - signs and displays;
- pamphlets;   - promotional items;
- estimate presentation folders;   - verbal and media advertising.

Marketing materials

All printed material should be designed to enhance the Body Shop's image. The message, format and logos should be consistent with FAB's used in the selling process. Examples include:

- warranty certificate;   - thank you cards/letters;
- special promotion coupons;   - invoices;
- flyers;   - note pads;
- letterhead   - purchase orders.

Target customers

The dealership's customer base is a primary target market. These customers have been previously "sold" on the dealership. Other information from dealership's database should be a starting point for marketing efforts. The insurance company database should be developed to include names and addresses of local companies and Agents. Key office and field personnel should also be listed. Potential Body Shop customers include:

- new vehicle buyers;   - insurance agents;
- used vehicle buyers;   - insurance adjusters;
- service customers;   - tow companies
- fleet/commercial accounts.

Special events

The dealership Body Shop should be included in all customer special events. These include new owner receptions and service clinics. The Body Shop should host at least one reception or clinic per year. Guests should include:

- insurance agents;   - tow companies;
- insurance adjusters   - dealership General Manager;
- insurance company office staff;   - dealership Sales Manager;
- police officers;   - dealership Cashier;
- fleet/commercial accounts.

Support for such functions can be solicited from paint companies, equipment vendors, rental car agencies, manufacturers, General Motors Parts, and other suppliers.

2.4. Road to the sale

The sales process is centered on the preparation of the estimate. This process begins with the meeting and greeting of the customer and ends when the customer selects a repair location. Effective Estimators use a systematic method of presentation that includes basic sales techniques. The technical aspect of estimate preparation requires knowledge of repair processes. This knowledge can be acquired through training or through experience as a Technician. Virtually all estimates are prepared electronically utilizing a database supplied by one of several vendors. These databases include flat rate repair times and retail parts prices required to perform the specific job.

When a customer pays a personal visit to a Body Shop, it is important that the estimator follow a set of steps or procedure every time he/she comes into contact with a customer. These pre-defined steps and

procedures insure that every customer is consistently treated properly, and that important points are not overlooked. The "Road to the Sale" will help the sales opportunity become a sales probability, i.e. the estimate becomes a repair order.

Step 1. *Friendly meeting & greeting*

There is finite amount of estimate opportunities available to Body Shops. Therefore each opportunity should be viewed as a value chance to increase sales. Body Shop Estimators have this responsibility, and should take it seriously.

The first step in the "Road to the Sale" is a friendly meeting and greeting. This can be as simple as offering a smile and a handshake to every customer that enters the door. It is essential that the customer perceive a warm welcome when first entering the Body Shop. This perception wil eventually become the catalyst for the Body Shop's image in the mind of the customer. Key elements that are critical to becoming an effective Body Shop Estimator are:

- extend a sincere feeling of welcome to the customer;
- introduce themselves by name to the customer;
- maintain good eye contact;
- find out the customer's name and use it;
- smile;
- wear a name tag;
- project a neat and clean physical appearance;
- act in a polite and professional manner.

Less effective Body Shop will neglect to obtain the customer's name, disregard their own physical appearance, be unavailable to greet the customer at initial arrival, and will respond to the customer unprofessionally.

It is important that the customer is approached in a manner which invokes a feeling of sincerity. It must be clear that the Estimator cares about the situation and wants to help in any way possible.

Step 2. *Listen & learn*

Estimators neither should nor assume that the customer will elect the Body Shop to perform the repairs simply because he/she chose the shop to write the estimate. Instead, Estimators should listen to the concerns of the customer and identify the customer's wants and needs. Effective Body Shop Estimators will ask the following questions:

- How did you find out about our Body Shop?
- Which insurance company are you using?
- Are you the claimant or the insured?
- What is the deductible amount?
- Is there vehicle rental coverage?
How long can you do without the vehicle?

Once the estimator determines the customer's want and needs, FAB's can be presented to address those needs.

Step 3. *Sell features, advantages & benefits (FAB's)*

By presenting a shop's features, advantages and benefits, the Estimator can enhance the shop's image. Effective Body Shop Estimators will include the following FAB's in their sales presentation:

- sheet metal and/or paint warranty literature;
- manufacturer's consumer guides;
- state-of-the-art equipment;
- alternative transportation;
- training certification.

Step* 4. *Ask for Business

Once the customer is aware of the reason why he/she should choose the shop, the Estimator should ask for the opportunity to perform the repairs. Effective Body Shop Estimators will ask closing questions such as:

> - Could I get your OK to order the repairs parts?
> - When would you like for us get started?
> - Will you need a rental car?

A more aggressive technique is the assumptive close. Statements that assume the close of the sale include:

> - I'll order parts immediately. Please OK the repair order.
> - With your OK, I'll call the insurance company now and handle it for you.
> - Here are the keys to a loaner car you can use.

Step* 5. *Follow-up

A percentage of customers will not commit to the repair at the time of estimate preparation. In an effort to secure the close, customer follow-up is a critical step in any sales process. It lets the customer know that the Body Shop values and wants his/her business. Also, it allows the Body Shop a great advantage over its competition.

Customer follow-up activity improves estimate sales. It also shows that management is aware of what is going on and they care about the Estimator's performance and the customer. Effective Body Shop use these follow-up tools for customers:

> - thank you cards;
> - thank you letters from management;
> - phone calls to identify additional needs, restate FAB's and close the sale.

Once Estimators have learned the "Road to the Sale" and are using it properly, they need to incorporate estimate tracking. This will provide each shop with an accurate record of detailed information concerning the estimate process. This will also pinpoint areas that Estimators need to develop in order to compliment their own selling practice.

A good procedure for the Estimator is to follow-up until a buying decision is made. The Estimator should keep a record of estimates written and determine the reasons for any lost sales. Finding out which competitor was awarded the business and why will help Body Shops develop future sales and marketing planes.

2.5. Estimate tracking

Regardless of whether a sale was made, Body Shops should keep a record of all estimates written. Effective Body shops use an Estimate Tracking Log, which serves as a performance indicator to measure the effectiveness of shop's techniques. The Estimate Tracking Log measure the following factors:

> - the number of estimates written;
> - who the estimates were written for;
> - the insurance companies involved;
> - the estimate closing ratio;
> - the two companies involved;
> - the value of the estimates written;
> - the reason for job loss.

If completed and used properly, the Estimate Tracking Log will give benchmarks for standards of performance for the Body shop. Computerized estimate tracking systems are also available, and include measures for the year, make and model of vehicles. The manager should collect all of the Estimator's tracking logs for the month and perform the Estimator Performance Summary.

After completing the performance summary, performance trends should be evaluated. This information can be utilized as an internal communication tool in the Body Shop.

2.6. Conclusions
In the process of estimate tracking there are some practices to avoid. Less effective Body Shops typically have the following characteristics:

- -charge fees for writing estimates;
- - wait for the insurance company to prepare an estimate first;
- - assume that new and used vehicle buyers know there is a Body Shop;
- - fail to follow-up with every potential customer until a buying decision is made;
- -display offensive posters or calendars in areas of office and shop;
- - assume that their shop is on all insurance agency recommendation lists

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SUB-SECTION: MARKETING

NEW TRENDS IN THE ADVERTISING POLICY OF ROMANIAN AND UE COMPANIES

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CEE Marketing Managers use the economic recession to reconsider its approach. A recent survey done among CEE marketing directors (Central and Eastern Europe) showed that recent economic pressure has not only cut short-term budget, but it shows that economic pressure has led to reassessment of their approach to marketing. The biggest challenge the marketers have to face in a recession is the budgetary constraints. In this context more and more managers are considering the integration and the development of direct marketing activities in their organizations.

Introduction

Promotion seen as a key tool of the marketing mix includes a wide range of activities which has to be closely correlated with other elements of marketing mix, such as product, price and distribution. There is a great diversity of views regarding the criteria of structuring the promotional means, but it seems that the most suggestive and practical are those of referring to:[506]
- the intention of persuasion;
- the way of achieving the target goal.
Taking in consideration this point of view, some promotional means such as packaging, brand, price and the image of the point of sale are unpersuasive media; they belong to the other elements of the marketing mix.
In turn, persuasive means of communication can be classified according to the second criterion, namely how to achieve target goals in two big categories:
- means of direct communication (personal) – that means that rely on sales forces and other means of establishing direct relationships, specific direct, marketing with customers;
- indirect communication means (non-personal) – including advertising with its two forms (advertising and free advertising), public relations and sales promotion.
In another reference work in this field[507], promotional methods and techniques are classified into two basic categories, namely:
1. promotional communication techniques, including: advertising, sales promotion, public relations, sales force and direct marketing;
2. continuous communication techniques, including: brand, design, packaging etc.
The strategic way in which they are combined by the firm, the various components of the promotion in order to achieve the given objectives generate the creation of "promotional mix". This, viewed from the perspective of various companies, is structured and sized differently, depending on the nature, extent and diversity of each promotional component. "The differences in the composition of the promotional mix are determined, in general, by the nature of products and services, by the profile of businesses

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[506] Adăscăliţei V. – *"Promotional Techniques. Fundamentals"*, "Transilvania" University of Braşov, 1994, p. 22.
[507] Popescu I. C. – *"Marketing Communication"*, Uranus Publishing House, Bucharest, 2003, p. 25.

(manufacturing, commercial, of services), by the characteristics and trends in markets where they operate, by the specific purchasing and consumption behaviours.[508]

Direct marketing – a specific way of making marketing
The biggest challenge the marketers have to face in a recession is the budgetary constraints.
A study made by Linea Directa Communications in 2009 shows that Romania is among the last states regarding the preference for direct marketing. These two trends, that of overcoming the importance of direct marketing over other marketing instruments and to ignore from the start that strategy, ranked Romania on the last place among European countries, the other countries investigated being Hungary, Poland, Czech Republic and Slovakia.
Most of the companies (in the study were considered only those companies which attained annual revenues of over one million euros) directs to the direct marketing activities a smaller percentage of 10% of marketing budget, the average of a marketing budget in Romania being at the most 250,000 euros. This is because direct marketing is not yet part of the organizational culture of most companies, although the effectiveness of direct marketing has been demonstrated for some time for other international business environments.
The current financial crisis could restore the direct marketing position in Romania by doubling its allocated share from an average of 4% to an average of 8% for 2010. One Hit Mail officials gave for comparison the Hungary, with an average of 12% allocated to direct marketing and the United States, where it exceeds 50% of a marketing budget. The highly personalized direct communication with the client, the pursuit of real and optimized database that can provide real and effective information to the organization, all these attributes or benefits of direct marketing will begin to gain ground in the old situation of world crisis in which the power of purchase is decimated, Romania not being an exception.

The impact of financial crisis on direct marketing practices
According to a survey made in the summer of 2009, in the CEE region, by Linea Directa Communications (part of Studio Moderna Group, one of the largest direct marketing, call – center and fast-growing company; the group covers 19 CEE markets and ensure the provision of services in 22 international languages), companies with small marketing budgets dominate the study, budgets under 250,000 euros being reported especially in Hungary (89.4%), Russia (88.6%) and Romania (85.4%).[509]
Budgets that exceed 1 million euros are in small percentages in the Czech Republic (5.4%), Slovakia (4.9%), Poland (4.5%) and Slovenia (4.3%).
In 2009, the biggest reductions of the marketing budgets were made in Russia (28.6%) and in Romania (22.7%), the companies reaching a 30% reduction of the budget. Similar budgets with those from 2008 were registered in Hungary (44.4%), Slovenia (43.9%) and Poland (43.4%). On the other hand, there are companies that have invested in marketing communication – Russia (19.6%), Poland (19.2%) or Slovenia (16.2%).
From 30 to 70% of this money is spent for internet promotion (banners, blogs, social networks etc.), catalogues, mass marketing (TV, newspapers, radio), and for organizing events and fairs. The smaller budgets (more than 30% of marketing budgets) are allocated for sending SMS for mobile marketing, telemarketing, direct mail and email.
The most used communication channels are the Internet (banners, blogs, social networks etc.), e-mail, distribution catalogues, fairs and events.
These data indicate that companies are focused on marketing activities that can be measured in order to become effective, but not too much. There are less popular channels, such as telemarketing, mobile

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[508] Florescu C. & collective – *"Marketing"*, "Marketer" Academic Group Publishing House, Bucharest, 1992, p. 415.
[509] http://www.iaa.ro/Articole/Analize/Impactul-crizei-financiare-asupra-practicilor-de-marketing-in-europa-centrala-si-de-est/3153.html

marketing that are not used so much. The advantages of these channels consist not only in direct interaction with customers but also in the use of a wide range of services. Thus, telemarketing is an important tool not only for increasing sales but also for testing new offers and for market research in order to measure customer satisfaction. Telemarketing can be used also to generate sales opportunities, to establish business meetings or to provide customers with specific information about a particular product or service.

According to the survey, companies organize marketing campaigns in order to increase the number of customers, to increase their loyalty and to maximize the profit obtained from the existing customers through additional sales. Also, companies take into account the creation of databases, used later in their communication campaign, to create an awareness, but also for a brand or product repositioning.

For direct marketing companies, 2009 has meant the continuation of the collaboration started in previous years, but also the development of new projects with large and medium companies.

In the CEE region is increasingly speaking about the services outsourcing as a cost saving measure:

- *the Czech Republic recorded the highest percentage of companies that outsourced direct marketing activities (74.4%), followed by Poland (61.5%) and Romania (36.5%);*
- *84.8% of companies don't outsource services in Hungary, 74.6% from Slovakia, 68.6% from Slovenia and 46.7% from Russia these companies don't use the outsourcing of direct marketing activities because they have internal resources to do these operations or they can't afford them because they have low communication budgets; there are also companies that don't have enough information about outsourcing, about the meaning of this term (outsourcing) and its benefits.*

The most outsourced direct marketing activities are really the new communication channels such as Internet promotion (banners, Google Adwords, blogging, social networking), training events and fairs, as well as mass marketing (TV, Billboard newspapers), direct mailing and distribution catalogues.

The study was conducted in 7 countries: Czech Republic, Hungary, Poland, Romania, Russia, Slovenia and Slovakia. Managers from different industries such as IT, finance, FMCG, pharma, automotive, retail, telecommunications, tourism and utilities participated at this study.

The trends on the Romanian direct marketing market – SMS promotional campaigns
SMS promotional campaigns have stood in 2009 under the sign of the cost and resource efficiency. However, this kind of communication has grown not only in the number of new brands involved, but also in the value of prizes awarded, in the number of contributions and in terms of costs involved.

The reason for this increase was that in a year of crisis the actual results materialized in sales and their rapid and accurate quantification yielded a high return on investment. This is one conclusion of monitoring the SMS promotions market in 2009, by Voxline Communications Company, founded in 1998 with French capital, benefiting from the very beginning of technical support and Western European know – how in telecommunications services with value – added solutions and in the interactive services.

In over 10 years of activity on the Romanian market Voxline recorded numerous premiers of which three can be mentioned: in 2002 was the first alternative telecommunications operator which created services of SMS and voice mobile support; in 2004, the Voxline developed the application of the first mobile marketing campaign in Romania, for Chipita brand; in 2005 became the first operator of value added services which obtained ISO 9001:2000 certification issued by TUV Thuringen.

The services offered by Voxline Communications cover a wide range of mobile marketing applications (campaigns of sending and receiving SMS messages, mobile advergames) call center (normal numbers and green numbers), Web applications (promotion sites, flash advergames) micropayment services through mobile telephony and value added services (televotes, contests, digital content). Among the customers for which Voxline Communications has conducted campaigns over time are important players in the local market, such as Quadrant Amroq Beverages (Pepsi), Star Foods (Lays), JTI (Winston), Unilever (Dove, Cif & Domestos), Chipita Romania, URBB (Carlsberg, Tuborg), Western

Union, Duracell, Braun, Dr. Oetker (Ristorante Pizza, Pudding) Fabryo (Savana), Wrigley, Charm, LG Prod 94 (Stalinskaya, Wembley), Porsche Romania.

One of the reasons for which the SMS promotions were increasing in 2009 is that the restriction of marketing and advertising budgets has led to concrete results orientation and Mobile Marketing remains one of the tools that offer the possibility of achieving the brands objectives having a personal character and a multiple applicability and being on hand. Last year, the interest towards direct marketing activities increased a lot, being targeted especially to boost sales and the participation mechanisms via SMS have been very well received by buyers.

The evolution of SMS Promotions in 2009:

Communications Voxline monitored during 2009 over 60 marketing SMS campaigns, made by 35 companies, similar number with the promotions conducted in 2008.

In 2009 brands have invested increasingly more in the consumer viewing experience with the brand, adding dedicated websites to traditional SMS promotions. Thus, 55% of campaigns have been accompanied by such sites, on which the consumer behaviour didn't resume only to the registration; there were various ways of retaining the consumers on the sites, such as: games, auctions, user-generated content, RSS feeds from blogs etc. Most times, these additional activities were rewarded with additional prizes. However, the interest for the cost reduction determined 44% of promotions to use only the component registration via SMS. Some brands that used only the SMS channel for registration, had avoided the printing of unique codes on products, asking the customers to send the number of payment ticket or the brand's name, or the answer to a question. In 2009 the specialists observed the use of the same phone number for more simultaneous promotion of the same brand.

The year 2009 brought a real growth among campaigns conducted for food (both in number of campaigns and the number of companies), alcoholic beverages, as well as for cigarettes. However, collapse was observed in the number of companies in the electronics/appliances, cosmetics/detergents and construction domains. It was also noted the first campaign which offered the possibility of registration through mobile site and the fact that some brands have been returned to the classic coupon promotions or instead of participation through SMS, either as an alternative to registrations via SMS/Web/call centers. Although it was considered a year of crisis, there were companies that have developed sms promotions for the first time in 2009. These were: Albalact (Zuzu), AGRANA (Pearl), Macon Deva, SOLLERS PPD (J&B), Carolli Prod 2000 (Carolli), Nordic Import Export Co. (Rio Mare), Cotnari (Grasa Cotnari), United Euro Distributions (Murfatlar), Ringier (TvMania), the same number of new companies registered in the monitoring of 2008, year of growth. In terms of awards, in 2009 they exceeded the value registered in 2008, reaching the value of accumulated awards of approximately 25 million EUR (VAT included). In terms of traffic generated by the campaigns, it can be estimated a total of over 20 million SMS, the most numerous participations being on cigarettes and soft drinks.

The value of the sms promotions market, reported only to the number of sent messages, plus the average cost of making applications and the average cost of monthly subscription has exceeded in 2009 1 million euros, the highest annual amount recorded for such actions using mobile marketing.

Some companies which made SMS promotions for the first time in 2008, have repeated these promotions in 2009: Colgate - Palmolive, Petrom and Cris Tim. Poiana ("Choose Poiana!") was the promotion with more than one way of registration: SMS, Web, mail, e-mail. Murfatlar used the registration through call center, primarily for Romtelecom network users and other fixed networks. The company with most promotions (7) belonged to the Dr. Oetker brand. The brands with the biggest budget for awards were Murfatlar, Kent, Winston, Coca Cola and Pepsi (which, in total, have almost 50% of the prize budget).

Estimates for 2010:

In 2010 it is estimated that the brands known for their dynamism (Pepsi, Coca Cola, some brands of cigarettes, some alcohol brands) will continue to innovate the methods of registration to promotions, creating a bridge between the registration and the consumer experience with the on any channel. The year 2009 was distinguished by the introduction of new ways of registration, based on mobile phone: the registration through a mobile site. It is estimated that in 2010 will be at least 5 brands that will also use this channel for registration to promotions.

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INSURANCE CONSULTANTS ATTITUDE TOWARDS RELATIONSHIP MARKETING ELEMENTS

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This paper aims to investigate how the insurance consultants apply the relationship marketing specific elements in their relationship with customers. "How to establish and, especially, how to maintain the relationship between supplier and consumer of insurance services?" represents the investigated problem. Obstacles in attracting clients, in gaining and maintaining confidence, in communicating with them represent the grounds for that particular subject. It features an analysis of the relationship between supplier and consumer of insurance services.

1. Introduction

Because of the specific area of insurance products, which involve signing a contract for one year for non-life insurance and at least 5 years for life insurance, the relationship between insurance consultant and client is by definition a medium or long term one. Also, the fact that in insurance domain, the transaction is spread out in several stages, through the insurance premium which the customer must pay, makes it even more necessary to maintain and develop the relationship between the two sides. Customer confidence in the insurance consultant and also in the insurance company is important both before signing the contract, and especially after this stage of the relationship, as customer's money is at stake.

Also, the impact of the current crisis on the insurance field is reflected in the relationship between insurance agent and his clients. Failure to pay premiums, trying to find different reasons and different staged accidents to get the compensation are elements that increase the difficulty of maintaining and developing relationships. Similarly, in a time of economical crisis, the consultant has developed a pushy attitude that creates a negative image among customers, leading to the emergence of another factor influencing the relationship.

2. Purpose and research objectives. Methodology

Performance of insurance consultant on the market depends on investments that he makes in customer relationship. Investments that the insurance agent must make to create, maintain and develop relationships with clients are of several types: the time to prepare for each phase of the sales process, training, time spent communicating with customers, all knowledge in this area.

But, whatever investment you make in different stages, they have no value if the consultants don't prove their involvement. It is the most important method by which they can win their customers.

The aim of this study was to analyze the relationship between agent and client in the insurance market, in terms of agents.

Study objectives were:

- identifying specific elements of the relationship between consultant and client in different stages of the sales process;

- identifying the role of obtaining customer confidence in the relationship between consultant and client;

- identifying the role of consultant involvement in the relationship between him and the customer.
The method used to achieve these goals has been the investigation. Population considered for the investigation was the consultants of an insurance firm operating on the Romanian market. The instrument used was a questionnaire that the consultants had to complete before their meetings.
The final sample consisted of 122 consultants. In terms of experience in insurance, 33.6% of consultants had experience of less than 10 months, 29.5% of them had experienced between 10 to 24 months and 36.9% of consultants had more than 24 months experience in insurance.

3. Results
3.1 Specific elements of the relationship between consultant and client
The results regarding the specific elements of the relationship between consultant and client are presented in the following tables. Each table presents the results obtain for one of the three categories of consultants in terms of their experience in insurance.

Consultants with experience of less than 10 months in insurance	
Need identification stage	- there is a higher proportion of consultants, respectively 75.6%, compared to 65.8% overall sample, that sustain they never decide what products to offer based on their beliefs, not on the client's needs.
Presentation of Solutions stage	- there is a higher proportion of consultants, respectively 36.6% versus 29.5% overall sample, that sustain they often attempt to influence a customer by information rather than by pressure; - there is a higher proportion of consultants, respectively 85.4% vs. 76% overall sample, that sustain they always give the product according to clients needs; - there is a higher proportion of consultants, namely 48.8% versus 40.5% overall sample, that sustain they rarely try to sell a customer everything they can to persuade, even if they believe that is more than a wise customer would buy; - there is a higher proportion of consultants , namely 17.1% versus 9.1% overall sample, that sustain they always describe a „pink picture" of the products to make them sound better.
Completion of sale stage	- there is a higher proportion of consultants, 51.2% versus 42.6% overall sample, that sustain they never prefer to sell as much, without considering the customer's satisfaction.
After-Sales Phase	- there is registered a larger proportion, 39% versus 23% overall sample, that sustain they always contact customers after signing a contract only for sending wishes for various occasions (birthdays, New Year).

Consultants with insurance experience of 10 to 24 months	
Need identification stage	- there is registered a larger proportion, 25% to 20.5% overall sample, that sustain they often identify their customers needs by asking questions; - there is a larger proportion, namely 16.7% versus 9.2% overall sample, that sustain they always decide what products to offer based on their beliefs, not on the client's needs.
Stage presentation solutions	- there is registered a larger proportion, 69.4% versus 62.3% overall sample, that sustain they never put pressure on a client to buy when they are not sure that the product is suitable for that client; - there is a larger proportion, respectively 69.4% versus 63.1% overall sample, that claim they always try to influence a customer by information rather than by pressure.

	Consultants with insurance experience of 10 to 24 months
After-Sales Phase	- there is registered a larger proportion, 13.9% versus 9.8% overall sample, that say they often prefer to sell as much, regardless of customer satisfaction; - there is registered a larger proportion, namely 63.9% versus 53.7 % overall sample, that say they rarely spend more time trying to convince a customer to buy than attempting to understand his needs.

	Consultants with more than 24 months experience in insurance
Need identification stage	- there is a higher proportion of consultants, 32.6% versus 20.8% overall sample, that say they rarely decide what products to offer based on their beliefs, not the client's needs.
Presentation of Solutions stage	- there is a higher proportion of consultants, 9.1% versus 4.1% overall sample, that sustain they never give to a customer the product according to its needs; - there is a higher proportion of consultants, namely 56.8% versus 45.5% overall sample, that say they never try to sell a customer all they can persuade, even if it considers that that's more than a wise customer would buy; - there is a higher proportion of consultants, 45.5% versus 38% overall sample, that sat they never describe a „pink picture" of the products to make them sound better.
After-Sales Phase	- there is registered a larger proportion of consultants, 24.4% versus 17.2% overall sample, that sustain they rarely contact the clients after signing the contract; - there is registered a larger proportion, namely 48.9% versus 36.9% overall sample, that sustain they often contact customers only after signing a contract for the transmission of greetings for various occasions (birthdays, New Year).

3.2 The role of trust and involvement

The results regarding the role of trust and involvement in the relationship between consultant and client are presented in the following tables. Each table presents the results obtain for one of the three categories of consultants in terms of their experience in insurance.

	Consultants with experience of less than 10 months in insurance
The role of customers confidence	- there is a greater proportion of consultants, namely 26.8% versus 14.9% overall sample, that sustain they are in agreement with the fact that customer confidence is very important until the contract is signed; - there is a greater proportion of consultants, 34.1% compared to 23.8% overall sample, that sustain they agree with the fact that presenting only the products advantages can make the client suspicious; - there is a greater proportion of consultants, 63.4% compared to 52.5% overall sample, that sustain they totally agree with the fact that calculating the solutions in front of the clients can make them have more confidence.
The role of consultant involvement	- there is a greater proportion of consultants, 39% respectively 30.3% overall sample, that sustain they agree with the fact that greater involvement on their part leads to a better relationship with the customer.

Consultants with insurance experience of 10 to 24 months	
The role of customers confidence	- there is a greater proportion, namely 19.4% versus 12.3% overall sample, that sustain they agree with the statement that earning customer confidence is the key to a good relationship with him; - there is a greater proportion of consultants, respectively 22.2% versus 13.2% overall sample, that declare to agree with the fact that in all actions they carry out the aim is to preserve their customers trust.
The role of consultant involvement	- there is a greater proportion, namely 41.7% versus 30.3% overall sample, that say they agree with the fact that greater involvement on their part leads to a better relationship with the client. - there is a greater proportion, namely 19.4% versus 13.1% overall sample, that declare to disagree with the fact that most times, too much involvement from their part gives the impression of aggression; - there is a greater proportion, namely 44.4% versus 28.7% overall sample, that sustain they agree with the fact that the use of computer applications during the meetings with the client would demonstrate a greater involvement from their part.

Consultants with more than 24 months experience in insurance	
The role of customers confidence	- there is a greater proportion, namely 88.9% versus 83.6% overall sample, that sustain they totally agree with the statement that earning customer confidence is the key to good relations with him; - there is a greater proportion, namely 86.7% versus 81.8% overall sample, that sustain they totally agree with the fact that in all actions they carry out the aim is to preserve their customers trust; - there is a higher proportion, respectively 56.8% versus 40.5% overall sample, that declare to totally disagree with the fact that customer confidence is very important until the contract is signed; - there is a greater proportion of consultants, namely 11.1% versus 4.9% overall sample, that sustain they totally disagree with the fact that the presenting only the benefits, without specifying customer requirements can awaken his suspicion; - there is a greater proportion, respectively 28.9% versus 23% overall sample, that declare to agree with the statement that calculating solutions in front of customers would increase their confidence.
The role of consultant involvement	- there is a greater proportion, namely 75.6% versus 64.8% overall sample, that sustain they totally agree with the fact that greater involvement on their part leads to a better relationship with the client; - there is a higher proportion, respectively 17.8% versus 11.5% overall sample, that sustain they totally disagree with the fact that most times, too much involvement from their part gives to the client the impression of aggression.

4. Conclusions

The first objective sought to obtain information on specific elements of the relationship between adviser and client, depending on the stage of the sales process. The results show that during the stage of identifying needs, most insurance consultants always identify customer needs by asking questions. Most consultants do not ever give products by their own beliefs, but based on customer's needs.

Regarding the stage of presentation of solutions, most consultants do not ever pressure the customer into buying the product. Most argue that consultants always provide the product according to customer needs and always try to influence a customer to buy based on the information and not by pressure. Almost half of the consultants don't ever try to sell to a customer everything they can to persuade him

to buy, even if they think it would be more than a wise customer would buy. Most consultants do not ever describe „in pink" products that sound better, or rarely do so.

Regarding post-sales, most consultants maintain contact with the customer after they sign the contract, but over half of them contact customers only to send "well wishes" on several occasions after signing contract.

The second objective sought to obtain information on the role of trust in the relationship with the client. Over 80% of insurance consultants consider winning the confidence of the client as a key element of establishing a good relationship with him. Therefore, most of them seek to maintain customer confidence throughout all actions that take place in relationship with them. Many consultants consider gaining customer trust as a condition for recommendation to other potential customers. But in terms of confidence importance during the sales process, more than half of consultants believe that customer confidence is only important to sign a contract.

Most consultants attach great importance to gain confidence through the methods of presenting solutions. They consider that presenting only the benefits, without specifying customer requirements, customer may arouse suspicion („too good to be true"). More than 70% of consultants argue that they would increase customer confidence if the solutions would be calculated in front of him.

The third objective sought to obtain information on the role of involvement. Regarding the consultant involvement in the relationship, most of them consider that a high involvement from their part leads to a better relationship with the client. However, just over half of them consider that, often, too much involvement from their part gives the impression of aggression. Computer software used during the meeting with the client is considered a demonstration of their involvement in the relationship**.** As regards to the involvement of clients more than 80% of consultants considered that their involvement is not sufficient for a good relationship with the client, but client's involvement is also needed.

In achieving these objectives limits have been identified also. One of these was the possibility that respondents had the impression to be evaluated when they received the questionnaire and the possibility that they had responded as they ought to, not like they act in reality. Another limit was realizing the investigation only in one insurance company; therefore the results are presented at company level and not at market level.

At this stage, attention was paid to consultants and their attitude towards relationship marketing. The next step is to realize this study in several insurance companies to reach the level of the insurance market. Also, the next step involves analyzing the applicability of relational marketing in terms of consumer insurance.

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ADVERGAMES: CHARACTERISTICS, LIMITATIONS AND POTENTIAL

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Advergames represent a new advertising concept that uses Internet technology to implement viral marketing campaigns. Despite the potential of this interactive advertising method, very few academic studies have been initiated to investigate the characteristics of advergames, and their influence on consumers' perceptions and behaviour. Using secondary data, this paper attempts to evaluate the characteristics of effective advergames, and to analyse the effect of advergames on players' perceptions and behaviour.

Introduction

Advergames can be defined as online games that incorporate marketing content. Initially, many companies have placed their brands or logos in the virtual environment of computer games launched by specialised gaming firms. However, this form of advergaming is rather static and ineffective, since the player is concentrated on the task required by the game and might not acknowledge the brand image displayed in the background. This limitation has encouraged the firms to create their own advergames, which are developed around a theme or a character directly related with their products and/or brands. In order to ensure a large diffusion of these games, they were made freely available on the Internet. The facilities offered by the Internet platform have increased the interactiveness of the game, and have added a viral marketing dimension.

The interest in advergames has substantially increased in the last 5 years, because of its perceived advantages (FreshGames, 2002; WebResource 2004):
- low-cost marketing in comparison with the traditional advertising channels, such as TV and radio;
- a captured audience that can transmit valuable personal information about their demographic profile, behaviour, needs, attitudes and preferences;
- customer retention: the average time spent in an advergame is 7 to 30 minutes, which cannot be reached in the case of a classical TV advertisement.
- viral marketing – 81% of the players will email their friends to try a good game.

All these data demonstrate the huge potential of advergames (Rodgers, 2004). However, despite the hype created by this new advertising method, most of the information describing or debating advergames is professionally-oriented, often written in an advertising style (DeCollibus, 2002; Hartsock, 2004; Intrapromote, 2004). Very few academic studies have been initiated to investigate the characteristics of advergames, and their influence on consumers' perceptions and behaviour (Hernandez, Chapa, Minor, Maldonaldo, & Barranzuela, 2004; Nelson, 2002).

Background

Studies conducted in the US have discovered that games are extremely popular among all categories of online users. A study conducted by Jupiter Media found that in December 2003, 84.6 million people visited online gaming sites (D5 Games, 2004). This number is projected to reach 104 million by 2007.

The preconception that only kids or teenagers are interested in interactive games is contradicted by the findings: in US 66% of the most frequent game players are over 18 years old, and 40% of them over 35 years old, with the average age of a player being 28 year old (D5 Games, 2004).

Another study conducted during December 2003 – January 2004 in the US, has identified the women over 40 years old as a major segment interested in online gaming (Arkadium, 2004). The female game-players over 40 spend the most hours per week playing games (9.1 hours or 41% of their online time in comparison with only 6.1 hours per week, or 26% of their online time for men). These women were also more likely to play online games every day than men or teens of either gender. The reasons for playing online games vary depending on the gender. The main reason of women is to relieve or eliminate stress, while the men are mainly attracted by the competitive factor of Internet gaming. The women prefer word and puzzle games, while men are more interested in sport, combat or casino games (Arkadium, 2004).

The placement of products or brand names in movies or TV shows is a relatively old technique, but the studies regarding their influence on consumer perceptions and behaviour are inconclusive (Gould, Pola, & Grabner-Krauter, 2000; Russell, 2002). The advergames present a few distinct characteristics that can eventually enhance their marketing effect:

- the advergames are selected by the player himself/herself, and are not forced upon an unwilling viewer;
- the player interacts with advergames adopting an active stance, in comparison with the passive attitude of the TV audience;
- advergames incite the players to share the gaming experience with their friends or family.

From a marketing point of view, the advergames attempt to capture the attention of players, and then to transmit to them, in an indirect way, suggestions that aim to modify their perceptions regarding an enterprise, brand, or product. The psychological fundament of this process is the inducement and the use of the 'state of flow'. This concept is used by psychologists to describe a mental state in which the attention is highly concentrated on a specific process, the environmental information is screened out, and the person experiences a harmonious flow of its present experience (Csikszentmihalyi, 1991). The state of flow is known to create a state of well being, as well as increased perception and learning capacity. This state of flow can be induced by any activity that is very interesting for a person: watching a movie, reading a book, or playing a game. In fact, the ludic activity is considered as one of the best inducers of the flow state for children, and often also for adults.

The interaction with Internet applications can also induce the state of flow in specific circumstances (King, 2003), the most successful web sites offering interactive experiences, and not only content. The state of flow can be created online if the following essential conditions are combined: user motivation, user telepresence, and interactivity of the Internet application. On the other hand, the existence and the maintenance of the state of flow is a dynamic process, that depends on the relation between the capabilities of the user – or player in the case of an advergame - and the level of difficulty proposed by the game. Figure 1 demonstrates the three possible scenarios of the interaction between an Internet user and an advergame.
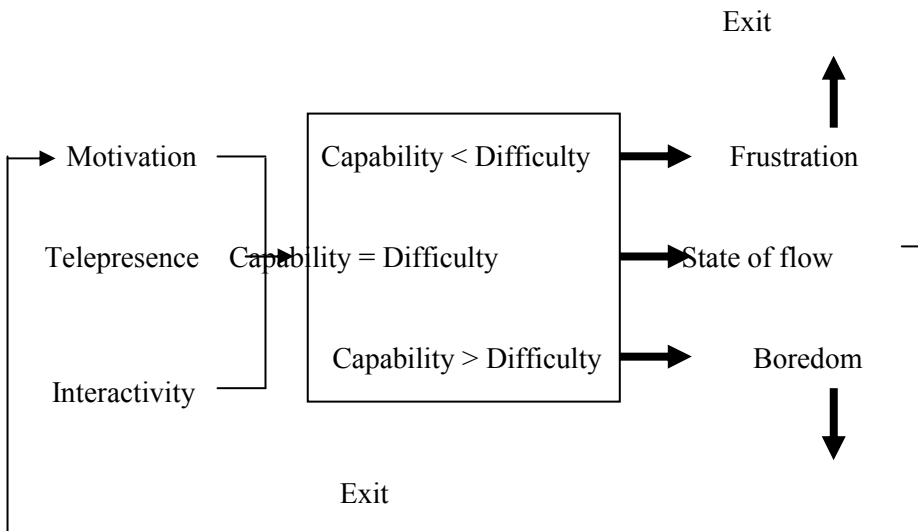
Figure 1. The inducement of the state of flow online

Once induced, the maintenance of the state of flow requires a constantly evolving challenge for the player, because his/her level of capability is likely to improve after playing the game a few times. This raises the problem of including in the advergame a progressive level of difficulty, that can represent a dynamic challenge for players.

If the features of the game are interesting enough and the playing experience provides satisfaction, the player will be inclined to send information about the available game to friends or relatives, participating directly to the spread of the advergames campaign. This action can be reinforced by creating complex games that require multiple participants.

As any other marketing communication tools, the advergame characteristics will have to correspond to: (1) the personality of the advertised brand, (2) the profile of the targeted audience, (3) the characteristics of the medium – in this case the Internet, (4) the strategic objectives of the communication campaign and (5) the corporate image of the company.

The difficulty to concomitantly evaluate these complex variables is probably the reason for a low rationalisation of the advergame development in the professional literature. The creation of an efficient advergame is still considered predominantly as a creative work, that it is difficult to describe in a formal, precise manner.

The characteristics of an efficient advergame

Considering the specific effect of advergames on online players, the following characteristics are considered necessary for an effective advergame:

1. accessibility: facility to identify the hyperlink between the firm/product site and the game, free access or required registration, specialised software required, downloading time;
2. difficulty of understanding: existence of explicit instructions/rules, and the facility of understanding these rules;
3. competitive level: number of players, the display of score lists, multiple level of difficulty;
4. relevance for the firm, brand or product: type of product advertised, type of game, advertising elements associated with the game;
5. capacity to induce and maintain the state of flow: multiple levels of difficulty, the possibility offered to players to choose a specific level of difficulty;
6. viral marketing: communication with friends and family members is encouraged.

An objective evaluation of the advergame relevance for the firm/brand/product advertised is difficult at this stage, because it is necessary to define a number of quantifiable criteria that can describe and assess the personality of a brand. The same type of problem is related with evaluating the capacity of the game to induce and maintain a state of flow. In this case, an experiential approach is more suitable, although the two variables defined for this characteristic are equally relevant, being derived from the relation between the capability of the online player, and the capacity of the advergame to propose an appropriate and dynamic level of challenge.

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MARKET ORIENTATION: A HOLISTIC APPROCH OF THE IMPLEMENTATION PROCESS

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This paper is a conceptual one and is based on an extensive analyze of the literature in the field about market orientation during the last 20 years. The purpose of the paper is to highlight the way in which researchers' studies focused on different aspects of the concept during years and thus, to establish the stages that the analyzed concept underwent within its evolution. At the same time, we tried to synthesize the most important findings of the empirical researches on this subject since 1990 in order to emphasize what is market orientation. Therefore, the model of analysis is rather descriptive than normative, focusing on the most important findings of the empirical researches of the period we refer to. At the end of the paper, there is a presentation of a series of conclusions regarding the way in which the process of implementation of market orientation has to be approached taking in to account the new type of environment characterized by volatility and complexity.

Key words:market orientation, holistic approch, implementation process

JEL Code: M31, M14

Introduction

In marketing literature there is a large agreement about the roots of market orientation. Thus, it is considered that this concept has its origins in a managerial philosophy known as the concept of marketing.
The first who used the denomination "concept of marketing" was McKitterick (1959). During the same year, Felton described it as being the latest fashion in business. The definition of the concept of marketing evolved through the contribution of many researchers. Thus, Felton (1959) defined it as corporative declaration integrating the functions of marketing and harmonizing them with the other corporative functions for the purpose of achieving a basic goal – long-term profit. In 1972, McNamara placed the client in a central position defining the concept of marketing as a managerial philosophy client-oriented based. He acknowledged the important role of marketing in disseminating market information to all departments of the organization. In 1997, Kotler brought into attention competition in order to define the concept of marketing and he stated that the key of achieving the organizational goals consisted in being more efficient than the competitors regarding the functions of marketing and channeling them towards determining and satisfying consumers' desires. Since 1950, the concept of marketing has been praised, criticized, talked about and finally, as some specialists emphasize, re-habilitated under a new name: market orientation (Raaij, 2001).
From our research we identified the first use of the denomination of market orientation in 1988, in an article published in Harvard Business Review. But this denomination started to be used on a large scale beginning with 1990, after the publication of two important papers in *The Journal of Marketing*. These present the results of some researches made by two distinctive teams of researchers: Narver and Slater; Kohli and Jarowski. In one of these papers the term *market orientation* is used as implementation of the concept of marketing (Kohli and Jaworski, 1990). Thus, a new perspective over the concept of marketing has imposed which led to a new specialized body of literature around this perspective.

The methodology of research

In order to achieve the propose of our research, within the first stage, we identified and picked up over 60 articles published during 1990-2008, on market orientation topic.

Considering the great number of texts identified and chosen but also the diversity of research issues and perspectives, our approach may seem unrealistic and hard to accomplish. Still, our purpose is not to compare these works but to seize the manner in which they complete each other for the extension of market orientation concept.

In order to facilitate the process of analysis, we used classification. The texts were ranged according to the declared purpose of the research. This criterion was preferred because we considered that a classification according to the purpose of the research will allow us to notice if there is a concentration of the researches and if this exists to determine which are the stages of the concept during its evolution. The classes resulted are: Class A: The definition, the construct and the measurement of market orientation; Class B: The identification of the antecedents and consequences of the market orientation; class C: The implementation of the market orientation; Class D: Other purposes. The analysis of the texts was made for each class using hermeneutic spiral. Thus, the analysis started from a small number of works, relevant for the specialized body of literature and adding step by step other works with other points of view.

The establishment of the conceptual identity of market orientation

Since 1990 several perspectives of defining the market orientation concept were described: (1.) cultural perspective (Narver and Slater, 1990); (2.) behavioral perspective (Kohli and Jarwoski, 1990); (3.) strategic perspective (Rueckert, 1992); (4.) client orientation perspective (Deshpande, 1993; Day, 1994); (5.) strategic actions perspective (Lado, Olivares, and Riviera, 1998); (6.) value chain perspective (Baker, 1999; Simpson, 2001; Grunert, 2002). As the number of perspectives increased within the specialized literature, a great number of definitions occurred for this concept.

Market orientation is a business philosophy whose final purpose is to create the superior value for the client (Narver and Slater, 1990).

We use the term market orientation to illustrate the implementation of the concept of marketing within the organization (Kohli and Jaworsk, 1990).

Market orientation within a business unit is the degree at which the business unit gets and uses information about the clients, develops a strategy leading to the clients' needs and implements the strategy having thus, the capacity of responding to the clients' needs and desires (Rueckert, 1992).

Market orientation represents the implementation of a particular business philosophy – the concept of marketing (Deng and Dart, 1994).

Market orientation is a strategy leading to obtaining the durable competitive advantage (Rivera, 1995).

Considering the variety of definitions, researchers proposed various constructions of market orientation. Approaching market orientation from a cultural point of view, Narver and Slater (1990) identified three components of the concept: client orientation, competition orientation and inter-functional coordination. Client orientation is considered the basic component of the market orientation. The two researchers state that when consumers' needs are identified and understood superior value can be built, communicated and delivered. According to the second component, the organization must identify which are the strengths and weaknesses of the main competitors, the goals they pursue and what strategies they adopted in order to reach them.

Approaching the concept from a behavioral point of view, Kholi and Jawroski (1990) identified, in their turn, three components of the market orientation: gathering information about the consumers' needs, desires and demands and about other components of the environment in which the organization operates; the disseminating of information gathered to all functional departments within the organization; the response of the organization based on the information gathered.

In marketing literature, there have been proposed several scales of measurement for market orientation illustrating these constructions. Two of them were adopted and used by many other researchers:

MKTOR (Narver and Slater, 1990) and MARKOR (Jarowski Kohli and Kumar, 1993). In 1990, Narver and Slater presented MKTOR, a scale of measuring market orientation containing 15 items that reflected the three components of their construction: client orientation, competition orientation and interfunctional orientation. In 1993, Kahli, Jaworski and Kumar introduced a scale of alternative measuring MARKOR containing 20 items reflecting the three components proposed by these authors: gathering information from the market, dissemination of the market information within the organization, the response of the organization to market information. A consistent part of the works that followed during the years represented syntheses, extensions or rejections of the two scales of measurement.

In the first half of the '90s the researchers were concerned with finding answers to the following questions: What is market orientation? What are the constitutive elements of the concept? How can market orientation be measured?

The identification of the antecedents and the consequences of market orientation

The degree of market orientation depends on the presence or absence of some internal factors of the company, factors that have been labeled by specialized literature as antecedents of market orientation. Many researchers identified and tested empirically more categories of factors that can intensify or inhibit the development of market orientation within the organization.

In a comprehensive study Kirca, Jayachandran and Bearden (2005) showed that only interdepartmental connection and top management emphasis were significantly related to market orientation. Hammond, Webster and Harmon (2006), as well, thought that top management emphasis is directly related to market orientation stating that top management emphasis represents antecedents of market orientation playing a critical role in maintaining it within the organization. The importance of top management in attaining and maintaining a certain level of market orientation is confirmed in Day's study (1994), as well.

Top management risk aversion is another factor that may diminish market orientation. Thus, researchers demonstrated empirically that the higher the risk aversion, the lower the market orientation degree (Jaworski and Kohli, 1993; Van der Velden, 2004; Hafer and Gresham, 2008).

The connection between departments, the extension of formal and informal contacts between employees of various departments, intensifies market orientation as they lead to a better transmission of market information within the organization. Kohli and Jaworski (1990) emphasized that the low interest for other departments ideas and the lack of interdepartmental connection diminish the company's capacity for a proper response.

Formalization and centralization are organizational characteristics that inhibit market orientation. Thus, formalization involves the establishing of roles, procedures and authority through rules and reduces dissemination and usage of market information and accordingly, market orientation. Similarly, limited commissioning of the authority in decision-making process has a negative effect on market orientation (Matsuno and Ozsomer, 202).

A market-oriented payment system practice motivates those actions of the employees that increase market orientation. Market-oriented training determines employees' awareness for clients' needs and stimulates market orientation (Rueckert, 1992). Kica, Jayachandran and Bearden (2005) demonstrated that market orientation may be implemented successfully even in the case of centralized structures if there is a good interdepartment connection, there are suitable rewarding payment systems and market-oriented training programmers are developed stimulating, thus, those market orientation characteristic actions.

Kohli and Jaworski (1990) pointed out that market orientation generates a cost. Due to this reason, Day (1994) thinks it is essential that all consequences regarding market orientation, from top to bottom of the organization, be evaluated critically by the manager.

The relation between market orientation and organizational performance was explored within many researching studies, in different contexts and different methodologies. In 2002, Woller identified in a

study, 48 researches which analyzed the relation between market orientation and organizational performance measured as: profitability, sales, market share, innovation process success and pointed out that 44 of these concluded that there is positive relation between market orientation and organizational performance. Recent literature on market orientation suggests the fact that one of the keys for understanding this phenomenon is the positive effect that it has on the innovation process (Atuahene-Gima, 1995, 1996; Xuereb, 1997, Han, 1998, Hurley and Hult, 1998). Slater and Narver (1996) thought that innovation is the central competence for creating superior value that moulds the relation between market orientation and organizational performance. Quin (1986) appreciated that innovative businesses have a strong market orientation component. Going further, Narver and Slater (1996) said that innovation and the successful product is more likely to appear if the business is market oriented. Thus, there was empirically demonstrated that market orientation increases the company's ability to create and implement new ideas, products or processes (Hult and Ketchen, 2001) and the performance of the new products in terms of market share, sales, turnover and profitability (Im and Workman, 2004).

According to our analysis, we recorded that during 1995-2005 although there were papers proposing new definitions, constructions and scales of measurement a great deal of researchers focused on finding reliable answers at the following questions: What are the stimulating or inhibiting factors for market orientation? What are the effects of market orientation? How does market orientation affect the organization?

The implementation process

Until 1995, the problem of implementation was approached only by few general studies, which did not provide a systematic model of implementation. Generally, the problem of implementation is seen as interventions recommended to practitioners willing to implement market orientation.

In 1998, Narver, Slater and Tietje, approaching market orientation as organizational learning, proposed two implementation strategies called: programmatic approach and market-back approach. In 1998, Lando, Olivares and Rivera thought that taking into account the promising results of their study, a future research direction would be the development of an intervention plan to grow company's market orientation. They suggest that market orientation measurement scale they developed should be used before (as a diagnosis instrument) and after (as an evaluation instrument) using the interventions. In 2003, Lichtenthal and Iyer approached the market orientation implementation process establishing the place and the role assigned to the marketing department within this process. In 2008, Ulrich and Smallwood described a series of steps that should be taken for the construction of a market orientation organizational culture from outside towards inside. Considering that the process of implementation of market orientation is a process of organizational change, in 2008, we proposed a methodological framework for implementing market orientation that comprises some stages the management should cover in order that the company could become more market-oriented. Without underestimating the importance of the proposed interventions, our analysis points out that the problem of implementation is still insufficiently discussed about in specialized literature. The questions of practitioners about how an organization can become more market oriented are questions for which market orientation theory provides only partial and variable answers.

A new perspective of approaching market orientation

As we emphasized during the past 20 years, researchers presented different perspectives of approaching market orientation. The great number of different perspectives conducted of a great number of definitions for this concept. Some researches consider that this suggest an unclear understanding of this phenomenon. For example, Dreher (1993) thinks that from a concept point of view, there is a certain ambiguity regarding the nature of market orientation phenomenon. Is it a business philosophy or a set of current activities? Is it an organizational culture or a behavioral set? Is it a competitive strategy or a set of managerial practices? Gabel (1995) as well, thinks that the field of the concept is not clearly and correctly confined. From our point of view, this debate regarding the definition of the market

orientation concept comes out of the fact that it was explored within the frame of other fields. We consider, also, that these perspectives are more complementary rather then divergent. ***This emphasizes the interdisciplinary and complex nature of the concept.*** Still, each perspective offers only partial and very different answers to managers' questions regarding the market orientation implementation process. For instance, Jaworski and Kohli (1993), presented the implementation process as a set of interventions within the organization which should increase the degree of market orientation: senior management stronger involvement, a better interdepartmental connection and a decrease of interdepartmental conflicts, reconfiguration of organizational systems (organizational structure, rewarding systems). On the other hand, Rueckert (1992) thought the following interventions: adapting the recruitment and selection systems, adapting the training systems, adapting rewording and compensation systems. In some ways these interventions are completing each other; still these don't provide a systematic model of market orientation implementation. For developing such a model researchers should adopt a holistic perspective: market orientation as a business model. Such a perspective will allow the development of the implementation model having in mind the entire organization. This is very important if we take into account the fact that the implementation process is actually a change process that unsure the transition of the organization from the usual way of doing business to a new logic of doing business (a new business model). In the process of implementation in some cases it could be major changes that will affect an important part of the organization as in some cases it could be some minor changes that will affect only some organizational variables.

Conclusions

Definitely, market orientation has represented one of the most important and exciting fields of research in the last 20 years. Since 1990 an entire specialized literature has evolved around two important works published in the *Journal of Marketing* by Narver and Slater; Kohli and Jaworski

Even if the researchers were concerned with the problem of concrete measures for implementing market orientation since the half of the '90s, the matter has not been enough exploited within specialized literature. We do not refer to the lack of propositions for interventions that should increase market orientation degree, but we refer to the lack of complete models that could provide managers answers to the following questions: Where do we start from? (The diagnosis of the company's present situation) – Where do we go to? (The establishment of the changes that should take place within the organization) – How do we get there? (The strategy of market orientation implementation and concrete actions programs) – Where did we get? (The evaluation of the implementation process).

We noticed that specialized literature provides a series of partial answers to these questions and the answers vary on a great extent. In conclusion, we think that at present, market orientation concept finds itself at the stage of implementation and that in the future, researchers should focus on the development of such models to assist the practicing specialists in market orientation implementation. Also, we consider that such models should be developed taking into account a holistic perspective of the organization: market orientation as a business model

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EMAIL MARKETING CAMPAIGNS: THE EASIEST PATH FROM ORGANIZATIONS TO CONSUMERS – AN EXPLORATORY ASSESSMENT

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The email is a valuable marketing tool for conveying short, simple messages that call for action on behalf of the recipient. Usually companies develop email marketing campaigns for attracting new customers, persuading the existing customers to buy again, encourage customer loyalty, announce or remind about special offers or events. For an email marketing campaign to be efficient, it is wanted a greater number of responses from those in the target.
The paper assesses in an exploratory manner the frequency in using the email accounts, the level of exposure to email marketing campaigns as well as the type of information wanted to be received by the Romanian users.

Introduction

Over the past few years, the tremendous technological development managed to break time and space barriers, but in the same time raise another one, very difficult to pass: the relationship one. The communication challenges rise at the very heart of what should actually represent a favorable relationship climate: living in a multicultural environment and following the globalization trends. The first that have to face it are the companies in their process of creating, developing and maintaining relationships with their "star" stakeholder: the customer (Pop, Petrescu, 2008).

The question is how to address effectively and efficiently customers belonging to different cultural backgrounds, looking for light-speed transactions, and respecting their privacy needs, while gathering valuable information and trying to keep in touch. The marketing tools that seem to have the best offer in terms of CRM are the online ones (Wang et. al, 2009). The reasons range from the low implementation costs when compared to other methods, to great accessibility opportunities, effective managing solutions and confidentiality tools such as online secured privacy policies.

As a consumer, surely no day goes without coming across to at least one of them. The most known are websites, e-mail marketing, blogs, RSS, forums, newsletters, instant messaging, social networks, search engines, etc. Used by companies, all these have in common one thing: creating and managing a relationship with both existing and potential customers (Vegheş, Pantea, 2009). The greatest advantage is that the Internet offers a relatively inexpensive ticket for a big entrance on a vast, continuously increasing market, while also giving a diversified choice of multimedia instruments that could be used in order to reach the audience (Pop, 2006).

In 2006, e-mail marketing won the first place for the most effective tool in increasing demand during holidays in retail business, according to WebTrends, leaving search engine marketing and search engine optimization on the second and, respectively third place. In addition, research shows that the tool is used by 80% of retailers regularly as the main customer relationship management instrument. As a result, investments in marketing for the holidays had their biggest increase in e-mail marketing with 52%, followed closely by 46% in search engine marketing and 38% in search engine optimization. However, the online glamour around some of the e-marketing tools is starting to fade away, as the media power slowly shifted from the company to the consumer, making room for more "pull" oriented

approaches, rather than "push" ones. This is one of the reasons why online banner ads experienced the greatest decrease in spending with 17% (Pantea, Vegheş, 2009).

Literature Review

The email represents the result of the natural evolution of the mailing. Email marketing is used in order to inform potential consumers and current clients by the use of the internet and it is the most popularly used element of the web (Gay, Charlesworth, Esen, 2007). The email or the electronic mail is one of the most efficient tools from the direct marketing's arsenal on the internet, from the investment's profitability point of view. The results regarded by an email marketing campaign is achieving sales from 5 to 15% of the cases, as compared with 0,5 to 2% in the case of the banners.

There are two forms of email communications:

Email communication initiated by the consumer: due to the presence on the companies' websites of a contact page, the organizations offer their potential and / or current clients the opportunity to get in touch with them. The client sends an email where he explains the problems or complaints that he has concerning the product he has bought, or asks for details regarding a certain product. The company will answer also by email in the shortest time. The email is the cheapest web solution of the customer relationship management strategy (eCRM). Its main disadvantage is that it does not offer the opportunity to communicate with the client in real time.

An important aspect is related to the companies' capacity to manage their clients' replies to emails. It is imposed that when receiving the message, an email of confirmation to be sent immediately, and the clients' requirements to be redirected to the responsible departments in the organization.

Email communication initiated by the company: the email is a valuable tool for sending short messages that call for action on behalf of the recipient. The companies usually develop email marketing campaigns with the purpose of maintaining current customers, build buyer's loyalty, improve the relationship between the client and the seller, announce or remind the clients about different offers or special events they can attend. In order for such a campaign to be efficient, the messages should be addressed to a target, so that the rate of response is high. Usually there are inserted links to a "landing page" (a web page where it is driven the person who click on the link inserted in the email, which offers additional information concerning the products presented in the message). The email is the most spread internet application, which can be used strategically in direct marketing reasoning and in the bilateral communication with the target.

The main advantages of email communication are:

- the informational content and the relationship sender - recipient – the beneficiary can receive complex information (images, audio, video files or documents) rapidly and conveniently. He can read them whenever he wants, without incurring problems such as when using phone communication, where even though there is fast communication, there can be the case when the interlocutor can not talk at the moment of calling or does not understand well the message due to the circumstances he finds himself in. It can also be attached a short presentation movie where the product is presented and its features or there can be added representative pictures about the object of the direct email campaign;

- in most cases, the feedback is more consistent than phone calls or mailing, because the interlocutor can reply whenever he wants, however he wants and whatever he wants;

- probably the costs are the most important advantages to be taken into consideration, both by the organization and the beneficiary of the communication. They are lower then any other existing communication mean. That is why the beneficiary of the communication will have the reasoning to answer, since in most of the cases, he does not incur any additional costs;

- segmentation and targeting – both strategic components receive a special significance when using the email. Thus, the campaigns can be easily customized according to the consumers' particularities;

- the results of an email marketing campaign can be easily measured with by using special software, which generate reports based on the number of emails opened by the recipients.

When implementing an email marketing campaign it is important to follow seven stages: determine the objectives of the campaign, develop the mailing list, the content, the landing page, test the content and the technology, send the emails and measure the results obtained (Charlesworth, 2009).

When the company inserts links to the landing page, the soft reports how many times those links were accessed. The main advantages of including links in the sent message are, on one hand the increase of traffic on the website, as well as the registered persons.

The electronic message should be developed starting from the current positioning of the organization (including its products / services / brands) and to materialize intro an attractive offer for potential consumers (Vegheş, 2003).

The email is a valuable marketing tool for conveying short, simple messages that call for action on behalf of the recipient. Usually companies develop email marketing campaigns for attracting new customers, persuading the existing customers to buy again, encourage customer loyalty, announce or remind about special offers or events etc. For an email marketing campaign to be efficient, it is wanted a greater number of responses from those in the target.

The difference between the email marketing and newsletter is that the email marketing calls for immediate action from the recipient while the newsletters are meant to develop a long-term relationship between the sender and recipient. Newsletters are intended to offer the readers added value; they are more personal and informative.

The newsletter is a periodical message sent online to the company's database of subscribers who have previously agreed to receive it. It usually contains one or more of the following tools: an article / interview / editorial, case study, news, special offers / promotions, new projects / up-coming events, contests, polls or other resources.

When planning the online marketing strategy, the online marketing tools should not be treated separately. For instance, the newsletters sent by email can be promoted on the website and vice-versa. Combining different instruments offered by the internet in a single strategy can improve the rate of its success.

Methodological notes

The specific objectives to be reached through the present exploratory research approach referred to the main aspects concerning the email marketing campaigns and the use of this tool by the consumers: the frequency in using the email account, the level of exposure to receiving commercial messages and the type of information wanted to be received by the public. Questions concerning the email marketing campaigns had represented only a specialized part inside of a consistent questionnaire approaching all the tools consumers are exposed through the online marketing campaigns conducted on the market. Data have been collected online in February-April 2010.

The sample has included 153 respondents (65 male and 88 females), aged 18 to 29, from Bucharest. The focus was on this category, called in the marketing literature as the Generation Y, which is motivated by the significantly higher penetration and, respectively usage of the internet and, particularly of the email services.

Major findings of the research

Nowadays, the use of the email has become compulsory and the results of the survey come to attest the fact that each of the respondents owns at least one active email account (by an active email account it is understood that the respondent checks at least once a day that email account).

Most of the respondents have two active email accounts (45.1%), 23.5% of them own just one active email account, 20.9% check daily at least three email accounts, 11 of the respondents have four email accounts and 5 of the respondents have recognized they check more that five email account each day.

It is important to mention the fact that out of the investigated sample, 89.5% of the respondents have one up to three email accounts. Regarding the remaining percent, it should be mentioned that 6 males as

compared to 5 women own four email accounts, and 4 males as compared to just one woman have more than 5 email accounts to check daily (table 1).

Table 1. Number of active email accounts owned at the level of the investigated sample

Number of active email accounts	Male	Women	Total
1	14	22	36
2	29	40	69
3	12	20	32
4	6	5	11
above 5	4	1	5
Total	**65**	**88**	**153**

Each day, 63.4% of the respondents receive one up to four commercial emails. These messages promote different products, services, brands or events; 9.15% of them receive five or six emails and only 5.88% receive more than seven commercial messages. However, surprisingly enough, 21.57% of the people interviewed, a number of 33 persons, stated that they do not receive any commercial messages (table 2).

Table 2. The average number of commercial messages received by email per day correlated to the number of active email accounts owned

Number of active email accounts	Average number of commercial messages received					
	none	1-2 emails	3-4 emails	5-6 emails	7-9 emails	more than 10 emails
1	14	14	7	0	0	1
2	13	32	13	5	2	4
3	1	10	13	7	1	0
4	4	2	3	1	1	0
more than 5	1	1	2	1	0	0
Total	33	59	38	14	4	5

In what concerns the information that the investigated sample would like to receive by email, daily, most of them mentioned that they would like to be kept updated to the events the companies are organizing (50%), to find out new things about the organizations (35%) and to know information about the new products that are ready to be launched on the market (25%). The consumers are also interested in the contests initiated by the companies (14%), their loyalty programs (7%) or are interested in receiving cards from the companies (5%), for different occasions. It is important to highlight that a number of 71 respondents (46% of the respondents), would not want to receive any commercial emails, fact that suggests that they prefer to search for the information they need to know and do not want to be disturbed with this type of emails.
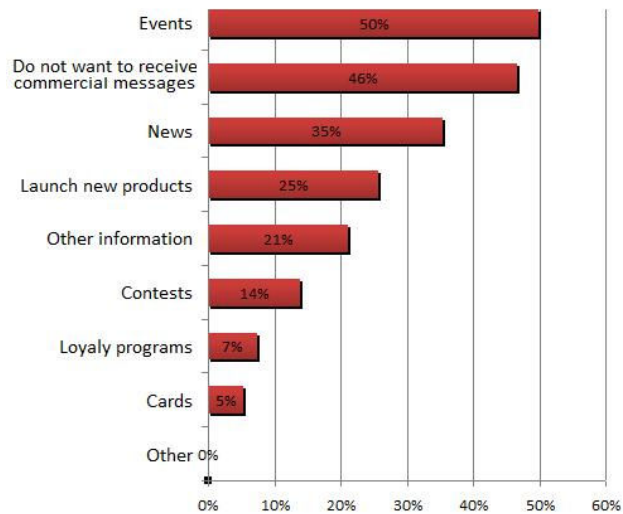
Conclusions and Limits of the research

It is difficult to draw conclusions about the development and employment of the email marketing campaigns after an exploratory research approach conducted at the level of a rather specific group of consumers. The results of the study are significantly limited by the nature of the sample and this should be one of the further improvements to be made in terms of the research methodology. Another important limit of the study is represented by the orientation of the questions towards the obvious aspects of the existence and employment of the email marketing campaigns.

Still, there are several facts that have been observed based on the results provided by this exploratory approach:
- the majority of the respondents own and check daily two email accounts;
- more than 60% of the investigated sample receive daily one up to four commercial messages;
- the type of information considered to be of interest and wanted to be received by email by the Romanian 18-29 years old respondents are the organization's events, news related to the company, the launch of new products, other type of information, contests organized, details about the loyalty programs and different cards for different occasions;
- about half of the respondents do not prefer to receive commercial messages, but they want to search for the information they need themselves.

Further directions of research to be considered refer to the:
- expanding the dimension of the investigated population through getting out from Bucharest and covering the whole country (including the urban and rural areas), respectively through extending the demographic profile of the sample covering not only the group aged 18-29, but also consumers from other categories (at least members of the active population);
- increasing the complexity of the information generated through the research by introducing supplementary questions about the format of the message received by email, the elements that should be or not found in the commercial message or related to the amount of information that would convince the receiver to buy or contact the organization that developed the campaign.

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LES PARTICULARITES DU PROCESSUS DECISIONNEL D'ACHAT SUR LE MARCHE D'ASSURANCES[510]

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For understanding insurance services' consumer behavior, it is necessary to study the particularities of the decision-making process on the insurance market. This paper aims to present the main characteristics of the different stages of the decision-making process: from those that precede the purchase of insurance to the post purchase behavior.

Keywords: consumer behavior, decision-making process, insurance market
comportement du consommateur, processus décisionnel d'achat, marché d'assurances

JEL Code: M31, G22

Introduction

Dans le secteur des assurances les objectifs des sociétés d'assurance sont de maximiser les bénéfices de la société d'assurance et d'optimiser la qualité de la relation client pour déterminer les clients de rester fideles à la société d'assurance. Pour pouvoir réaliser ces objectifs les sociétés d'assurance doivent identifier les meilleurs marchés cible et découvrir des modèles de comportement des assurés. Pour cela s'impose l'étude du comportement du consommateur des services d'assurance.

L'étude du comportement du consommateur des services d'assurance c'est une démarche complexe qui suppose l'identification des caractéristiques particulières des assurés potentiels, l'étude des particularités des processus décisionnels d'achat pour les divers types d'assurances et l'étude des facteurs qui influencent le comportement du consommateur des services d'assurance.

Dans cette étude on fait une esquisse des principales caractéristiques du processus décisionnel d'achat sur le marché d'assurance et des facteurs qui l'influencent.

Les principales étapes du processus décisionnel d'achat pour les acheteurs individuels sont: la reconnaissance du problème, la recherche d'information, l'évaluation des alternatives, la décision d'achat et le comportement post-achat (voir la Figure 1).
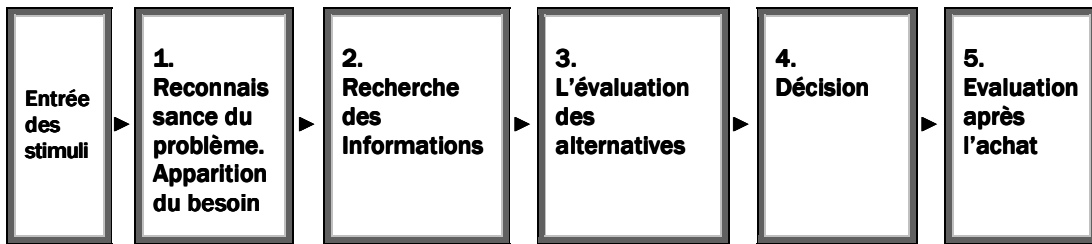
Figure 1. Les principales étapes du processus décisionnel d'achat pour les acheteurs individuels

1. L'apparition du besoin d'assurance

L'apparition du besoin de s'assurer et la reconnaissance de l'existence de ce besoin constituent le point de départ du processus décisionnel d'achat d'une police d'assurance.

Le besoin d'assurance se trouve parmi les besoins fondamentaux d'une personne, en se situant sur la deuxième position dans l'hiérarchie des besoins d'Abraham Maslow, après les besoins physiologiques qui se trouvent sur le premier niveau et avant les besoins sociaux d'appartenance et d'amour (troisième niveau), les besoins de respect (quatrième niveau) et les besoins d'accomplissement du soi qui sont placés sur le dernier niveau de l'hiérarchie (voir la Figure 2).
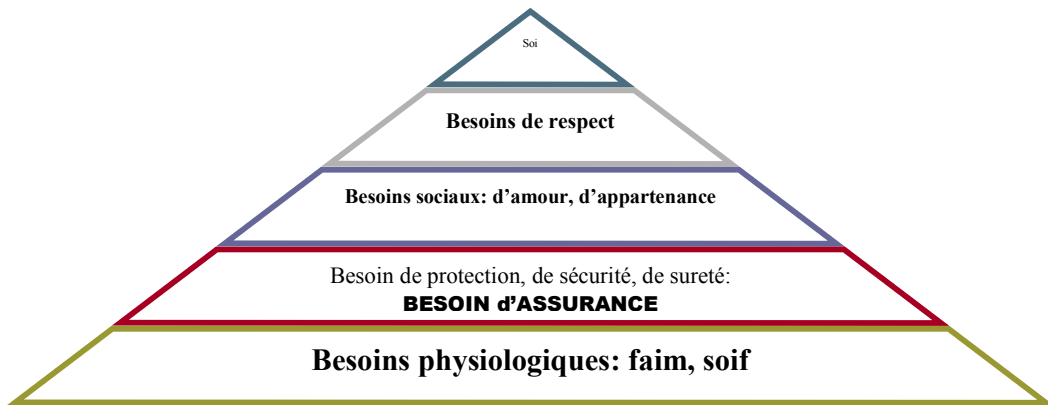
Figure 2. Le positionnement du besoin d'assurance dans l'hiérarchie des besoins de Maslow

L'apparition du besoin peut être engendrée par des stimuli internes ou externes.

Il y a une grande diversité des stimuli externes qui agissent sur le potentiel assuré. Parmi les facteurs exogènes qui influencent le potentiel assuré on peut distinguer trois catégories importantes: (1) les facteurs du macro-environnement, (2) les facteurs lies à l'activité de marketing de la société d'assurance, (3) les facteurs exogènes lies aux particularités sociologiques des consommateurs des services d'assurance (voir la Figure 3).

Facteurs exogènes du MACRO ENVIRONNEMENT	Facteurs exogènes liés à l'activité de MARKETING de la société d'assurance	Facteurs exogènes liés aux particularités SOCIOLOGIQUES des consommateurs des services d'assurance
- facteurs politiques - facteurs économiques - facteurs technologiques - facteurs démographiques - facteurs de l'environnement naturel	- Caractéristiques de l'offre d'assurance - Politique en matière de primes d'assurance - Politique de distribution, - Politique de communication - Politique de personnel	- Culture, - Sous culture, - Classe sociale - Groupe de référence, - Famille
↓	↓	↓

L'apparition du besoin

Figure 3. Facteurs externes qui influencent l'apparition du besoin d'acheter une assurance

Un rôle important dans l'apparition du besoin d'acheter une assurance est joué par les facteurs liés aux particularités personnelles du consommateur des services d'assurance: l'âge et l'étape du cycle de vie, l'occupation et la position économique. En Roumanie la demande d'assurance n'a pas un caractère uniforme, elle est concentrée dans les aires géographiques qui ont un potentiel économique élevé et dans les segments de population avec des revenus supérieurs à la moyenne. Dans la situation actuelle de crise économique les facteurs liés à la position économique du potentiel assuré sont d'autant plus importants.

Les actes du consommateur des services d'assurance sont influencés en grande mesure par une série des facteurs endogènes: la perception des assurés potentiels vis à vis les assurances et les sociétés d'assurance, le processus d'apprentissage (qui est basé sur l'expérience antérieure de l'assuré), les attitudes face aux assurances et aux sociétés d'assurance, les motivations et la personnalité du consommateur (voir la Figure 4).
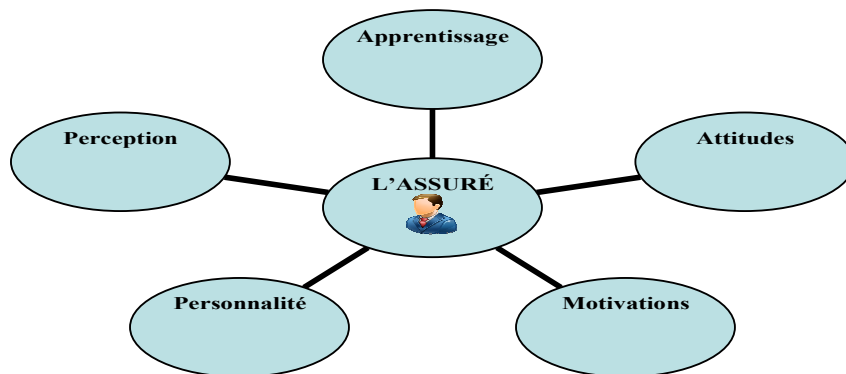
Figure 4. Facteurs endogènes qui influencent les actes du consommateur des services d'assurance

La reconnaissance du besoin de s'assurer peut être engendrée par plusieurs situations. Parmi les situations les plus fréquentes qui peuvent être rencontrés sur le marché des assurances on peut énumérer les suivantes:

- le besoin d'assurance peut apparaitre comme besoin dérivé de l'acquisition d'un autre produit / service. Par exemple: l'acquisition d'une voiture peut conduire au besoin d'acheter une assurance RCA obligatoire ou CASCO, l'acquisition d'une maison/appartement peut déterminer une personne de

conclure un contrat d'assurance habitation et de s'assurer contre une série des risques : tremblement de terre, inondations, vol etc.

- le besoin de renouvellement d'un contrat d'assurance expiré. Par exemple une personne constate que son contrat d'assurance habitation est en train d'arriver à l'échéance et il décide de chercher des informations sur le marché pour pouvoir conclure une nouvelle assurance. Sur le marché des assurances l'achat répété est le résultat du processus d'apprentissage. La théorie de l'apprentissage instrumental nous montre que les personnes assurées apprennent à utiliser des comportements qui produisent des effets positifs et à éviter les comportements qui ont des résultats négatifs. Le conditionnement instrumental apparaît lorsqu'on donne une « motivation » suite de la réponse à un certain stimulus; cette motivation peut être positive ou négative. Par exemple, on a une motivation positive dans le cas d'une personne qui a une assurance CASCO et qui a reçu sans retards des dédommagements après un accident auto. Dans ce cas il est très probable que la personne renouvèlera son contrat d'assurance CASCO à la même société.

- le besoin d'assurance peut apparaitre à l'aide de l'agent / courtier d'assurance. Souvent dans le cas des assurances de vie l'apparition du besoin est provoquée par les actes de l'intermédiaire.

- le besoin d'assurance peut apparaitre à la suite de l'apparition des nouveaux risques.

- le besoin d'assurance peut apparaitre à cause d'une offre vue sur l'Internet.

2. La recherche d'information en matière des assurances

La recherche d'information peut être accidentelle ou délibérée et l'accès aux informations peut être soit externe, soit interne. Les sources d'informations peuvent être classifiées en :

- sources liées à l'expérience propre: l'expérience obtenue à la suite de la relation antérieure avec la société d'assurance,

- sources personnelles (famille, collègues, amis etc.): les études ont montré que dans le cas des polices d'assurances les opinions des membres de famille, les opinions des leaders de groupes de référence jouent un rôle important dans la décision d'achat et dans le choix de la société d'assurance,

- sources commerciales - agents d'assurance, courtiers d'assurance, catalogues, brochures, sites Internet etc. et

- sources publiques - revues, journaux etc.

Le processus de recherche d'information est influencé par plusieurs facteurs: le risque perçu, l'implication du potentiel assuré, l'expertise du consommateur et les sources d'information.

Les potentiels assurés cherchent des informations concernant: les produits d'assurances existants sur le marché roumain, les risques assurés par ceux-ci, les primes à payer, le taux de dédommagement, la durée d'un contrat d'assurance et la réputation des sociétés d'assurances, leur compétence, leur crédibilité en utilisant des sources d'information commerciales (annonces publicitaires etc.) ou indépendantes (discussions avec les membres de la famille, avec les collègues etc.), standardisées ou personnalisées.

Une source importante d'information sur le marché d'assurance est l'agent d'assurance. L'agent d'assurance exerce son activité en vertu d'un mandat délivré par une société d'assurances. Les agents d'assurances analysent les risques de leurs clients, conseillent les clients sur les opportunités d'assurance, placent les risques auprès de leurs compagnies d'assurance, suivent la gestion des contrats et assistent leurs clients en cas de sinistre, de l'ouverture jusqu'à l'indemnisation.

Une autre source importante d'information sur le marché d'assurance est le courtier d'assurances qui exerce son activité en dehors de tout lien d'exclusivité contractuelle avec une ou plusieurs compagnies d'assurances et qui agit pour le compte de ses clients.

Une source moderne d'information qui est de plus en plus utilisée est l'Internet. En naviguant sur l'Internet le consommateur peut trouver facilement des informations concernant les types d'assurances et les offres des sociétés d'assurances.

À la suite de la recherche d'informations le consommateur établit un ensemble évoqué, qui inclut les alternatives prises en compte pour être évaluées. Il fait son choix en tenant compte de cet ensemble.

3. L'évaluation des alternatives

L'évaluation des alternatives dépend de l'expérience du consommateur. L'évaluation est réalisée en fonction des croyances et des attitudes de l'individu.

Elle est réalisée en fonction de certains attributs et de leur importance dans la décision d'achat.

Il y a trois étapes de l'évaluation des alternatives:

(1) le consommateur potentiel identifie les attributs (les critères) pris en considération pour évaluer les alternatives. Sur le marché des assurances il y a plusieurs critères qui sont importants dans la prise de la décision d'achat d'une police d'assurance. Les critères sont différents en fonction du type d'assurance. Parmi les critères utilisés on a: la notoriété de la société d'assurance, la réputation de la compagnie, la confiance inspirée par la société d'assurance, la qualité de la relation à long terme entre la société et l'assuré, le niveau de la prime d'assurance, la modalité de payement de la prime, les facilités au payement de la prime, la proximité du réseau de distribution des services d'assurance, l'amabilité du personnel, la compatibilité du potentiel assuré avec l'agent d'assurance etc.

(2) il détermine l'importance des attributs (des critères) et

(3) il établi un modèle d'évaluation. Il y a deux catégories de modèles d'évaluation : le modèle compensatoire linéaire de formation des attitudes et les modèles non compensatoires. Les principaux modèles non compensatoires sont: le modèle conjonctif, le modèle disjonctif et le modèle lexicographique.

Les études ont montré que facteur le plus important dans le choix de l'assurance obligatoire RCA est la prime d'assurance.

4. La décision

Il y a des facteurs qui peuvent influencer la décision: les attitudes d'autrui et les facteurs situationnels imprévus.

Le consommateur a trois décisions possibles :

(1) il prend la décision d'achat et il choisit le type d'assurance, la marque de la société d'assurance, le moment de l'achat, la prime à payer, les modalités de payement etc.

(2) il décide de modifier la décision d'achat et dans ce cas on a un nouveau processus décisionnel ;

(3) il abandonne la décision d'achat. Ce choix dépend du risque perçu par le consommateur (risque fonctionnel, financier, social, psychologique etc.).

5. Le comportement post-achat

Si le consommateur décide d'acheter la police d'assurance l'étude du processus décisionnel d'achat ne s'arrête pas à la décision d'achat, mais il doit continuer parce que pour comprendre le comportement du consommateur il faut étudier la satisfaction ou l'insatisfaction du client de la société d'assurance et ses actions post-achat.

La satisfaction du consommateur dépend de la comparaison entre ses attentes et la performance perçue de la police d'assurance. Les attentes se forment en fonction des messages de la société d'assurance: si les performances du produit sont présentées dans une optique trop favorable, exagérée, alors il peut apparaître un écart. Le résultat probable est un client mécontent.

Une étude qualitative réalisée par interview semi-dirigé sur 59 personnes assurées dans les mois octobre et novembre 2009 a montré que la plupart des assurés sont satisfaits par leurs sociétés d'assurance et par les polices d'assurances achetées. Un nombre réduit des sujets interviewés se déclarent mécontents. Leurs insatisfactions portent sur: les retards dans le payement des dédommagements, la manque d'initiative de la part des sociétés d'assurance, la perception qu'il n'y a pas une liaison étroite entre la prime payée et le risque couvert.

Les actions post-achat des assurés sont déterminées par le niveau de satisfaction. Le client content renouvelle sa police d'assurance et il conseillera à d'autres personnes de le faire elles aussi. Le client mécontent peut abandonner la société d'assurance ou il peut lui faire de la publicité négative.

Entre la satisfaction, la fidélisation de l'assuré et la rentabilité de la compagnie d'assurance il y a une étroite liaison et le rôle de l'activité de marketing est de créer une forte fidélité de la clientèle envers la compagnie d'assurance

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ROMANIAN DEMOGRAPHIC FACTORS AND THE INVESTMENTS ON CAPITAL MARKET

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The growing interest for investments in capital markets creates the need for studies focused on monitoring and analysing demographic environment in which the investors operate. Its analysis may represent a starting point for finding out opportunities and threats brought by environment for the evolution of Financial Investment Services Companies in Romania. Our paper starts from the assumption that the behaviour of the investor in financial services is influenced by the demographic factors. We focus on some of them, in a descriptive manner. Specifically, they are: monthly net average incomes, gender, age, employment rate and education level of the population. This study also presents a short case of a Financial Investment Services Company named Target Capital.

Capital market in Romania

At the present moment there are two market operators, authorized by the National Securities Commission in Romania: 1. the Bucharest Stock Exchange (BSE, www.bvb.ro) and Sibiu Monetary Financial and Commodities Exchange (Sibex; www.sibex.ro). The Bucharest Stock Exchange was re-established in 1995, with the state support, going through several transformations. It represents the platform of the regular market (issuers present on it are taken in account by Bloomberg in computing the Romanian stock market capitalization), regular market for the derivatives and Rasdaq market. There are 99 companies listed on the regular market and 1.447 companies on Rasdaq (Analysis report, Listing Sibex, 2010). Sibex was founded in 1994, based upon exclusively private initiative, as the most important regular market of financial derivative instruments (options, futures and CFD's). Starting with January 2010, Sibex operates as a regular market for the spot transactions, as well.

Based upon the regulations provided by Law 297 /2004, Financial Investment Services Companies were created, playing the intermediary role. At this moment, there are 69 of intermediaries in Romania, out of which 3 have their headquarters abroad (see http://www.bvb.ro/intermediaries/ssifuri.aspx).

If between 1995-1998, the number of intermediaries has increased, after 1998, market concentration took place, leading to a reduction in their number. Certainly, the number of intermediaries grows in the growing phases of business cycle, as the number of new companies listed on the stock market increase and decreases along with new law constraints regulating the capital market and the descending phases of business cycle.

Intermediaries that functioned until 2001, focused especially on selling stocks received by population through the mass privatization process. Now, their main operations concern the transaction on Bucharest Stock Exchange, and on Sibiu Monetary Financial and Commodities Exchange.

Trends in Romanian demographic environment

Capital market investments reflect the propensity of individuals/households towards saving. As known, saving behaviour changes during the life cycle of an individual. Typically, young people are incited towards consuming their income and investing especially in the development of human capital. The medium-aged have a saving and investment based behaviour (material goods, shares). The elder, usually, do not save nor invest after retirement. Exemption from this pattern is the people who

accumulated considerable incomes, are familiar with financial investments and benefit from a secure retirement.

According to the data provided by the National Statistics Institute, at July 1st 2008, the Romanian population was 21,504,442, out of which 10,5 mil. (48,7%) male and 11,0 mil. (51,3%) female. Between 2005-2008, negative growth and population migration caused the decrease of population by almost 119,4 thousand. The age-structure of the population shows a specific demographic ageing process. reflected, especially by the decrease of birth rate. This led to an absolute and relative decrease of the young population (aged 0-14) and an increase of the elder population (60+). Compared to July 1st 2005, in 2008 the young population decreased from 15,6% to 15,2%, and the old population increased from 19,2% to 19,6%. Compared to the mid 2005, the adult population (aged 15-59) represents 65,2%, decreased by 52,1 thousand persons.

In the adult population, the age group 30-34 and 50-59 increased while the age groups 15-19, 25-29, 45-49 decreased. These evolutions outline the age and gender disproportions in the population structure. As a result, the main trend in Romanian population is ageing. (Romania in cifre, 2009)

For the Romanian stock market operators, the most interesting segment is the over 18 - employed one. Two are the main reasons: 1. The Romanian legislation doesn't allow people under 18 to trade shares on the market (than trough a legal representative), 2. The elementary logic shows that if one doesn't earn money, cannot invest. Assuming the employed population remained constant since 2007 (when it was 9,353,000), the number of investors on the stock market represents only 1,01% (94,511 accounts, according to the Investor Compensation Fund). A study performed by The Money Channel (Frenciu, 2007) concluded that the Romanian Stock market had a huge potential, because the investors in this market represented only 0,5% out of the entire population. This potential would be bigger if the stock market would consider not only the threats but also the opportunities brought by the changes in the population structure. Mainly it is about the fact that the elder consume less and, at least in Romania, try to leave an inheritance (why not, in shares) to the descendants. Of course there are other demographic trends, with potential effects on the stock market (increase of the education or women employment rate).

Theoretical approaches of the demographic environment impact on the stock market development

International field literature offers opinions on the way in which demographic factors affect the global economy (World Economic Outlook, 2004), and on wealth and gains from investments on capital market distribution (Gale/Pence, 2006).

The Romanian field literature rarely focuses on the impact of the demographic trends on the stock market, and when it does, it approaches these trends as a component of the consumer behaviour (Olteanu, Vlad, 2007).

This paper, from a descriptive perspective, we argue that consumer behaviour in financial investment is influenced by several demographic factors, such as: age group, gender, occupation, average monthly income.

Research methodology

In carrying out this work we used *secondary sources* of information: field books, articles published in newspapers and magazines, studies conducted by the National Institute of Statistics and data provided by Target Capital Investments Company. Should be mentioned the difficulties encountered due to the relatively small number of papers published on this subject, and constraints imposed by the owners of specific data (as, for instance, the value investors' portfolios.)

Preliminary findings

Table 1 data helps us understand that regions with a large number of Financial Investment Services Companies are characterized by higher monthly net average incomes. On the first place is Bucharest

and Ilfov county with 1670 and 1492 Lei/month average net income. Cluj county ranks 4 with an average income of 1365, the remaining counties having at least one head quarter of an investment company, are in the first part of the deck. According to National Institute of Statistics, population incomes increased steadily starting with 2003 until 2006, with permanent differences between those made by men (higher incomes) and women (see http://www.insse.ro/cms/files / statistics / Statistics% 202008/rom/21.htm 20teritoriala%). This may be one explanation for the difference between accounts opened by men (56.56%) and, respectively, women (43.44%) in 2009 (according to Target Capital Investment Company).

Table 1. Top Romanian counties based on average monthly incomes (RON, 2006)

Crt. no.	Region	Average incomes	Crt. no.	Region	Average incomes	Crt. no.	Region	Average incomes
1	Bucuresti	1670	15	Prahova	1168	29	Braila	1002
2	Ilfov	1492	16	Galati	1156	30	Caras-Severin	1001
3	Sibiu	1365	17	Dolj	1156	31	Calarasi	1001
4	Cluj	1346	18	Buzau	1085	32	Ialomita	995
5	Gorj	1338	19	Tulcea	1076	33	Alba	995
6	Constanta	1224	20	Valcea	1057	34	Suceava	987
7	Iasi	1223	21	Bistrita-Nasaud	1055	35	Bihor	979
8	Timis	1222	22	Dambovita	1049	36	Vrancea	971
9	Olt	1218	23	Salaj	1046	37	Neamt	962
10	Mehedinti	1217	24	Arad	1037	38	Covasna	955
11	Brasov	1197	25	Hunedoara	1034	39	Maramures	926
12	Arges	1192	26	Mures	1023	40	Vaslui	925
13	Giurgiu	1185	27	Satu Mare	1014	41	Teleorman	917
14	Bacau	1185	28	Botosani	1003	42	Harghita	852

Note: Based on data provided by http://www.infoportal.ro/informatii_universitati.html

Most Financial Investment Services Companies headquarters are located in Bucharest (56.5%), Cluj - Napoca (7.25%), Ploiesti and Craiova (each with 4.35%), Targu Mures and Brasov (both 2.9%) and Arad, Constanta, Focsani, Galati, Miercurea Ciuc, Ramnicu Valcea, Satu Mare, Sibiu, Suceava and Timisoara (with 1.45% each; see http://www.bvb.ro/Intermediaries/SSIFuri.aspx).

Occupation rate of active population is another demographic factor influencing the volume and dynamics of capital market investments. The data on which we built Graph 1 allows us to conclude that along with increasing the employment rate in financial intermediaries and banking, increased the number of Financial Investment Services Companies, too.

Graph 1. Employed Civilian population, by sectors of national economy
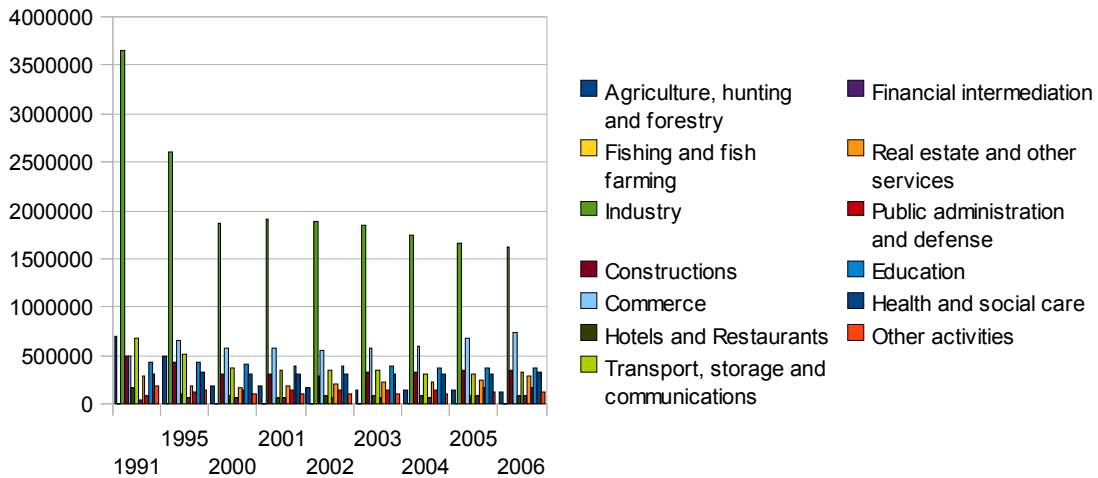
Note: Based on data provided by INSSE (http://www. Insse.ro/cms/files/statistics/statistics% 202008/rom/13.htm 20teritoriala%)

The data in Table 2 shows that in Romania 24 cities have universities, most of which are in Bucharest (36), followed by Iasi (10), Timisoara (9) and Cluj Napoca (4). Comparing this data with those representing the Financial Investment Services Companies numbers, we notice that 9 in the first 12 university centres have also investment intermediaries' headquarters, meaning that the education level is another factor that may influence the stock market.

Table 2. Academic centres in Romania

Cities	No. Of Universities	Cities	No. Of Universities
Bucuresti	36	Bacau	2
Iasi	10	Galati	2
Timisoara	9	Pitesti	2
Cluj-Napoca	8	Alba Iulia	1
Sibiu	5	Deva	1
Oradea	4	Petrosani	1
Targu-Mures	4	Ploiesti	1
Baia Mare	3	Resita	1
Brasov	3	Roman	1
Constanta	3	Suceava	1
Craiova	3	Targoviste	1
Arad	2	Targu Jiu	1

Note: According to data provided by   http://www.infoportal.ro/informatii_universitati.html

Short case study
Target capital is a financial investments company with Romanian capital. It has been established in 1995, under the name Aura S.A. Since 2003, this company works under the name Target Capital. On 11.05.2009 the share capital was RON 2.5 million divided into 250,000 shares with a nominal value of RON 10 each. The company provides brokerage and consulting services specialized in capital markets, with offices in two other cities outside of Cluj. In January 2010, we performed a study on demographic characteristics of investors who have an open account at Target Capital. Table 3 and Table 4 summarize the results of it.

Table 3: Investors gender (Target Capital Financial Investments Company)

		Stock market investors (%)
Women	2007	45.06
	2008	44.64
	2009	43.44
Men	2007	54.94
	2008	55.36
	2009	56.59

Note: After processing the existing data in Target Capital Financial Investments Company

Table 4: Investors demographic characteristics (Target Capital Financial Investments Company, 2009)

	Age groups (%)		
	< 35 years	35-60 years	> 60 years
Women	7.03	6.93	7.58
	24.84	24.82	24.43
	13.2	12.89	11.3
Men	11.04	12.41	14.02
	29.59	29.23	30.06
	14.34	13.72	12.48

Note: After processing the existing data in the Target Capital Financial Investments Company

A conclusion is that women were more influenced by the economic crisis started in 2007, in terms of capital market investment. Their share fell with 1.62% during 2007-2009. In 2009, most of the investors on the capital market in Romania were men, older than 60 years.

Conclusion
Demographic trends impact the capital market activity volume and dynamics. This is why the stock exchange companies should be interested, through their marketing departments, in discovering the opportunities, but also the treats brought by these trends. On this basis, they could alter their offer portfolio, so that the various changes in the demographics can be granted.

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RELATIONSHIP MARKETING RESEARCH TAILORED TO SUPPORT SALES MANAGEMENT. CASE STUDY: AN INTERNATIONAL EXPRESS LOGISTICS COMPANY IN ROMANIA

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Within current economy context, complexities and particularities most companies are constantly seeking to maximize effectiveness and efficiency of their business. As sales force represents for most organizations their "spearheds"and direct contact with the market, its management can be a source for customer satisfaction and overall efficiency. Relationship marketing research with all its particularities and dimensions, if tailored appropriately can explicitly pinpoint major sources of customer satisfaction and dissatisfaction. Focus of contemporary relationship marketing is the customer viewed across lifetime as a profit source and partner rather than on short term for singular transactions. Research findings help the organization better manage its sales force and generate customer satisfaction, retention and loyalty and maximize profits while achieving superior efficiency.

Keywords: relationship marketing, sales management, customer satisfaction, research, efficiency.
Cod JEL article: M31

Introduction

Contemporary *relationship marketing* approach is in direct relation with *customer satisfaction*, in today's economy where most companies focus on building sustainable competitive advantages by developing close and cooperative relationships with a limited set of suppliers, customers and various channel members. Through these relationships firms create value by differentiating their offering and/or lowering their costs[511].

This new relationship marketing paradigm consists of placing emphasis of marketing activities on establishing, developing, and maintaining cooperative, long-term relationships[512] and thus using this approach to generate competitive advantage for the company. Relationship marketing has implications on all marketing activities from research, to marketing programs and campaigns and to selling activities, as Gumesson vividly describes new marketing concept consists of an *interaction of networks and relationships*[513]. This paper focuses on its research implications vis-à-vis customer satisfaction in relationship with personal sales and sales force management.

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511 Berling, R., The Emerging Approach in Business Strategy: Building a Relationship Advantage, BusinessHorizon 36 (4), 1993, pp.16-27.
512 Gummesson, E., Implementation Requires a Relationship Marketing Paradigm, Journal of the Academy of Marketing Science, 2 Summer, 1998, pp.242-249.
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Relationship research is a cardinal dimension for contemporary marketing and sales practice. It surveys behavior of all actors involved in the network which is established in the relationship marketing context. There is a major shift of this research approach where the emphasis moves from customer needs to relationship partner analysis.

Firms' sales force play a key role in the formation of long term buyer-seller relationships. As the primary link between the buying and selling firms, they have a considerable influence on the buyer's perceptions. This perception of seller's reliability and its service offering value plays a key role influencing the buyer organization to continue business relationship. High-class performing sales force which have managed to establish and develop solid relationship with partners based on trust, support and mutuality are a source for long term value generation to their companies. There are researches today that show that buyers often have greater loyalty to salespeople than they have to their companies[514].

1. Managerial dimension of relationship marketing

The *management dimension* of relationship marketing, encloses a wide range of decisions that impacts the company and its customers. These relations can be structured according to their nature, as follows:[515]

     a) relations regarding the contract: precontractual relations, contractual relations, and post contractual relations;

     b) relations vis-à-vis information demand and offer: available information for customers, information requested by customers;

     c) relations generated by the reaction of the customers towards the service offering: satisfaction; enthusiasm; complaint; and formal objections;

     d) relations generated by the multiplication effect of satisfied / unsatisfied customers on potential customers.

Decision making process has to be adapted to this kind of relationships in order to ensure continuity for the overall enterprise economic pursuit. If the first kind of relations (a) represents the *formal frame* of the cooperation and belongs to the tasks of the sales department, all other relations (b, c and d) are rather *informal* in their nature and are the responsibility of the marketing department.

2. Sales management. Relationship approach

Scholars as Wotruba[516] suggests that nature of personal selling, like the one of marketing, as described by distinguished professor Kotler, has evolved through the four different stages, namely: production, sales, marketing, and partnering. Each of these eras of sales has different objective, orientation, tasks and responsibilities for their salespeople ranging from transactions and short-term focus in production stage to relationships and long-term orientation in partnering stage. Consequently to each of these stage sales force fulfills different roles and pursues different activities that requires different skills, knowledge and abilities. Moreover the nature of sales management has evolved accordingly as reaction to the changing in nature of selling activities, market pressures and type of relationship among organizations. Focus of this paper is for partnering era of the personal sales and sales management stage corresponding to relationship marketing orientation.

Partnering salespeople work closely with their customers to create value, via tailored solutions that are profitable to both partners. Salespeople are engaging in relational exchanges on a day to day basis channeling additional consulting, support and information among partners. The objective of salespeople

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514 Barton, A. W., Bradford, K. D., *Selling and Sales Management: A Relationship Marketing Perspective*, Jounral of the Academy of Marketing Science, Spring, 1999, pp.241- 254.

515 Pop, N. Al., Pelău, C., *Dimensions of relationship marketing in the Romanian banking sector. Case study: BRD Express*, Marketing Management, nr 4, Editura Economica, București, 2006.

516 Wotruba, Th., *The Evolution of Personal Selling, JournaIof Personal Selling and Sales Management*, No.11 (Summer), 1991, pp.1-12.

is to develop long-term relationship with the customers that imply commitment and aim to "increase the pie" rather than divide it. Sales force has to achieve a deep understanding of customer needs and particularities and to persuade them of their superior offering proposition. A crucial aspect of the partner relationship is played by trust and commitment developed by seller's sales reps, who are to develop it both internally within their own organization and externally with the buyer's organization, so as to openly exchange information and innovative solutions between two sides.

There are three major differences between partnering roles of sales people versus other roles[517], as follows: (1) the focus on interpersonal communications- managing conflict versus influencing purchase decisions; (2) the salesperson's objective-building and maintaining the relationship with the customer versus maximizing short-term sales; and (3) the unit of analysis- the sales team versus the individual salesperson. Conflict is inherent to market interactions due to different objectives of the two actors, however the partner sales rep aims to manage the conflict so as to accrue benefits to the overall relationship and value it so as to strengthen overall relationship and increase commitment for both sides. Secondly, generating long term profits for both partners rather than pursue one time transaction has direct implications on sales management implemented by the seller company (way how sales agents and sales teams are recruited, evaluated and compensated). Lastly, it is important to emphasize the need for implementing sales team as these complex partnerships cannot be managed by individuals. Mostly are needed cross-functional sales team within their selling centers as corresponding to the cross-functional buying-teams in the buying centers of partner's company across different levels of management. As such, sales rep assigned to a customer will become *relationship manager* who is responsible to manage the activities of the entire sales team rather than personal activities and agenda.

Figure 1, best describes direct relation between overall marketing strategy and sales function within an enterprise, marketing strategy providing objectives for sales and sales metrics. Some of the most common measures are percent of sales quota achieved, number of new customers, number of sales closings, average gross profit per customer, and sales expense to total sales.[518] Jobber illustrates how market data validated and refined are used in formulating overall marketing strategy initially and providing an evaluation and control support in the end analysis. All of the phases from setting the objectives, to hiring and recrutiment, training, motivation and compensation and evaluations are being executed under the same umbrella.

Structure of the department and function is to be setted according the efforts employed for the relationship management with the customers. Within all functional departments there are created new jobs and new taks and different functions for each. Sales and marketing department, research personnel can be splitted, and customer databases competences are required for valuing marketing data and linking them with the sales policies implementation

517 Barton, A. W., Bradford, K. D., *Selling and Sales Management: A Relationship Marketing Perspective*, Journal of the Academy of Marketing Science, Spring, 1999, pp.241- 254.
518 Kotler, P. - Rackham, N. –Krishnaswamy, S., *Ending the War Between Sales and Marketing*, Harvard Business Review, 2006.

Figure 1. Marketing strategy and management of personal selling
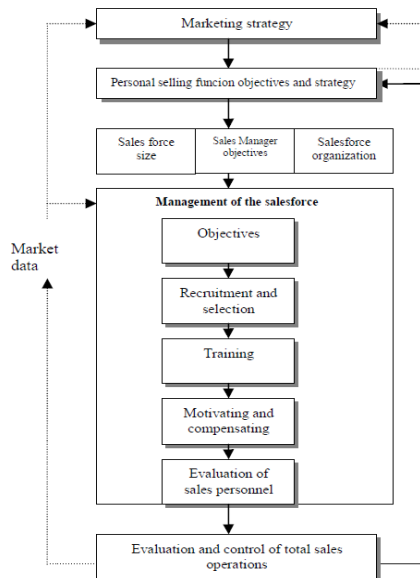
A key position to be created in the relationship era is the *relationship manager*, who is to assign and deploy people and resources according to customers' importance for company (principal customer, permanent customer, occasional customer etc.). Duties and tasks of the salesforce (sales reps, service personnel, call centre officers), which is in permanent contact with the customers are permanent updated with the expectations of the different partners.

3. Case study: an international express logistics company on Romanian market
3.1. Relationship marketing research. Aims, instruments and primary findings
The main objective of the research was to measure the satisfaction of corporate clients (accounts that buy services for more than 100,000 EUR per year) of a multinational company that operates in more than 220 countries and territories on the Romanian market. Satisfaction related findings enable company to better manage its salesforce towards strengthnening partnership with key accounts through superb salesforce design, high level of commitment and execution. Thus, using primary data and field research we have distributed a questionnaire to all 60 corporate clients (accounts that buy services for more than 100,000 EUR per year) of a major international express logistics company that operates in Romania. The rate response was a high of 88% due to excellent relationships that were built in time. Out of the 53 companies that have responded to the questionnaire, 30% are operating in the automotive industry, 9.4% in other production area and the rest in areas such as commerce, textile, software and electronics.

The questionnaire comprises of three sections. The first section is designed to collect firmographic data followed by the second, that addresses 37 important aspects of satisfaction using a 5 point Likert scale[519]. The questionnaire ends with a section that is designed to measure the importance of several factors that influence the overall satisfaction of the client with the services received. The elements we identified to have an impact of the overall satisfaction are: availability (the degree to which the company can be accessed), responsiveness (the degree to which company staff reacts promptly and appropriately), reliability (the degree to which parcels are delivered without damage and on time),

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[519] Malhotra, N., *Marketing Research*, 6 ed., Prentice Hall, Upper Saddle River, New Jersey, 2010, p. 390.

completeness (the degree to which all components of the service are finished) and professionalism (the degree to which carrier company uses suitable, professional behaviors, while working with me such as politeness, respect, consideration, truthfulness and friendliness).

The following chart is going to reveal relative importance of each of the 5 factors as perceived by customer, as follows:

Figure 2. Importance of factors for the overall satisfaction
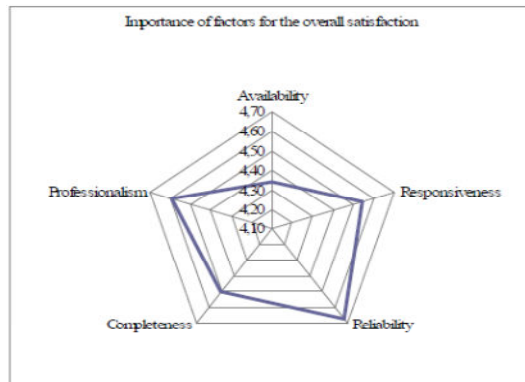
Source: own research

It is worth underlying that after reliability, factors as professionalism and responsiveness are the among top three ones, which further enhances the relational view of partnership importance mediated though intelligent, innovative and salesforce which proves initiative. This finding becomes even more important in the light of service performance level findings which show that only a quarter (24%) of respondents considering the service offering very high, very few of them viewed it very low (4%), while most of them consider service rather average and/or superior, indicating a large potential pool for expanding relationships and mutual gains in the future.

Nevertheless, when questioned regarding overall interactions with the sales force and sales support of the researched company, major accounts were positive, 62% of them indicating that. Only 1,9% were negative about company staff exchanges and most of the exchanges being into the neutral and medium areas pointing towards future improvement potential.

3.2. Conclusions. Managerial implications and pursuits

Mostly, sales force has to initiate and encourage open dialogue and contact fostering the overall business relationship. A new set of policies and measures has to be implemented in this regard focusing on sales teams already existent, which is a major strength as underlined by literature for modern and innovative sales. Joint collaboration with financial and operation departments is to be further expanded in order to increase speed and professionalism for customers feedback and rate of solved calls, information requests, and complaints raised. Constant contact with the customer is to be maintained in different and divsers manners according to the situation and request: via direct contact and meeting, telesales, and web technologies (emails, CRM software) on a frequent basis.

Some of the research findings regarding key interactions topics further reveals that: 2/3 assert that staff is prompt and proffessional with feedback when asked about services and tariffs; customer claims management is viewed prompt and professional only by 40% of the questionned accounts; 44% views customer service as reliable and speedy, while relatively half of partners consider team's attitude and attention given to their issues as very positive and professional. These later findings additionally emphasize potential for relationship development and expansion with the existing large accounts. A key role for the sales force is to carefully listen major objections, complaints and even to stimulate customer to adress those openly as a source of continual improvement and trust development among the partners. The corporate accounts managers will act as a *relationship manager* and supervise

periodically service performance with operation department, financial terms with key customers and act as a liaison of the account and its staff to deliver outstanding performance and superior value every time.

Romanian logistics market is currently going through rapid changes as sales environment in general, thus as international experiences proves constant innovative solutions of individuals and teams are key for constant growth. Personal initative is to be encouraged and appropriately compensated by management through intelligent periodical stimulus package.

A professional sales today has to be skilled and profficient in a very wide range of compentencies native intelligcnce, creativity[520] and relational capacticites and traits being among most important ones. Such factors are to be considered both when management select and recruits new personal, and when stimulate and motivate existing one.

As shown by Magrath[521] a key factor for the B2B market, is to constanly learn all aspects of customer operations in the light of partnership development. Most relevant aspects to be learned are those related to priorities, pressures and new and innovative ways that company salesforce can involve in solving customers problems related to logistics, shippings, operations and even non-direct related needs in a pro-actively manner. Today sales forces play a vital role because partnerships created are more solid and last longer if these professionals promote their solutions and attempt to match their offering to future customer needs and oftentimes buyers are more loyal to individual relationship manager than to the offering company, migrating after the professional.

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520 Anca Vladoi, Nicolae Al. Pop, *The marketer - a complex Specialist, a Man of Concept, Decision and Action*, Revista Amfiteatru Economic, issue 25 Volume XI - February 2009, pp. 9 – 20.

521 Magrath, A., J., *From the practicioner's desk: A comment on Personal Selling and Sales Management in the New Millenium*", Journal of Personal Selling & Sales Management, Vol XVII, Number 1, Winter 1997) pp. 44-47.

STUDY ON THE DYNAMICS OF FOOD CONTAMINATION IN INDUSTRIALIZED AREA

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The paper approaches the food contaminations with chemical substances in industrialised area (in an area intensely polluted with heavy metals). We firstly studied accumulation in several types of vegetable matter and secondly, the evolution in time of cations mentioned in the paper. As a work method, we used flame and graphite furnace atomic absorption spectrophotometry as well as stripping methods.

Keywords: food contamination, food safety, polluted area,

JEL cod: Q53

1. General aspects

Heavy metal pollution of the environment has lately been in the spotlight due to the extremely complex issues raised by this phenomenon, as most heavy metals are not soluble in water or if they are, the respective chemical species become compound with organic or inorganic binding agents, which radically influences their toxicity [1].

Inorganic noxious substances influence the growing and development of plants, the process of photosynthesis and the water absorption regime.

Physiological processes are ways of testing the interference pollution-normal development, preceding foliaceous symptomatology [2].

Soil charging with heavy metals led to their acidification and to the debasification of the absorbed complex. At the same time the degradation of organic matter quality occurs through an increase in the fulvic acid content (aggressive towards humic acids) and which, together with heavy metals, form compounds highly mobile and accessible to vegetation [3].

The global effect of the mentioned processes is the decrease of soil fertility and the worsening of nutrition conditions for plants. Consequently, mineral nutrition of plants becomes unbalanced. These nutrition unbalances are due to general unfavourable nutrition conditions (acid reaction, low content of phosphorous, calcium and magnesium) and to the passive absorption of polluting agents from air and soil, which are noxious to vegetal tissues. As a result, there is a slower growing process; vegetation withers sooner, fructification disappears thus leading to a production decrease [4].

The paper intends to approach this pollution aspect, respectively the contamination and dynamics of heavy metals in the vegetable matter from an industrial area. The research was conducted in the area of Zlatna, where heavy metals (Pb, Cd, Cu, Zn) are very active polluting agents, which in time have degraded agricultural and forest ecosystems, as a result of copper metallurgy from the ironworks of **Ampelum Zlatna** *[5].*

2. Experimental Part

Samples were gathered from four different areas and in several stages, taking into account the maturation degree of the studied plants, as follows:

***Areas under study*:**
TA1 – Pătrânjeni, la 1 Km away from the polluting source, South, downstream of Ampoi river, air currents V→E (Calea Motilor Street);
TA2 - Valea Morilor (V. Morilor Street, 19), 1,5 Km away from the source, North, between two hills on the Valea Morilor river (affluent of Ampoi), favouring currents S →N;
TA3 – Stadionului Street (16), 2 km away from the source, upstream towards West, favouring iar currents E →V(obs. Samples were gathered from the confluence of rivers Valea Morilor and Ampoi);
TA4 –Tudor Vladimirescu Street (the Morarus), 500 m away from the source, favouring currents S→E
2.1. Method and equipment
In order to obtain exact results, comparable to those of the specialty literature, in determining metal cations from soil, water and vegetable matter samples, we aimed at studying and applying modern methods of analysis[6]. We took comparative measurements through the three methods: flame atomic absorption spectrophotometry, graphite furnace atomic absorption spectrophotometry[7] and accumulation-dissolution methods [8].

Vegetable Matter Processing in View of Determining Heavy Metals

 Vegetable Matter Preparation in view of Mineralization
Analysed plants were gathered during the entire vegetation period, at certain time spans (in relation to the growing periods). The sample size was of approximately 500 g fresh material.
The material was ground and dried at the room temperature in appropriate conditions so that it should not become contaminated with other substances.
The sample was subsequently ground and passed through a sieve with a 1 mm whole dimension and stored in sealed and labelled plastic boxes till the moment of analysis (the same as with the soil).

Vegetable Matter Mineralization
Through this method we determine the Pb, Cd, Zn or Cu content from leaves, fruits (grapes, apples, etc), cereals (corn beans, wheat beans) etc.
Method principle: in order to determine the Pb, Cd, Zn or Cu content, the biological material underwent wet mineralization or calcination. In the obtained solution, heavy metals were dosed through atomic absorption spectrophotometry or through other methods [8].
a) Wet mineralization was performed using a mixture of nitric acid, perchloric acid and sulphuric acid.
The organic substance from the vegetable matter was oxidised at high temperature using a mixture of $HNO_3:HClO_4: H_2SO_4$ in proportion of 2:1:0,2 (volume)
We weighed 1 g of fine vegetable material ground in a pestle mortar to which, in a Berzelius glass, we added 5 ml of oxidating mixture: $HNO_3:HClO_4:H_2SO_4$ of proportion 2:1:0,2.
The sample was left to rest for 24 hours after which it was evaporated dry, on a sand bath.
The samples were cooled and mixed with 5ml HCl conc., to a dry evaporation (yellowish). The samples were placed in a 50 ml rated balloon flask with a solution of HCl 0,5 N (or with distilled water where we added 2 ml HCl conc.)
The elements from the obtained extract were dosed using the atomic absorption spectrophotometer.

***b)* Dry Mineralization** *(through calcination)*
The organic substance from the vegetable material is oxidised by the air oxygen in calcination in an electric furnace at a constant temperature of 450^0C. The obtained residue formed of oxides and carbonates becomes soluble with 2 ml HCl 6,5 N, is passed to a 50 ml rated balloon flask, the blue stripe is filtered through filter paper and the balloon flask is brought to a sign with distilled water. The elements from the obtained extract were dosed using atomic absorption spectrophotometry.

Mineralization through calcination has the advantage that it eliminates sample contamination by adding reagents. This method is recommended for the biological material that contains a high quantity of organic matter [9].

Observation
As, for comparison, we also used the graphite furnace atomic absorption spectrophotometric method, (GFAAS) samples were subsequently solubilized with HNO_3 0,5 M in order to avoid heavy metal losses as metal chlorides in the graphite furnace [10], when HCl is used for solubilization.
The obtained extract is aspirated in AAS flame using a particular lamp for the dosed element. A blank sample (in order to verify the reagents' pureness) and a set of standards are prepared for each element under the same conditions.

3. Results and discussions
Results were registered on a period of 4 months encompassing all development phases of the studied plants. The analytical data on which we worked for Cu in vegetable matter are: spectral line $\lambda = 324, 7$; Φ (slit) = 0, 5; strength of current = 10mA; flame type air-acetylene; device sensitivity 0, 07 ppm.
The obtained results were compared to the maximum allowed limits, which must not exceed 10 ppm for vegetation.
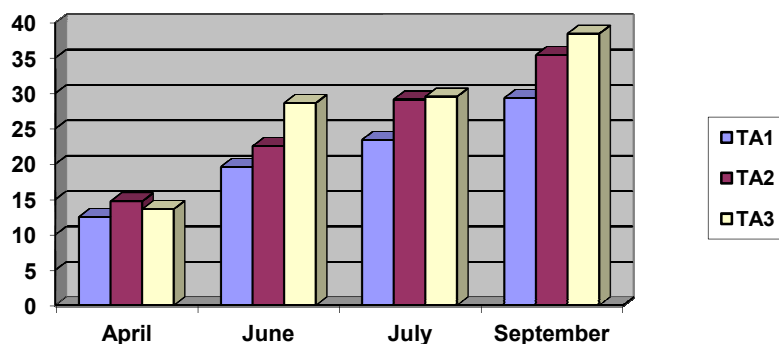
Fig.1. The dynamics of Cu^{2+} ion accumulation in spring onion (bulbs)

The evolution of cation content highlighted an increasing assimilation of the element studied, spaced out in different phases of vegetation, with extremely high values for the samples taken from the land TA2 , 1,5 km from the source, under the influence of currents S →N . High values can also be noted in the samples taken from land TA3, upstream towards West, air currents E →V, 2 km away from the source of pollution,.
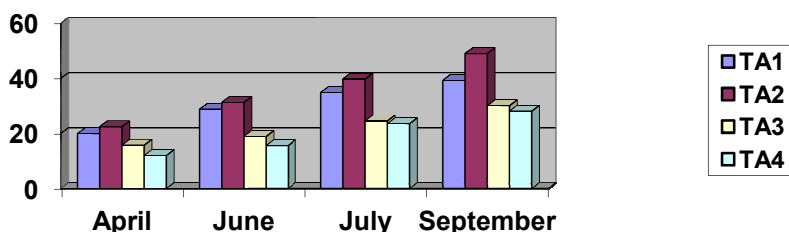
Fig. 2. The dynamics of Cu^{2+} accumulation in spring onion leaves

Green plants or their organs in photosynthetic activity accumulate larger quantities of heavy metals, which are better retained in leaves.

Besides the different accumulation in the plant's bulb or leaves, one can also notice an accumulation difference influenced b the soil of the agricultural land from where the samples were taken. The samples gathered from land TA2 registered the highest values.
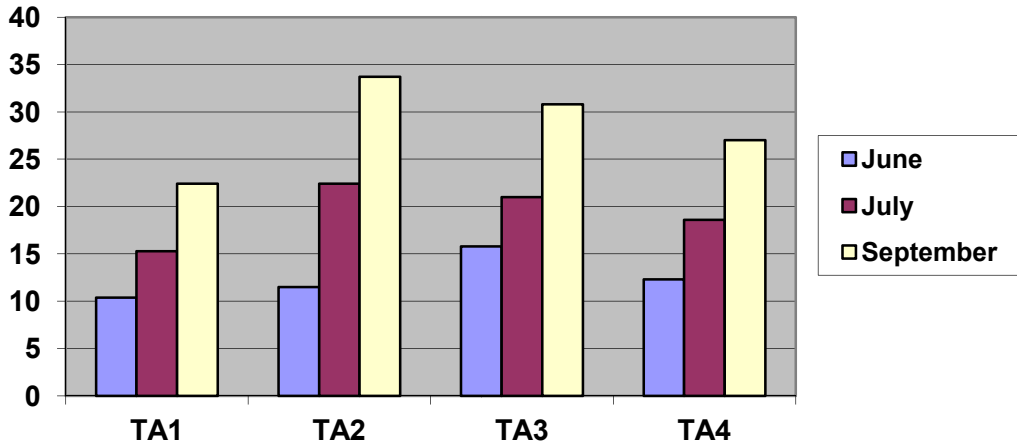
Fig. 3. The evolution of Cu $^{2+}$ accumulation in the potatoes gathered from the four studied agricultural lands.

With potatoes, the accumulation dynamics was studied during a period of three months (June, July and September); the highest accumulation was registered in the first period of vegetation. Comparing the four agricultural lands, one can notice that the samples taken from the agricultural land TA2 registered the highest values for the copper.
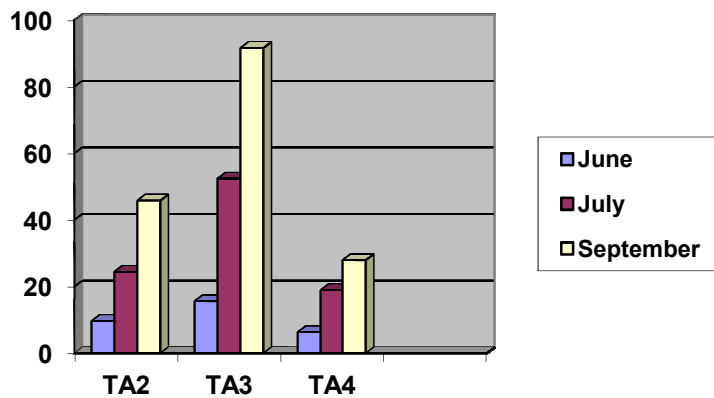
Fig. 4. The evolution of Cu^{2+} accumulation in the cabbage grown on three of the four agricultural lands studied

Of all studied vegetable matters, cabbage has the highest heavy metal accumulation potential. As it results from the presented diagrams, the most favourable area for copper accumulation is the agricultural land

TA3 located 2 km upstream from the source of pollution, favouring air currents E →V.

Conclusions

Compared to the MAL (maximum allowed limit), which is of 10 ppm, one can notice exceeding values, much above this limit, 4 times higher in the case of onion (bulbs), 5 times for onion leaves, 3 times for the potato and 9 times for the cabbage. The process of heavy metal accumulation in plants differs after the soil contamination level, the element's nature and the analysed vegetable species or organ; this phenomenon is intensified by excessive acidity and mobile aluminium accumulations [11].

Natural acidity activated by the effect of polluting emissions becomes phytotoxic as a result of excessive mobile aluminium solubilization, a disturbing element for the vegetation growing on these soils. Mobile aluminium is a toxic element, which limits agricultural production in all acid soils or in soils that have become acid through pollution. When soils become acid at the level of an intense acid reaction, this toxic effect of mobile Al must be removed through agrochemical processes. The mobile aluminium content from the soils under research is differentiated and put in connection to the reaction status, and thus to that of the H^+ ion activity.

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BUILDING PATIENT LOYALTY USING ONLINE TOOLS

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The aim of the paper is to present the online tools used by private healthcare organizations in order to generate patient loyalty. The research emphases a comparative analyze between the Romanian and other European countries private healthcare organizations referring to online tools used by these organizations on their websites to generate patient loyalty.

Keywords: healthcare marketing, patient loyalty, online tools, relationship marketing

JEL: M31, I11,

Healthcare marketing saw from a relationship marketing approach

Even if it was not easily accepted in the field of healthcare services, the importance of marketing is more and more recognized nowadays by the organizations activating in the field. Due to ethical aspects involved in the healthcare delivery process, to the special characteristics of this market, the particular profile of the consumer of healthcare services and, also, probably because of the twisted understanding of the marketing role in the life of an organization, the marketing orientation of hospitals is no older then about two decades.

The deep analyze in the field of healthcare services emphasize not only its complexity, but also its interdisciplinary feature under many aspects, and also reveals a particular field of study with many particular features, we may call it a sensible field. Its complexity is discovered by the multitude of perspectives view it can be looked from. It is a place where many fields of interest are intersecting, both economic and social.

In order to achieve their objectives, the healthcare organizations should follow and adapt to uncontrollable factors, which are building actually the macroeconomic environment of the organization[522]:

- demographic environment: explosive increase in population at global level, segmentation by age, educational groups;
- economic environment: income distribution, savings, debt, possibilities to obtain the required resources regarding activity performance;
- ecological environment: high toxicity, noise pollution or pollution of the environment with toxic substances;
- technological environment: acceleration of pace of technological change, the infinity of innovation possibilities, the increasing number of technological regulations etc.;
- political environment: lows and regulations regarding the organization and distribution of medical care from one country to another and
- cultural environment: beliefs, values and behavior norms.

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[522] Bratucu, G. (2003) Marketing sanitar, in Florescu C., Malcomete, P., Pop, N. Al. (coord), Dictionar explicativ de marketing, Ed. Economica, 2003, pp. 432-433

Besides these major factors, there are also forces that can be influenced by the organization and which are part of the marketing environment: customers, competitors, suppliers and communication channels.

In Romania, the development of the healthcare services market after 1990 leaded to the growth of the marketing role into the life of healthcare organizations. The new perspective got after 1990 by Romanians leads to a new vision of the Romanian population regarding the healthcare services. Under the influence of major factors like liberalization, privatization and globalization, the healthcare services sector is involved in a process characterized by an accentuated dynamic. As results of this process, the competition has grown especially when talking about the private sector of healthcare services field, there are demographic and social changes at the population level, the technologic impact in the medical sector is huge, the new companies' perspective regarding the employees' healthcare leaded to a new kind of customer in this field – the organizations. (Rădulescu, 2008).

Customer relationship management is focused on the idea of situating the client in the center of the company's culture and activity (Ţarcă, 2010). In such a context, the healthcare organizations are more and more concerned about finding efficient ways to keep the existing customers and to create and maintain their loyalty. This thing is possible only by developing long-term and mutual relationships between the organization and its clients, and this vision opens the perspective of approaching relationship marketing in a strategic manner.

Nowadays, a private hospital is a commercial enterprise which has to face fierce competition and in order to operate successfully on the market, its products and services should be perceived as a solution for the patient's problems and in return he is willing to pay for it. In general, we consider that a University Medical Center should be also an institute for research and development and should include training and specialization programs for resident doctors.

All the business operations are part of a life cycle which is made of several phases that are forming a process by repeating themselves. (Figure 1 – Customer Relationship Management is as integrated part of the CRM). The process of Customer Relationship Management consists of the following sub-processes: understanding the customer, selling to the customer and taking care of the customer, in short: Understand, Sell, Care. CRM is not about the disease process in the foreground, but especially about the well-being, the state of health of the patient, his/her relations with relatives and friends. This process will contribute more and more to the efficiency of the organisation. Factors as: customer service, a better productivity, cost savings, reduced medical errors, improved health outcomes are the main objectives of the private sector. These major objectors are better attained valuing CRM approach.

Figure 1. The organization of the processes in the Siemens Medical Solutions enterprise
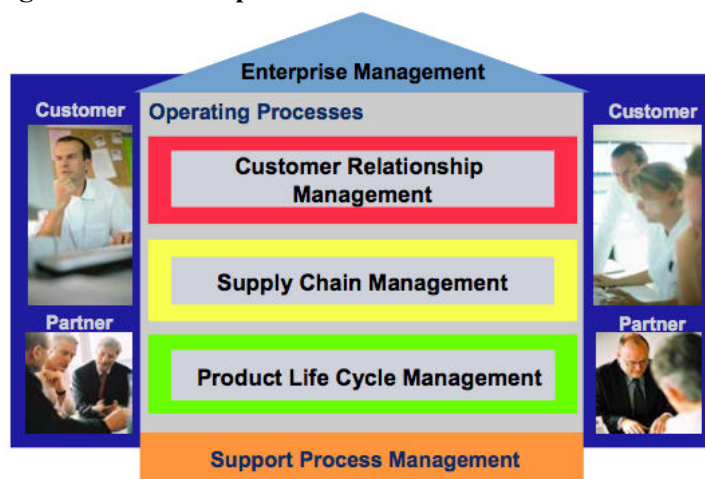
Source: Walter, J., Mang, H. – Medical Process Management, Siemens Healthcare Sector, Universität Erlangen-Nürnberg, 2008, p. 23

Customer satisfaction is a decisive factor that generates customer loyalty (Bruhn, 2001).

Customer loyalty is the sum of measures took by a company in order to influence in a positive way the behavioral intentions of its actual and potential customers regarding company's offer, aiming to create, establish and develop long-time relations with these customers (Diller, 1996, Meyer/Oeverman, 1998, Bruhn, 2001).

Also, it is generally recognized that the concept of customer loyalty implies two dimensions: the dimension of the actual behavior and the dimension of the intentional behavior (Meyer/Oevermann, 1995, Bruhn 2001). From this point of view, the concept of customer loyalty is a multi-dimensional one based on the variables presented in Figure 2 as factors sustaining this concept (Homburg/Bruhn, 1999, Bruhn, 2001).

Figure 2. Factors sustaining the multi-dimensional concept of customer loyalty
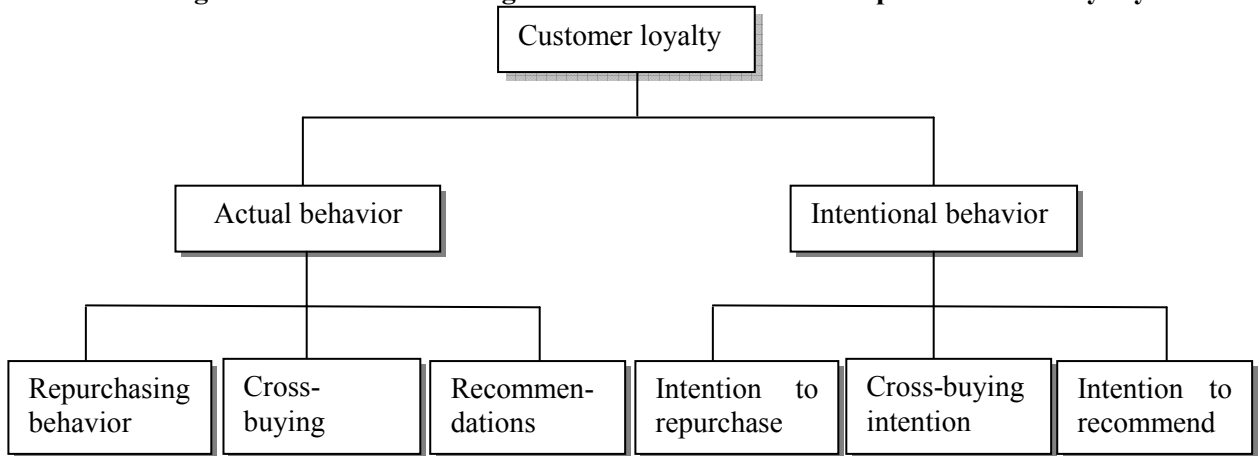
Source: Bruhn, M., Orientarea spre clienţi – temelia afacerii de succes, Editura Economică, Bucureşti, 2001, p. 109

Based on holism theory (Gk. Holas = whole), which says that the whole always has priority more than the total sum of individual parts, holistic marketing requires development and implementation of marketing programs, processes and measures with a wide spectrum and correlated with each other (Pop/Fotea/Mihoc/Pop 2009). The four pillars of the holistic marketing approach: relationship marketing, integrated marketing, omnipresent within the organization and socially responsible marketing (Kotler/Koller 2008) are reflected in a particular and very profound way in the healthcare marketing field.

Romanian private healthcare services – a statistic preview

According to the data revealed in a study made public by the Mednet Marketing Research Center, the market referring to the private healthcare services had a growth of 56% percents comparatively to the year 2008, targeting a value of 104 million Euros. Also, the same study revealed that the most important criteria used in the process of choosing a private medical clinic are:
- medical equipment;
- waiting time to get a consultation;
- availability of consultation;
- reputation of the medical staff;
- cost of the services;
- general appearance of the buildings and cabinets;
- reputation of the clinic.

Another study made public in 2010 by Companiesandmarkets.com says that the market of private healthcare services in Romania is characterized as with one of the faster development in the Center and Eastern European countries.

A quick analyze of the data included in Romania's statistical yearbook 2008 referring to the sanitary units shows that the number of the private sanitary units are increasing year by year starting with the year 2000 (Table 1).

Tabel 1: Number of sanitary units having private majority

TYPE OF SANITARY UNITS	2000	2001	2002	2003	2004	2005	2006	2007
Hospitals	3	4	5	5	9	11	17	22
Hospital and specialized ambulatories	-	-	-	-	-	4	5	9
Polyclinics	163	140	161	168	204	219	232	241
Dispensaries	-	-	-	-	-	1	1	2
Health care centers	-	-	-	-	-	1	1	1
Balneary sanatoria	-	-	-	-	-	1	1	1
Diagnosis and curative centers	-	-	-	-	-	15	19	20
Health specialized centers	46	60	87	113	112	131	115	130
General practitioner offices	4698	5220	5758	2483	1021	833	938	992
Family doctors offices	-	-	-	-	1875	2007	2065	2524
Medical civil societies						45	41	50
Health specialized offices	-	-	-	3962	4313	4577	5501	6937
Total of the units mentioned above	4910	5424	6011	6731	7534	7845	8936	10929

Source: Statistical yearbook of Romania, 2008

We excluded from this table the dentist offices, pharmacies and pharmaceutical point and some other units related with these and considered as not being relevant for our study.
As shown in the table above, the number of hospitals having private majority doubled in 2007 (22 hospitals) comparing with 2005 (11 hospitals). Also, for the type of units mentioned in this statistic, the number of total units increased in 2007 with about 39% comparing with the year 2005, and with about 22% comparing with the year 2006.

Research Methodology
Based on observation, in this research we investigated the websites of 10 private hospitals in Romania and 10 private hospitals located in other European countries, in order to underline the online tools the private hospitals use to generate patient loyalty. Also, we were interested to compare, from this point of view, the situation regarding the Romanian private hospitals' websites and those from the other countries. Individual private hospitals having active websites as of April 2010 were considered as the population for the study.
The framework of the research was designed based on the classification of customer loyalty tools in three categories: loyalty tools focused on interaction, loyalty tools focused on satisfaction and loyalty tools aiming to prevent customer migration (Homburg/Bruhn 1999, Bruhn 2001). We identified 22 tools used on hospitals' websites aiming to generate patients' loyalty.
The results of the study may be concluded as follows:

- in Romania there are no private university hospitals;
- the possibility of collecting data is mainly through recommendations made by family doctors, Customer Care Service (appointments, complaints), feedback (online form);
- in general, only few companies have a forum where customers can discuss their personal experiences; negative mouth-to-mouth propaganda;
- the price is an essential factor in taking a decision by Romanian customers. The price information is present on 8 of the 10 Romanian websites we analyzed, but only on one website of the 10 non-Romanian hospitals' websites;
- the foreign companies do not have a specialized department of Customer Complaint Management or, at least, it is not mentioned on their websites;
- only four of all analysed private companies have a research department and organize medical conferences;
- online appointment is made in the most of Romanian companies (but not in the foreign ones);
- the most used online loyalty tools focused on interaction are: developing products in collaboration with other institutions (networking), generating customers database using the webpage, and the presence on the website of the telephone numbers for special services;
- referring to the online loyalty tools focused on satisfaction, the most used are the section presenting advices and medical news, and the photos presenting the buildings and the cabinets. Most of the Romanian hospitals offer the possibility to make online appointments, but only one of the foreign hospitals' website we analyzed offers this possibility;
- Romanian hospitals use more online loyalty tools aiming to prevent customer migration than the foreign hospitals. Anyway, the most used tools in this category are those referring to the information about the medical equipments used and the information describing doctors' reputation;
- comparing the Romanian private hospitals with foreign ones it can be observed that later ones are oriented more to a wider range of patients, including the ones who are looking for methods of relaxation and maintenance of the state of health;
- in Romania, private hospitals are fulfiling the functions of the public ones offering sometimes high tech medical devices in order to perform accurate diagnosis, which because of the limited allocated budget by the state to the public sector (Romanian hospitals), these would not afford to acquire them;

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CUSTOMER SATISFACTION REGARDING BANK'S DISTRIBUTION CHANNELS – THE ATM NETWORK

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In addition to traditional distribution methods (network of territorial units), to better meet market requirements in terms of speed and efficiency of services, banks have developed interactive electronic and computerized systems for clients: banking services via telephone, internet banking, network of automatic teller machines (ATMs), Electronic Funds Transfer at point of sale (EFTPOS). Automatic Teller Machines have become in recent years one of the common instruments through which banks offer the possibility of conducting routine operations such as: cash withdrawals, bill payments, transfer between accounts. This article presents the results obtained following a research that focused on determining the customers' degree of satisfaction with the distribution channels used by a Top Five Romanian Bank, in particular the ATMs distribution network.

Introduction

The distribution of banking services can be understood as the place and means by which the bank services are offered to customers.

In general, banks try to create a diversified distribution strategy in order to market their services range, offering customers several ways through which they can benefit from the bank services (a firm applies a diversified distribution strategy when making their products or services available through two or more distribution channels).The three main factors that led to the use of multiple distribution channels by banks are: major changes in the banking sector by growing competition and increasing pressure from competitors, changing customers preferences and the third factor, the difficulties encountered by banks in the attempt of differentiation by offer. As a result, the banks have then resorted to compete on price and now the emphasis is on differentiation by distribution channels used.

Distribution channels used by banks can be divided into two main groups: in the first category are included those channels which typically involves "personal contact with the consumer" - territorial units, and in the second category are included those "channels which may either interact directly with the consumer, by non-personal means, or operate through various intermediaries"[523]. Thus, in addition

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[523] Peter J. McGoldrick, Steven J. Greenland (1992), "Competition Between Banks and Building Societies in the Retailing of Financial Services", British Journal of Management, Vol. 3, No. 3 , pp. 169 - 179

to traditional distribution methods (network of territorial units), to better meet market requirements in terms of speed and efficiency of services, banks have developed interactive electronic and computerized systems for clients: banking services via telephone, internet, network of automatic teller machines (ATMs), Electronic Funds Transfer at point of sale (EFTPOS).

Research objectives

The main objective of the research was to determine the contentment / satisfaction degree of respondents with distribution channels used by a top five Romanian Bank.

To achieve this, it was necessary to determine the most important factors that customers take into consideration in assessing the various distribution channels and determining how these factors are valued for channels of the analyzed bank[524].

The secondary objectives derived from the main objective have been structured as follows:
-identifying and measuring the satisfaction degree with the bank's territorial units;
-identifying and measuring service satisfaction with the Bank's Call Center services;
-identifying and measuring service satisfaction with the banks internet banking services;
-identifying and measuring satisfaction degree with the banks ATMs network.

In this article, only the results from the analysis of the forth secondary objective are presented, because these are the most relevant for the article's topic.

Methodology

Data collection was carried out using punctual survey and the research instrument was the questionnaire.

Given the objectives of this study, the surveyed population was composed of banks' customers (customer = person who has at least one account with the considered bank), aged at least 18. The research was carried out during June-July of 2009, thus resulting in a sample composed of 515 persons, the margin of error being ± 5.2%, for a 0.95 probability.

Research results

Automatic Teller Machines have become in recent years one of the common instruments through which banks offer the possibility of conducting routine operations[525] (cash withdrawals, bill payments, transfer between accounts) which before the introduction of ATMs were carried out over the counter, with the help of bank staff.

The questions regarding this distribution channel were constructed so as to identify the main operations carried out by the bank's customers at ATMs and also the frequency with which they are conducted. Another aim was also to establish those factors that customers consider most important in assessing a distribution channel. A third goal was to identify how the bank's ATMs are perceived by its customers, to determine the satisfaction of respondents with the bank's ATMs and, not least, identifying the main reasons behind reduced customer satisfaction (if present)[526].

The results presented in table 1 show that operations with the highest frequency conducted by most respondents are: cash withdrawal and card balance query.

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[524] Wendy W.N. Wan, Chung-Leung Luk, Cheris W.C. Chow (2005), „Customers' adoption of banking channels in Hong Kong", International Journal of Bank Marketing, Vol. 23, No. 3, pp. 255-272
[525] Luis M. Huete, Aleda V. Roth, (1988), „The Industrialisation and Span of Retail Banks' Delivery Systems", International Journal of Operations & Production Management, Vol. 8, No. 3, pp.46-66
[526] Robert Rugimbana, Philip Iversen (1994), „Perceived Attributes of ATMs and Their Marketing Implications", International Journal of Bank Marketing, Vol. 12, No. 2, pp. 30-35

Table 1. Services structure according to the frequency of their request

		Frequency of the service use					
		Once a week or more often	Once every two weeks	Once a month	Once every 2-3 months	Less often	Total
Bill payments to utilities providers	Frequencies	14	29	65	10	15	133
	% of the persons requesting this service	10,5%	21,8%	48,9%	7,5%	11,3%	100,0%
Cash withdrawal	Frequencies	242	157	80	14	19	512
	% of the persons requesting this service	47,3%	30,7%	15,6%	2,7%	3,7%	100,0%
Card balance query	Frequencies	116	126	80	18	69	409
	% of the persons requesting this service	28,4%	30,8%	19,6%	4,4%	16,9%	100,0%
Changing the PIN Code	Frequencies	2	1	2	1	79	85
	% of the persons requesting this service	2,4%	1,2%	2,4%	1,2%	*92,9%*	100,0%

The higher percentages of customers who carry out these operations can be explained by the original purpose of this alternative distribution channel - cash withdrawal outside the bank's working hours. Another explanation is the low rate of POS payments (compared with the large number of people who withdraw cash from ATMs), and when such payments are made, the customer often wants to ensure for the accuracy of operation. This comes as a surprise because in general it is expected that these two percentages (99.42% for cash withdrawal and 79.42% for card balance query) are closer, considering that usually when cash withdrawal is performed, the customer also requests a receipt to be issued for the account balance. A possible explanation would be that the bank introduced since 2009 a fee for each card balance query. This prompted customers either to reduce the frequency of such operations, or to abandon the balance quarrying through this distribution channel in favor of internet banking (this channel does not charge any fee for checking the account balance).

Changing the PIN code at ATM is carried out less often than every 2-3 months by the majority (92.9%) of respondents. However, there are also customers who choose to change the PIN code more often, this being considered a protection measure against possible frauds.

The second aim is to investigate factors considered important by customers in assessing this distribution channel.

Initially, 8 factors of influence were taken into account, a number too large to be easily used in developing marketing strategies by the financial institution. Therefore, this number of factors was

reduced using principal components analysis[527].

Applying this method has led to the formation of two components. The first one explains almost one third of the total variance, 32.095% and the second component 13.558%.

Table 2. The total variance explained using principal component analysis

Component	Initial eigenvalues			Extraction sums of squared loadings		
	Total	**% of variance**	**Cumulative percentage**	**Total**	**% of variance**	**Cumulative percentage**
1	**2,568**	32,095	32,095	2,568	**32,095**	32,095
2	**1,085**	13,558	45,653	1,085	**13,558**	**45,653**
3	0,856	10,700	56,353			
4	0,823	10,289	66,642			
5	0,747	9,339	75,981			
6	0,684	8,556	84,537			
7	0,652	8,146	92,683			
8	0,585	7,317	100,000			

The first component is a linear combination of 5 factors that customers consider important when assessing alternative distribution channel: *The variety of transactions*, a factor which has the highest loading - 0.647, *Operations rapidity*, the factor with the second highest loading - 0.635, *Ease of use*, *Clarity of instructions* and *The ATM network*.[528]

The second component is a linear combination of 3 factors considered to be important in assessing ATMs: *Costs of services*, loading - 0.599, *Service security*, loading - 0.564 and *Information provided related to promotional campaigns*, a factor with a smaller loading than the first two.

The first component is called *ATM*, because it contains factors that relate to the functional characteristics of this channel (technical features such as software that allows for quick and easy operations and logistical features – ATMs network).

The second component is called *Bank* because it contains factors that refer to the financial institution: costs of services or information, displayed on ATMs screens, about its offer.

Grouping eight factors into two components is very useful when the bank seeks to encourage the use of this distribution channel. The percentages of variance explained by each component indicates the issues on which the bank must primarily intervene and aspects through which the ATM distribution channels is evaluated by most respondents. In this case, the customers' emphasis more the ATM component, which means that the bank should try to focus mainly on messages relating to the factors included in this component.

After grouping the considered factors for the overall assessment of the distribution channel, an evaluation of the bank's ATMs was performed. Thus, respondents were asked to agree or disagree, on a

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[527] Mathew Joseph, George Stone, (2003), „An empirical evaluation of US bank customer perceptions of the impact of tehnology on service delivery in the banking sector", International Journal of Retail & Distribution Management, Vol.31, No. 4, pp. 190-202

[528] Kevin Curran, David King, (2008), „Investigating the human computer interaction problems with automated teller machine navigation menus", Interactive Technology and Smart Education, Vol. 5, No. 1, pp. 59-79

5-step scale where: 1 - totally disagree and 5 – totally agree, on statements about the bank's ATMs. Means are presented in table 3.

Table 3. Means obtained for statements relating to the bank's ATMs

	Mean
Ease of use	4,72
Service Security	4,29
The variety of transactions	4,23
Costs of services	4,28
ATMs network	4,67
Information provided related to promotional campaigns	4,87
Instructions clarity	4,57
Operations rapidity	4,73

ATM Component - the lowest score was obtained for the statement: ***Variety of transactions***. Thus, it is recommended that the bank should introduce new services for customers available through this channel. *Bank Component* - the lowest means were obtained for ***Cost of services*** and ***Service Security***. The low score for ***cost of services*** shows that some of the bank's customers consider the costs for operations performed through this distribution channel as being high. This perception requires further investigation because no additional costs are present other than the fee introduced since 2009.

Knowing what factors customers consider important when assessing a bank's ATMs and how the analyzed bank's ATMs are appreciated, it is also important to determine the customers satisfaction with this distribution channel (Customer were asked to express their level of satisfaction on a 5 points scale – 1=very dissatisfied and 5= very satisfied).Therefore the following hypothesis is formulated:

H$_1$: Customer satisfaction with the bank's ATMs is rather high.

Table 4. One-Sample T test results

T Test				Mean	Std. error mean
Test value = 4					
t	df	Sig. (2-tailed)	Mean difference	4,57	0,024
24,200	514	**0,000**	**0,569**		

Based on the results of the *One Sample T Test* (Sig. (2-tailed) = 0.000 <0.05) the null hypothesis is rejected. In other words, the level of satisfaction is higher than the test value 4 (rather high). Indeed, the sample mean is 4.57, higher than the tested value.

Conclusion

To better meet customer expectations, it is essential that banks take into account both their expectations about the channel distribution mix (the channel mix should be established by customer requirements) and customer perception of the distribution channels. This will likely lead to an increase in sales and also to a more flexible offer matching different customer requirements.

Limitations and suggestions for future study

This research was carried out only in one city and therefore the sample might not be representative. It is recommended to extend this study in other areas of Romania, especially in the rural areas, where the population characteristics are different from those in the urban areas.

Future study is recommended in order to compare the results obtained periodically for a better understanding of consumer perceptions towards the bank's ATM network.

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MARKETING COMMUNICATION IN ONLINE SOCIAL PROGRAMS: OHANIAN MODEL OF SOURCE CREDIBILITY

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The development of the Internet as a medium for interaction with customers has resulted in many changes regarding the promotion of organizations. Online marketing is nowadays used not only to sell a product on the market, but also requires ideas and behavioral change. Non-profit organizations active in online communication are based on the quality of their provided information. Crediblity, attractiveness and usefullness are the key elements that provide effective online social programs. This paper aims to extend the scope of research in the field of social marketing by studying the Ohanian model in the online environment. The goal is to highlight the important theories and social models intrinsic to the online non-profit organizations' communication. The results show that the efficiency of social programs depends on the level of incorporated elements of social theories in the design, content and structure of the website.

Keywords: social marketing, Internet, Ohanian model, non-profit organizations (NGOs), online behaviour

JEL Classification: M31

Introduction

Social marketing is nowadays an important line of study concerning consumer behaviour in society. The complexity of social problems imposes the finding of quick solutions that meet the specific economic, cultural, historical and religious environment that is characteristic of a target population.[529] The emergence of the Internet as a dynamic, flexible and effective environment has opened up new opportunities for organizations to communicate and interact with consumers. Non-profit organizations (NGOs) have understood the advantages of the Internet and have adapted their programs to follow specific online communication. This paper aims to provide NGOs and practitioners in the field of online social marketing a valuable model to determine online consumer reaction, that model being the Ohanian model. Its three dimensions: credibility, attractiveness and expertise, are the basis to any communication, whether it is done online or offline. Starting with the Ohanian model, the article analyzes consumer perception towards currently undertaken online social programs. Thereby, consumer opinions on the quality of websites are studied and the relations between the considered variables and described . Furthermore, by using the model, it can be shown that the dimensions of online communication are not to be ignored, as they are in close relation with the support toward the target segments and with the influence of the individuals' behaviour in society.

The Ohanian Model

In the process of communication with target segments, an important role is played by the degree of persuasion inherent to the transmitted messages. The persuasiveness of a message depends on the considered characteristics of the source (Kelman, 1961). Credibility is a multidimensional concept, with

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[529] Ranchodd A. and Marandi E. 2006, *Strategic Marketing in Practice*, Butterworth-Heinemann, page 105

particular impact on the consumer's attitudes, intentions and behaviour. Credibility is strongly linked to information, therefore it may be described as part of communication.[530]

The credibility source is the basis for credibility, being generally used to describe the positive influence of the communicated message on the receiver or transmitter (Ohanian, 1991). Researchers found that the degree of persuasiveness of a message largely depends on the credibility of the source (Petty and Cacioppo, 1986).

Based on the studies of, Desarbo, Likewise and Harshmann (1985), in 1990, Ohanian propounded three factors that contribute to the credibility of the source. The first of them is the *trust of the source,* or "the extent to which the audience perceives communication as valid" (Hovland, 1953). Ohanian describes the concept of *trust* as having dependent variables as "honesty", "addiction" and "sincerity" linked to it. Another factor, the ***expertise***, expresses the ability of the source to be perceived as "qualified", "professional", "expert." The last factor, the ***source attractiveness***, has the role of amplifying the message sent by features such as: beauty, elegance and style. Corresponding source attractiveness variables are: similitude - similarity between source and receiver of the message, familiarity - the near of the receiver and the source, and sympathy – the affectivity shown to the receptor (Erdogan, 1999).[531]

The figure below shows the credibility of the Ohanian model source (1990), including variables for every factor.
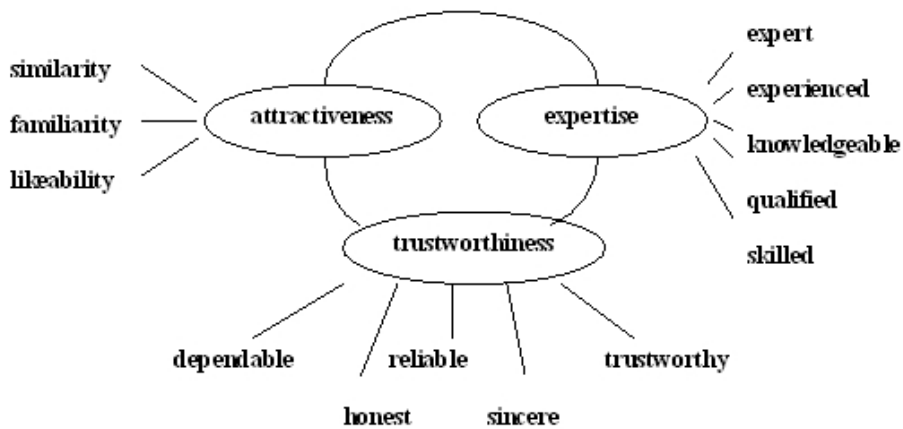
Figure 1. The Ohanian Model of Source Credibility
Source: Louise E Canning, celebrity endorsement in *Business Markets*, 2005

Credibility in social marketing programs

Although most social marketing programs, referred to as social programs, are based on solid research and involve strong national institutions such as public authorities, national agencies and NGOs, their online presence creates many problems related to fierce competition and low confidence. Using an aggressive means of communication and a hidden image, online organizations that promote unhealthy products and behaviours (cigarettes, alcohol, activities like gambling and bets) often win consumer confidence, adversely influencing their behaviour. In this context, the role of NGOs concerning the empowerment of social behaviour is extremely important and so is the need to gain credibility on behalf of the online consumer.

In what concerns social programs, online credibility can be gained in two ways: either by ***using the human factor*** and the social relationships between people, either by promoting a healthy lifestyle

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[530] Eisend M. 2006, *Source Credibility Dimensions in Marketing, Communication – A Generalized Solution*, Journal of Empirical Generalisations in Marketing, 2006, page 3
[531] Canning L. 2006, *Celebrity endorsement in business markets*, 22nd IMP Conference, Italy

through ***counteracting negative effects of risky products campaigns***.[532] The first case, using the human factor, involves transmitting the message through a public office, a model in society. An example of an unprecedented social program was the ***"Cherish Life"*** campaign in 2007, when Andreea Marin, anchorwoman and UNICEF ambassador to Romania, has endorsed a national health system for bone marrow transplant to leukaemia patients. The campaign won the Media Award next year, donations mounting to the equivalent of the annual budget of the Ministry of Health allocated for bone marrow transplantats in Romania. Reducing the harm of unhealthy products campaigns was achieved through the ***"I want fresh bread"*** campaign in 2008. The project was initiated by three NGOs: CPA Romania (Consumer Protection Association), PRO ALIM SAN and Eurolink, and concerned these issues: non-specific legislation in connection to bread production, corruption and tax evasion, aswell as the need to attract European funding. That campaign has raised a warning sign on the quality of the bread market and the increasing level of corruption currently existing in the industry.

Credibility is thus a multidimensional concept, which plays a decisive role in the impacts that social programs have on consumers. Credibility is easily influenced by media and social networks, therefore it is necessary to establish a relationship of trust and honesty with the consumers.

Study of the credibility of online social marketing programs

Purpose
The purpose of this research is to examine the extent to which the information on websites containing social organizations in Romania is considered trustworthy by consumers.

Objectives
Target goals: 1) determining the percentage of people who visit websites containing social programs, 2) determining the impact generated by each Ohanian model components (confidence, attractiveness and expertise) on consumers, 3) establishing relationships between respondent's demographic characteristics and their opinions on the analyzed problem.

Hypotheses
We defined the following hypotheses:
H1: The credibility of the source depends directly on trust.
H2: The credibility of the source depends directly on expertise.
H3: The credibility of the source depends directly on attractiveness.

Methods
In achieving the research, a questionnaire with questions based on the Ohanian model was used. The study was conducted online in March 2010-April 2010. To determine the number of people visiting websites containing social programs the following filter question was used: "Have you ever visited a site that promotes a social cause or one that fights problems such as smoking, maintaining health (fitness, diet), environmental issues (recycling), health problems (cancer, heart disease), education (education of the child), car accidents, etc.? "The questionnaire had 9 closed questions with multiple answers, arranged in a proportional scale.

Participants
A total of 76 persons were interviewed, of which 31 have not passed the filter question.

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[532] Cugelman B. 2009, *The psychology of Mass Interpersonal Behavioral Change Websites: a meta analysis*, Medicine 2.0 Conference, Canada

Respondents were aged between 18-30 years, with an average of 22 years' age. Respondents are singles (75%) residing outside Bucharest (78%) and are currently students or belong to academic environment (65%).

Data analysis and results

The data analysis program was conducted in Eviews' 4 software program. A multiple regression model was built containing these independent variables: trust, expertise and attractiveness, aswell as a dependent variable- the credibility of source. Links between variables' intensities were measured using a proportional scale of 1 to 5, where 1 equalled very poor, and 5 - very strong.

Furthermore, simple correlations were examined between regression model variables.

	Credibility	Trust	Expertise	Attractiveness
Credibility	1,00			
Trust	0,13	1,00		
Expertise	0,08	0,08	1,00	
Attractiveness	0,47	0,46	0,16	1,00

Table 1. Simple correlations between source credibility, trust, expertise and attractiveness variables

Since the values obtained did not exceeded 0.5, it can be said that there were no independent variables that strongly correlated.

Dependent Variable: **CREDIBILITY**
Method: Least Squares
Date: 04/18/10   Time: 17:24
Sample: 1 35
Included observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.252878	0.696682	6.104476	0.0000
TRUST	0.092813	0.142328	0.652108	0.5191
EXPERTISE	-0.016925	0.186495	-0.090750	0.9283
ATTRACTIVENESS	-0.458216	0.157376	-2.911589	0.0066
R-squared	0.234850	Mean dependent var		3.114286
Adjusted R-squared	0.160803	S.D. dependent var		0.900047
S.E. of regression	0.824512	Akaike info criterion		2.559161
Sum squared resid	21.07443	Schwarz criterion		2.736915
Log likelihood	-40.78531	F-statistic		3.171637
Durbin-Watson stat	2.485058	Prob(F-statistic)		0.037960

Table 2. Multiple regression model features with source credibility as dependent variable

Based on the information obtained in Table 2, we defined the following regression equation:

Website Credibility = 4.252 + (0.092 x trust) - (0.016 x expertise) - (0.458 x attractiveness)

The Student test was used to test significance of model parameters. Since probabilities were higher than 5% (except for attractiveness, prob = 0.0066), Wald test was used. Applying this test high values for Fisher test (F-statistic = 127.21) and Hi-square test (Chi-square = 508.84) and very low probabilities (Probability = 0.00) were obtained. We thus conclude that the parameters are significantly different from zero.

Checking the validity of proposed model
These hypotheses were tested:

1) Assumption of errors normality
The Jarque-Bera test coefficient is not significant (0.63> 0.05), therefore null hypothesis is accepted, errors presenting a normal distribution.

Series: Residuals		
Sample 1 35		
Observations 35		
Mean		6.98E-16
Median		-0.013085
Maximum		1.717720
Minimum		-1.392018
Std. Dev.		0.787297
Skewness		-0.012450
Kurtosis		2.207963
Jarque-Bera		0.915751
Probability		0.632626
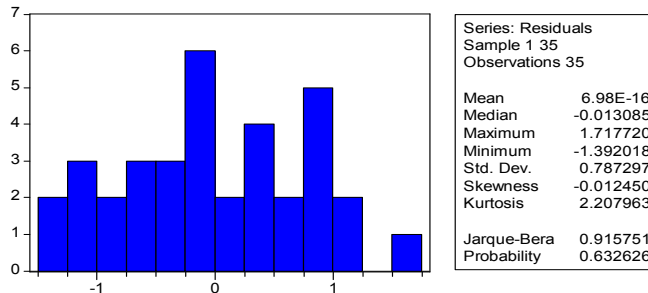
Figure 2. Normal distribution of errors

2) The hypothesis of autocorrelation errors
This can be verified by applying the Durbin-Watson test. Since the d calculated value is equal to 2.48, it can be said that errors do not show autocorrelation.

3) The hypothesis of homoschedasticity errors
The White test value ($R^2 = 7.504$) is higher than tabular value, that being safe to say because there is no heteroscedasticity between model errors.

White Heteroskedasticity Test:			
F-statistic	1.273711	Probability	0.301034
Obs*R-squared	7.504555	Probability	0.276692
Dependent Variable: *RESID^2*			
Method: Least Squares			
Date: 04/18/10 Time: 21:55			
Sample: 1 35			
Included observations: 35			
Variable	Coefficient Std. Error	t-Statistic	Prob.
C	2.074388 1.261281	1.644668	0.1112
INCREDERE	-0.363702 0.478665	-0.759826	0.4537
INCREDERE^2	0.029941 0.075102	0.398674	0.6932
EXPERTIZA	-0.186793 0.880436	-0.212159	0.8335
EXPERTIZA^2	0.054649 0.166036	0.329141	0.7445
ATRACTIVITATE	-0.735444 0.509543	-1.443341	0.1600
ATRACTIVITATE^2	0.161929 0.082723	1.957488	0.0603
R-squared	0.214416	Mean dependent var	0.602127

Adjusted R-squared	0.046076	S.D. dependent var	0.671443
S.E. of regression	0.655792	Akaike info criterion	2.170909
Sum squared resid	12.04175	Schwarz criterion	2.481979
Log likelihood	-30.99091	F-statistic	1.273711
Durbin-Watson stat	2.096952	Prob(F-statistic)	0.301034

Table 3. White test

4) The hypothesis of multi-collinear errors

Multi-collinearity points to the linear or nonlinear relationship between two independent variables of a model. Results of the correlation matrix showed a correlation between the nature of reverse credibility and trust, and between credibility and attractiveness.

	Credibility	Trust	Expertise	Attractiveness
Credibility	1.000000	-0.130893	0.081283	-0.473642
Trust	-0.130893	1.000000	0.080128	0.466027
Expertise	0.081283	0.080128	1.000000	-0.163013
Attractiveness	-0.473642	0.466027	-0.163013	1.000000

Table 4. Correlation matrix

From these assumptions, it is to conclude that the defined model is valid.

Conclusions

This article presented several theoretical and practical aspects related to source credibility in the online environment. Based on information obtained from research, a model of credibility in the online social programs was defined. Research results showed that the credibility of websites is quite low, average values of considered variables ranking around 3, a somewhat favourable opinion. This has confirmed the restricted naturel of social online programs and their relatively low level of promotion. Some limitations of this paper were connected to the large number of people removed by filter question, the small number of researchers in the field and the sample consisting mainly of students.

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STUDY REGARDING COMMUNICATION AND DISTRIBUTION ACTIVITIES WITHIN THE ROMANIAN MONASTERIES

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The purpose of this paper is to examine the way in which Romanian monastic compounds promote their religious attraction and the degree of collaboration between monasteries and intermediaries in the religious tourism market. The study was carried on in more than 100 monasteries and showed the existence of significant differences regarding the promotion activities among monasteries because of the characteristics of the religious compounds. Moreover the results indicated there are opportunities to develop relationships and partnerships between monasteries and the other actors involved in organizing the travels with religious motivations.

Keywords: communication tools, distribution activities, religious sites, religious travel.

JEL classification: M 3.

1. Introduction

As in case of the other forms of tourism, the religious tourism should be seen into a competitive environment, in which the representatives of religious tourism supply try to attract and retain the customers or precisely try to attract a larger number of believers within sacred places. Although representatives of pilgrimage places say that we cannot speak about a competition among pilgrimage places from Romania, yet the number of visitors, the development, and the notoriety of these places vary greatly from one to other (Chiş and Ţîrca, 2009). Even if the religion or the religious needs are less important in a post-modern secular if not atheist society (Widenfeld and Ron, 2008) and the number of church attendants in Europe decreases (Nolan and Nolan, 1992), the number of visitors to religious sites is continuously increasing. Moreover religious tourism and/or pilgrimages are described as a new trend on travel market, a rapidly increasing segment (Country Brand Index, 2008).

This aspect is determined on one hand by consumer behavior, but in the same time can be a result of marketing and management instruments used by representatives of the religious attractions, even if they are not known under this name or they are not used for a commercial purpose.

Such example is the study of Pavicic et al. (2007) which presents many aspects related to management of communication and promotion to Marija Bistrica shrine.

The results of this study show that the main reason for the attraction of visitors to religious places is redemption and closeness to God; this is also the main goal when developing collaborative relationships with various intermediaries on the tourism market. Hereby we can speak about an attempt to adapt the religious tourism supply to consumers' needs, not in the sense of modifying the dogma or religious values, but using the specific communication tools and establishing partnerships between the actors in the religious tourism market. These aspects are brought up by Angheluţă et al. (2009) which presents the utility of the marketig for religious organisations, in this case the Church.

3. Objectives and methodology

The present paper has two objectives: on the one hand to identify the medium used by the most important pilgrimage places from Romania to inform the public, and on the other hand to determine the collaborative relationships with intermediary agents in order to include religious attractions in tourism programs. In other words, we want to study two major activities of religious compounds which can greatly benefit from target audience-centred orientation: the communication - promotion and the delivery of religious tourism offerings.

The hypotheses considered in this study are:

− *Hypothesis #1: The communication tools used significantly differ because of the characteristics of the religious organizations.*

− *Hypothesis #2: The degree of collaboration between religious organizations and travel agents significantly differ because of the characteristics of the religious organizations.*

As three identification characteristics of monastery were taken into consideration (the type, the size and the Metropolis Church) *each hypothesis statement was divided in three, resulting six hypothesis*.

The research was carried on among the orthodox monastery in Romania, the major destinations for religious-based travels as pilgrimages and religious tourism. The *sampling unit* was the monastic compounds represented by abbot as manager of the monastery.

Due to the difficulty in contacting the abbots, the delicacy of the subject and the high geographic dispersion of monasteries, we chose *a mix sampling method*. The research was carried out through survey method, using the interview technique. *The questionnaire was the instrument of* data gathering.

The sample included 151 monasteries from 24 counties of whole Romanian Metropolis: the Metropolis of Cluj, Alba, Crişana and Maramureş 57.55%, the Metropolis of Muntenia and Dobrogea 2.88%, the Metropolis of Moldavia and Bucovina 15.11%, the Metropolis of Oltenia 7.19%, The Metropolis of Banat 10.79%, The Metropolis of Ardeal 6.47%. Regarding the type of monastery, 51.08% were monk monasteries and 48.92% were nun monasteries. Related to the size of monasteries in terms of numbers of inhabitants, the monasteries were divided intro five categories from small monasteries (have no more than 5 inhabitants) to large monasteries (have more than 25 inhabitants).

4. Results

First, we tried to determine if the abbots think it is necessarily to carry on activities in order to attract people to monasteries, as a way to draw them closer them to God. We used a five-step scale from "certainly not" (value=-2) to "certainly yes" (value=+2). While this question may seem surprising, it is justified, because according to religious representatives' statements based on orthodox dogma, people must visit the monasteries as their own choice, not because they are constraint or influenced. This is the reason the information tools used by orthodox monasteries don't have invitations to visit them, only just schedules. Besides, the mission for many monasteries regarded the withdrawing from the world and solitude.

But, the answers pointed up that more than 50% from the abbots consider that monasteries should definitely attract people to them ("certainly yes"), however with the reason of drawing them closer to God. The mean is *M=0.9*1 *(S.E=0.128)* (Table 1). *The abbots' view significantly differs because of the type of monastery and the Metropolis Church.*

Table 1. The influence of monastery's characteristics on abbots' view regarding the necessity to attract people to monasteries

The view of abbots		Factors that influence abbots perception	
Certainly not	**11.60%**	Monastery size	F=1.001 *(p=0.421>0.05)*
Probably not	**8.30**%	Metropolis Church	**C=0.467 *(df =20; p=0.028<0.05)***
Indifferent	**5.00**%	Monastery type	**C=0.300 *(df =4; p=0.017<0.05)***
Probably yes	**24.80**%		**Z= -2.318 *(p=0.020<0.05)***
Certainly yes	**50.40**%		

We tried to determine if there is an opportunity to develop promotion strategies for monastic compounds, to use religious tourism as a way to achieve the spiritual mission of the monasteries. As we can see, in most of cases the abbots' view allows such approach but it should take into consideration the characteristics of the monasteries.

Regarding the communication tools used by monasteries, the results indicated the monastery guides as being the most used (especially in monks monasteries), followed by the monastery flyers (Table 2). The main disadvantages of the brochures are the low market coverage and the reduced impact because usually, they can be found in monasteries.

Table 2. The influence of monastery's characteristics on the communication tools used by monastic compounds

The communication tools used by monasteries		The characteristics of monastery which influences the communication tools used
Religious publications	**33.33%**	-
Specialised broadcast stations	**38.21%**	-
Travel guides of Romanian monasteries	**75.61%**	Monastery type: C=0.258 *(df=1, p=0.003<0.05);* Z= -2.748 *(p=0.006<0.05).*
Monastery brochures	**36.58%**	Monastery size: C=0.270 *(df=1, p=0.002<0.05);* Z= -3.084 *(p=0.002<0.05).*
Monastery flyers	**55.28%**	Monastery type: F=2.351*(p=0.045<0.05).*
Postcards	**35.77%**	Metropolis Church: C=0.309 *(df=5, p=0.028<0.05).*
Monastery CDs	**17.07%**	Metropolis Church: C=0.318 *(df=5, p=0.018<0.05).* Monastery size: C=0.325 *(df=5, p=0.015<0.05);* F=3.252 *(p=0.009<0.05).*
Monastery website	**24.39%**	Metropolis Church: C=0.306 *(df=5, p=0.029<0.05).*
Metropolis websites	**37.39%**	-
Tourist information websites	**25.20%**	-
The travel agencies offerings	**10.56%**	Metropolis Church: C=0.322 *(df=5, p=0.018<0.05).*

C= Pearson Correlation Coefficient; Z= Mann-Whitney Nonparametric Test; F=ANOVA test.

Thus brochures are mostly used for the presentation of large monasteries, and the flyers for monks' monasteries. Postcards and CDs are means of promotion especially for the monasteries belonging to Moldavia and Bucovina Metropolis Church and Oltenia Metropolis Church. The monasteries from Moldavia and Bucovina Metropolis Church and Muntenia and Dobrodgea Metropolis Church are using their own website for communication, and those for Muntenia and Dobrudja Metropolis are using the Metropolis and Archbishoprics website. The last two Metropolis Churches mentioned and Vadului, Feleacului and Clujului Metropolis Church are the most often structures included in the travel agencies offers.

The communication tools with higher audience like specialised radio and television stations are used by 40% of monastic compounds. Almost 30% of monasteries are using their own website and almost 40% of monasteries are using Metropolis' website to deliver the information. Just 10.56% of monastic compounds use travel agencies and almost 25.20% of them use tourist information websites to give information. 10% of the abbots mention word of mouth advertising, and most probably the percent is higher, but we didn't included it within the predefined variables as we intend to determine just the impersonal communication tools. We consider that word of mouth advertising would be better identified if analysing the religious tourism demand.

The communication tools used by monasteries significantly differ because of the characteristics of the religious organizations, especially in case of the Metropolis of belonging, but in most situations there is medium relationship between variables.

Regarding the content of the message within information and/or presentation materials we tried to determine the explanation for the very beautiful pictures with monasteries using open ended questions: *We assume that the extraordinary content of the pictures and brochures is a way to attract the people to monasteries, being a promotion strategy.* The answers haven't confirmed entirely the hypothesis statement (Table 3).

Table 3. The reasons for the content of the presentation materials of the monasteries

The reasons for the content of the pictures of the monasteries		The characteristics of monastery which influence the abbots' opinions
To attract people, promotion	**25.64%**	
It shows the "Gift of God"	**17.95%**	The Metropolis Church**: C=0.513** *(df=20, p=0.005<0.05).*
It represents the beauty of the places	**41.88%**	
Is due to photographer skills	**7.69%**	
Others	**6.84%**	

C= Pearson Correlation Coefficient.

Most of the abbots think the beauty of the pictures and brochures is given by the fact that they capture the loveliness of the surroundings. 25.64% of abbots think the content of the pictures is to promote, to attract people and almost 18% think the beauty of the pictures shows the work of God. The Metropolis of belonging influences greatly the answers of the abbots.

Next, we tried to determine the collaboration relationships between monasteries and organized groups of visitors, religious organisations or travel intermediaries. Hereby, in 60.3% of the cases to monasteries arrive organized groups of religious associations (ASCOR, Liga Studentească etc.), mainly young people, but sometimes come organized groups of pupils, elderly persons from asylums or even children. The question regarding the collaboration with members of religious organisations was meant to determine in the case of good cooperation, if it's possible to develop cooperation relations with non religious groups who want to visit the monastery. The results indicate the possibility to establish such relationships.

Just a small percent of monasteries appear in travel agencies offers (11.50%) and 15.70% cooperate with Pilgrimage Bureaus of Metropolis or Patriarchy. More than 70% of abbots received no proposals to introduce monasteries into tourism programs, and 6.60% refused such offers. For monasteries which cooperate with Travel agencies or Pilgrimage bureaus, the proposals came from travel organizers in 72.70% of cases and the rest from monasteries.

Table 4. The collaboration between monasteries and travel organisers

Travel agencies	**4.10%**
Pilgrimage Bureaus of Metropolis or Patriarchy	**8.30%**
Travel agencies and pilgrimage bureaus	**7.40%**
Refused the collaboration offers	**6.60%**
Never received cooperation proposals	**73.60%**

Testing the hypothesis shows there are no significant differences between the nature of the relationships and the characteristics of the monasteries therefore the *hypothesis #2 is not valid*.

Next, we tried to determine if such collaborative relationships with travel planners are possible from monastery abbots' view. All subjects answered to this question even if there are no contracts between monasteries and travel agencies or pilgrimage bureaus. To determine their view we used a five step

scale from "very detrimental" (value=-2) to "very beneficial" (value=+2). More than 60% of abbots consider that the collaboration relationships with travel organisers are "beneficial" or "very beneficial" and 30% of them indifferent, and none of them think such relationships as being "very detrimental". Mean of the variable is *0.62 (S.E=0.062)* (Table 5).

Table 5. Abbots' view regarding the opportunity to develop relationships with travel organizers

The abbots' view regarding the opportunity to develop relationships with travel organisers		The factors that influence abbots perception	
Very detrimental	**0.00%**	*Monastery size*	F=1.848 *(p=0.110>0.05)*
detrimental	**6.10%**	*Metropolis church*	C=0.329 *(df =15; p=0.531>0.05)*
Indifferent	**30.40%**	*Monastery type*	**C=0.328 *(df =3; p=0.003<0.05)***
Beneficial	**59.10%**		**Z= -3.659 *(p=0.000<0.05)***
Very beneficial	**4.30%**		

C= Pearson Correlation Coefficient; Z= Mann-Whitney Nonparametric Test; F=ANOVA test.

The tests show there are significant differences between abbots view regarding the opportunity to develop relationships with travel organisers, due to the type of monastery (more suitable for monks monasteries).

6. Conclusions
The current paper presents some aspects of the communication and delivering activities carried out by the monastic compounds from Romania, representing the main pilgrimage places for Romanian orthodox spirituality. *The novelty of this subject is very high in Romanian literature, because such research wasn't carried out in our country until now.*
The results showed that communication activities are not very developed, using mainly the classical communication tools. *The most used tools to deliver information to target audience and believers are monasteries guides and brochures*. Just 25% of the religious compounds have their own website and 10% of them cooperate with travel agencies. *The communication tools used significantly differ because of the type and the size of monasteries and due to the Metropolis of belonging*. The aesthetic of the pictures from promotion materials is used in 25% of monasteries in order to attract visitors.
Regarding the cooperation with various intermediaries from tourism market*, more than 70% of the monastic compounds have no relationships with travels organizers,* such as travel agencies or pilgrimage bureaus, although *almost same percent of the abbots consider these relationships beneficial or very beneficial,* and 60% of them receive organised groups of visitors, especially members of the religious organisations.
Thereby, we can assume there *is a high potential of collaboration* between actors in the travel market and pilgrimage places, as well as an *obvious orientation of monasteries towards the usage of the most effective communication tools*, but only if the *main reason and the mission of the cooperation and communication activities is the religious experience of the traveller*.

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THE FACTORS THAT INFLUENCE THE ROMANIAN BANKING MARKET DURING POST-ACCESSION PERIOD

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In a developing economy, like the one of Romania, frequent changes take place in all areas, including the banking market. The Romanian banking environment is frequently influenced by various factors. The article shows the changes that have taken place in the Romanian banking market during the period 2007-2010 as a consequence of these factors. The research consisted in presenting the most important political, economical, social and technological factors which have influenced the banking market after Romania's integration to the European Union. Based on the analysis of these factors' influence, I have presented the developing manner of the Romanian banking market after joining the European Union, but also the problems faced in the context of the current global crisis.

Keywords: banking system, integration, financial indicator, bank marketing.

Code JEL: M31, G21

Introduction

The banking market in Romania is in a continuous movement since the environment is changing, the customers' needs and the competition are changing. Achieving success on an internal market which constantly changes its dimensions and internal structure, which improves its manner of carrying on its transactions, which uses the new technology in performing its operations, can only be made by adapting it to the external changes which represent its only viable alternative[533].

Factors that influence the Romanian banking market

This environment in which the banks perform their activity is influenced by the following factors: political, social, technological and economical.

a) Political environment. The intervention of the politic in the banking activity is extremely detrimental because the political regime influenced the economical development, fluctuations based on governments being registered. During the period 1990-1996, Romania is facing both an economical and a political crisis caused by the politicizing of the positions in most of the government institutions. The banking sector was affected as well by this state of affairs, the government banks being divided between the political leaders as follows: BCR (Romanian Commercial Bank), CEC (Romanian Savings Bank) were administered by PNTCD (Christian-Democratic National Peasants' Party), Banca Agricola (Agricultural Bank) was given to PD (Democratic Party), etc.

The influence of the politic in the economical sector, and banking as well, has not been removed until today. By the agreement made with IMF (International Monetary Fund), Romania must receive almost 20 billion Euros, for a 2 year period. The biggest share of the money, meaning 12.9 billion Euros, must enter the foreign currency reserves of BNR (National Bank of Romania) in order to support the local currency (leu). The first part of 5 billion Euros entered the country in May 2009, and the average interest of the loan from IMF represented 3.5% per annum. From the European Union, Romania must

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[533] Constantin Rotaru, *Sistemul bancar românesc și integrarea europeană*, Ed. Expert, București, 2008, p.23.

receive 5 billion Euros (with an interest between 2 and 2.5%), a loan which firstly financed the budget deficit, and from the World Bank and from the European Bank for Reconstruction 2 more billion Euros intended for economy and banking system will come[534].

At 1st of October 2009, Romania sinks into a new crisis, when the government coalition between the center-right party of president Traian Basescu (PD-L Democratic-Liberal Party) and the Social-Democratic Party (PSD) dissolves, causing an aggravation of the economical crisis.

After 6th of December 2009, the political crisis became even deeper when the final results of the presidential elections overturned the polls and brought out Traian Basescu as leader[535].

The agitation in the Romanian political life determined a delay in the finalization of Romania evaluation process by IMF and implicitly a delay in granting the third part of 1.5 billion Euros, offered by IMF and the World Bank, following the delay of the government in the preparation of the consolidated budget for 2010. The banking system has also been affected by this crisis and the results did not delay in showing up: the number of credits granted to customers decreased, especially to SMEs (Small and Medium Enterprises), the number of bad debtors increased, etc.

b) Social environment. The social environment refers to *demographical, cultural* and *lifestyle changes*, the consumer *attitude* and *perception* changes. The banks must monitor the demographical tendencies, they must mark their probable impact and they must decide on the needed actions. The absence of the above could create problems for the banks.

The population number and structure of Romania has suffered major changes during the last 15 years.

During the period 2007-2009 the decreasing tendency of the population number continued, reaching from 21.53 million persons in 2007 to 21.49 million persons in 2008 (0.14% less than 2007) and to 21.45 million persons in 2009 (out of which 10.4 million men – 48.7% and 11.05 million women – 51.3%), considering the higher number of deaths compared to the number of newborns, according to the announcement of the National Statistics Institute (INS)[536].

Therefore it can be said that the banks acting on the local banking market must consider the decrease of the young population number and the increase of the old population share when preparing its own strategies and the bank products and services as well, since in one way or another, this population represents the bank customers.

However, the *population attitudes and perceptions* did not change too much. Thus the population with the age over 46 continues to keep the savings at home, they prefer to pick up the money from the bank operator, they prefer to receive/send money by post-office and when applying for credits they prefer the credit cooperatives.

Unemployment rate. According to the latest data of the National Agency for Employment, the unemployment rate in December 2009 reached 7.8%, the total number of unemployed persons being of 683,123 persons, out of which 298,091 women. Romania is thus getting near the prognosis of IMF, who was estimating the number of unemployed persons at over one million persons for 2010. The effects of the current crisis have been felt by the local baking system not by wage reductions, but by the reduction of bonuses, benefits (which generally represent 15-25% of the yearly wage) and number of employees.

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[534] http://www.fmi.ro/index.php?pid=116&lg=ro&presa.
[535] http://media.ft.com/cms/bb0999bc-eba2-11dc-9493-0000779fd2ac.pdf.
[536] http://www.insse.ro/cms/rw/pages/calendar/publicatii/mai.ro.do.

Up to now, OTP Bank dismissed 5% of the employees and from Citibank around 100 persons were laid off. The number of unemployed persons coming from banking environment is over 7,000 persons[537].

Real net average earning. The real earnings of the Romanians started on a descendent path since April 2009, and in October they reached the value of 1,375 Ron. In October 2009, the index of the real earnings was of 99.3%, the equivalent of a decrease in the real average earnings of 0.7 percentage points. In the below figure, the evolution of the real earnings during the period February 2000 – October 2009 can be observed[538].
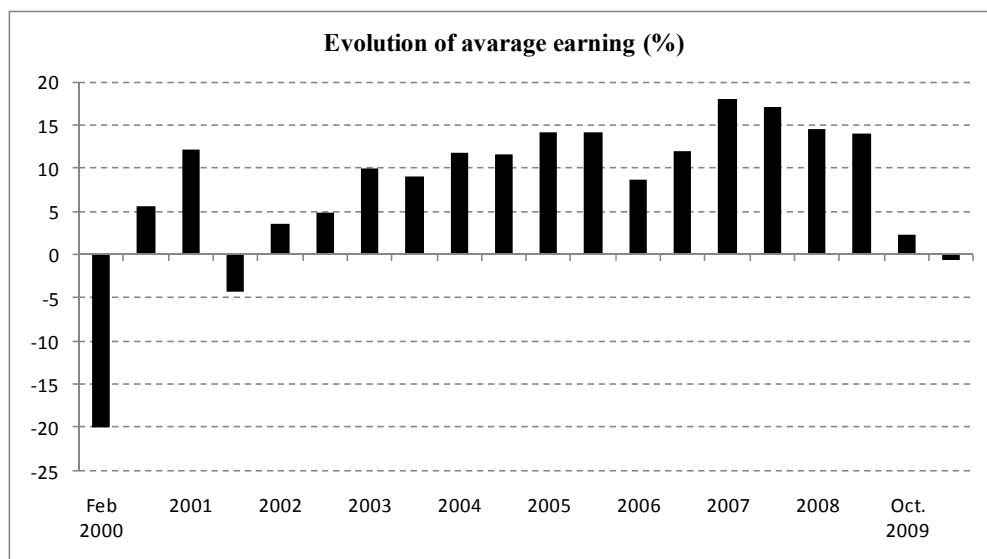
Fig. 1. Evolution of average earnings (%) during 2000-2009
Source: http://www.insse.ro/cms/rw/pages/arhivaBuletine2009.ro.doc.

The gross average earning in 2009 was of approximately 1,881 Ron[539]. During the last years, the bank employees have been among the best-paid in the economy sector, according to the data provided by the National Statistics Institute, which indicates a gross average earning of 5,983 Ron (1,503 Euro) in the banking sector, almost three times higher than the average earning for the whole economy of 1,881 Ron, followed by the one of the employees in the pharmaceutical sector (918 Euro) and IT sector (880 Euro), according to Paywell study performed by PricewaterhouseCoopers (PwC).

Nevertheless, the earnings average has been "pulled down" by the entrance of a great many new employees into the system, since the earnings for the entry-level positions from the banking sector are not very high. However, during the last years, the earning increases have not been spectacular in banks: 10% in 2007, 9% in 2008 and 5% in 2009 considering that the market increased with 12-15%.

Consumption prices. The average increase of the prices per total in 2009 compared to 2008 determined based on CPI (Consumer Price Index), but also the one determined based on the harmonized index of consumer prices (HICP) was of 5.6%. Comparing 2009 with 2008, the highest increase of the consumer

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[537]http://www.banisiafaceri.ro/analize.
[538] http://www.financiarul.com/articol_36837/efectele-crizei-salariul-mediu-net-real-s-a-redus-pentru-prima-data-in-ultimii-opt-ani.html.
[539] http://www.insse.ro/cms/files/statistici/comunicate/castiguri/a09/cs12r09.pdf.

price index has been registered in services (8.97%), followed by non-food items (6.22%) and food items (3.25%)[540]. Under these conditions, the situation deterioration of the persons distributing over 80% of their income to cover the basic needs is natural. The living standard constantly decreasing, the population's trust in banks and national currency is diminished, this being reflected in the structure of banking products inquiry.

c) *Technological environment.* In the development of the market economy, the banks are the biggest users of information technology (IT). It influences the offer of banking services as well as the efficiency of the banking processes. In the technology world, fast developments have occurred, new hardware and software products have been released, the operations which were manually performed are now computerized, the information systems being introduced at a large scale.

The technology had a deep impact on the sector of banking services in Romania as well. The increase of the competition, the more and more sophisticated inquiries from customers and a larger range of products will benefit from an improved technology. An example is given by the new technology for chip card reading, which was introduced in December 2009 by Citibank and BRD banks, while most of the POS systems on the Romanian banking market operate by magnetic stripe reading only[541].

d) *Economical environment*. The second year of Romania's participation to EU mechanisms has been marked by a series of events, both external and internal, which have complicated the mission of the authorities to ensure macro-economical stability.

Internationally, the turbulences triggered in the summer of 2007 by the high risk mortgage loans (*subprime*) transformed during 2008 into the most severe international economical crisis since the Great Depression of 1929-1933. The crisis mainly affected the countries with high external deficits, including Romania. Internally, the economical aspect has been complicated by the parliamentary elections in November which have caused an unprecedented relaxation of the income and fiscal-budgetary policies[542].

The budget deficit reached the highest level of the last decade (5.4% of GDP), the expansion of the government sector cancelling almost integrally the external adjusting effort undertaken by the private sector and thus contributing to maintaining the current account deficit to a level perceived by the foreign investors as being much too high (7.4% of GDP in 2009). This evolution manifested itself in all emerging countries of EU, but in different proportions (Table 1).

Table 1. Evolution of current account deficits in emerging EU

percent of GDP

	BZ	CZ	EE	LV	LI	HU	PL	RO
Average 2002-2006	-9,0	-4,4	-12,2	-12,5	-7,4	-7,8	-2,4	-6,3
2007	-22,5	-1,5	-18,3	-22,5	-15,1	-6,2	-5,1	-13,5
2008	-24,8	-3,1	-9,1	-13,6	-12,2	-8,4	-5,3	-12,3
2009	-18,8	-3,2	-1,1	-1,5	-1,9	-5,0	-4,7	-7,4
2010	-17,2	-3,3	-3,1	-1,9	-0,7	-4,8	-3,7	-6,1

Source: http://www.insse.ro/cms/rw/pages/arhivaBuletine2009.ro.doc.

[540] http://www.insse.ro/cms/files/statistici/comunicate/ipc/a09/ipc12r09.pdf.
[541] http://www.zf.ro/banci-si-asigurari/citibank-isi-securizeaza-cardurile-de-credit-cu-cipuri-5317658.
[542] http://www.insse.ro/cms/rw/resource/rom_cifre_2008_ro.pdf.

The correction of the current account deficit brings two important challenges: financial situation deterioration of the companies, especially those with import-export activity and the risk for the adjustment to take place especially by diminishing the investments.

After a decline period (1997-2001) of the *Gross Domestic Product (GDP)*, the economical growth re-launched starting with 2002. The growth has been determined significantly by the increase of the activity volume in the field of banking services, constructions and industry.[543]

Variation of gross domestic product
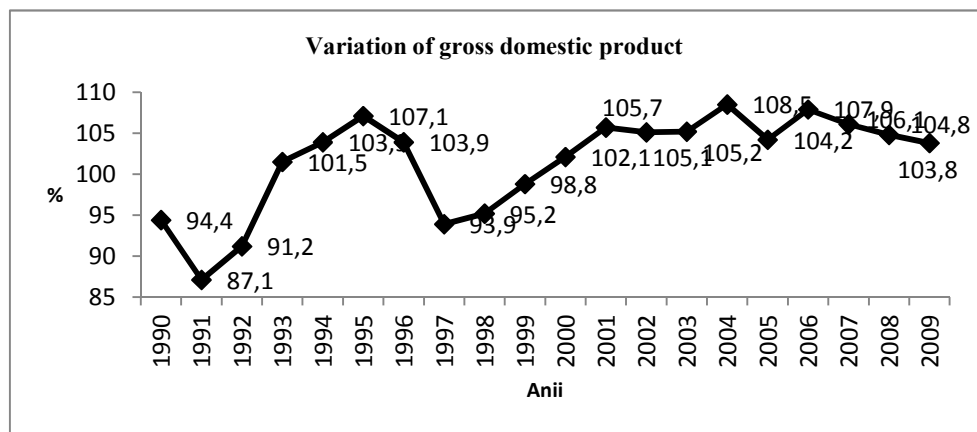
Considering that the financial intermediation is still at a low level and taking into account the share of the bank assets in GDP compared to other countries in EU, the Romanian market potential remains high. Besides, the last years have been marked by a pronounced stimulation of bank activity and an increased competitiveness, the share of the banking system assets rising to 50.1% of GDP at the end of 2006, to 60.9% in 2007 and 62.4% in 2008.

Investments. At the end of 2007, the investments made in the national economy registered a remarkable increase of 151.7% compared to 2000. In 2009, on the main activities of the national economy, a higher concentration of the investment funds took place in the industry sector, including electrical and thermal energy, natural gas and water (40.6%), and in the services sector (44.1%). The foreign investments in Romania have reached a record level of 9 billion Euros in 2008.

In the banking system, after years in which the crediting achieved record levels, the moment of the payment has arrived and the authorities reached the point of borrowing from the International Monetary Fund (IMF) in order to cover the financial gaps, in the context of the financial corporations stopping the capital flows to Romania.

The analysts believe that the high external vulnerabilities of Romania, so negative in the context of the current financial and economical crisis, as well as the economical disarticulation by the unsolvable disequilibrium between consumption and production, is first of all the deed of the foreign banks and not the foreign investments.

In conclusion, among the changes that took place on the Romanian banking market after joining EU we can mention the following: the banks continued to improve the technology for a large range of products, they renewed their customer database and they used more aggressive strategies for customer segmentation and for the promotion of their own banking products; the decrease in the living standard diminished the trust of the population in banks and national currency, this being reflected in the decrease of the inquiry for banking products; the economical and political crisis in the Romanian

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[543] http://www.insse.ro/cms/rw/forum/post535.ro.do.

economy materialized by the decrease in the number of loans granted to the population and especially to SMEs, as well as the increase in the number of bad debtors; the number of unemployed persons at national level increased, a relatively small part coming from banking environment; the gross average earnings of the Romanians increased while the earnings in banks remained relatively constant; the global economical crisis and the internal elections caused a relaxation of the income and fiscal-budgetary policies; in 2009 the highest budget deficit in the last decade was registered (5.4% of GDP) which contributed to maintaining the current account deficit at 7.4% of GDP, thus causing the decrease of the foreign entrepreneurs' interest in investments on the banking market and other fields of economy as well; the volume of foreign investments decreased and the authorities had to borrow from IMF in order to cover the financial gaps in the economy.

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ATTITUDES OF THE CONSUMERS REGARDING THE PROCESSING AND EMPLOYMENT OF THEIR PERSONAL DATA

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The concept of privacy, seen in connection with the consumer's private space, and defined in terms of the specific personal data has gained an increasing importance, as a result of the organizations' extended attempts, within their marketing efforts, to capture, process and use the consumers' personal data.
Paper explores the attitudes of the consumers regarding their personal data in terms of their disclosure, previous agreement consumers should grant to the companies or public institutions (authorities) processing them, employment, registration and processing by the companies, and buying products and/or services as a result of a direct approach.

Introduction

The end of the 19[th] century has brought the first formal attempts to conceptualize privacy. In 1887, the Pacific Railway Commission has found that "of all the rights of the citizen, few are of greater importance or more essential to his peace and happiness than the right of personal security, and that involves, not merely protection of his person from assault, but exemption of his private affairs, books, and papers, from the inspection and scrutiny of others" (Langenderfer and Cook, 2007). Three years later, Louis Brandies, in the article "The Right to Privacy", has approached and explained the individual's "right to be left alone" as a response to the loss of privacy experienced during that times (Wirtz, Lwin, and Williams, 2007).

In spite of their historical roots, privacy laws could being traced as far back as 1361 – when the Justices of the Peace Act in England provided protection from peeping Toms and eavesdroppers (Henderson and Snyder, 1999), the attempts to define *privacy* were rather difficult due to the wide number of related interests such as the personal information control, reproductive autonomy, access to places and bodies, secrecy, and personal development (Kemp and Moore, 2007). Many definitions given have tried to explain the content of privacy considering the right to be let alone, limited access to the self, secrecy, control of personal information, personhood and intimacy (Solove, 2002). Misspecification, cultural and historical biases, and their value-driven appearance altered more or less the content of all these definitions (Kasper, 2005).

Considering the information perspective, privacy is an ambiguous term and consumers may have different privacy thresholds depending on internal or external factors associated mainly to the context of the data collection process (Long, Hogg, Hartley and Angold, 1999). In the information age, due to the many invading ways, mainly through the internet, the consumer privacy has become a luxury to maintain (Pan and Zinkhan, 2006). Frauds, identity thefts and deceptive consumer surveys made consumers more discrete and sensitive to the need of protecting their privacy (Pitta, Franzak, and Laric,

2003).That is why the answer, provided more than a decade ago, by Scott McNealy, Sun Microsystems CEO, when questioned about the potential privacy breaches of new networking technology, will remain extremely accurate and actual: "You have zero privacy anyway, get over it" (Kasper, 2005).

From a *marketing perspective*, definition of privacy should focus on the personal data and information regarding the consumers. In this respect, privacy has been defined as the claim of individuals, groups or institutions to determine for themselves when, how, and to what extent information about them is communicated to others (Westin, 1968). Definition proposed by Schoeman adapted the content of privacy at individual level presenting it as a claim, entitlement or right of an individual to determine what information about himself (or herself) may be communicated to others; the measure of control an individual has over information about himself, intimacies of personal identity, or who has sensory access to him; and a state or condition of limited access to a person, information about him, intimacies of personal identity (Jóri, 2007).

Privacy must be seen in connection with the particular area where its content is applied. The above definitions imply the existence of a *consumer's private space* defined through and including an amount of information referring to the demographic, psychographic and behavioral characteristics of the individuals (*personal data*), and the rights the consumer should have to disclose or not, respectively to have this information protected through the appropriate laws and means (Veghes, 2009).

Analyzing the evolution of the definitions given to the personal data in the 1998-2008 decade, Grant (2009) has concluded that the content of the personal data, representing the central issue in the data protection, is still under debate. Still, there is a strong need for identification and definition of this data as consumers are more and more approached through direct marketing campaigns by the different organizations. Although most of the consumers have realized that participating in direct marketing is a necessary part of being in a consumer society, they are concerned about the unauthorized use or the misuse of their personal data and information, mainly in the forms of sale of their data without permission, unsolicited contact by businesses, the feeling that businesses know too much about their personal information, and the accuracy of data retained in databases (Pope and Lowen, 2009).

Methodological Notes

Data expressing the attitude of the consumers regarding their personal data have been obtained within a research approach with a larger overall scope, of assessing the exposure, attitude, current and future behavior of the consumers in connection with the direct marketing efforts of the organizations.

Data have been collected in January 2010 using a sample including 78 Romanian consumers from the Capital and other cities, aged 18 to 30, with higher education, which have been asked about:

- the attitude toward communicating their personal data to the companies or public institutions (authorities) the consumers are getting in touch with;
- the previous agreement the companies or public institutions (authorities) should obtain from the consumers before they will disclose their personal data;
- the consumers' attitudes regarding employment, registration and processing of their personal data by the companies providing different products and services;
- buying products and/or services form the companies approaching the consumers by mail, mobile phone, telephone or Internet.

Main Findings

All the direct marketing approaches employed by the organizations present in the market to provide various products and/or services aim to capture data about the consumers to be processed and later used in the future campaigns. That is why the investigated consumers have been asked to express their attitude regarding the potential reserves they may have to communicate (disclose) their personal data to the companies and public institutions (authorities) when getting in touch with them. Results obtained (see Tables 1 and 2) indicate that, overall, consumers are rather reserved in disclosing their personal data to the organizations attempting to approach them in a direct and interactive manner. This reserved

attitude tends to be more consistent in the case of the companies then in that of the public institutions (authorities): 60.2 % of the respondents would not, or rather not, communicate their personal data to the companies, while 46.2 % of them would not, or rather not, communicate this data to the public institutions (authorities).

Table 1. Attitude of the consumers toward communicating their personal data to companies

Data_firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	7	9.0	9.0	9.0
	rather yes	24	30.8	30.8	39.7
	rather no	31	39.7	39.7	79.5
	no	16	20.5	20.5	100.0
	Total	78	100.0	100.0	

Table 2. Attitude of the consumers toward communicating their personal data to public institutions (authorities)

Data_public

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	7	9.0	9.0	9.0
	rather yes	34	43.6	43.6	52.6
	rather no	28	35.9	35.9	88.5
	no	8	10.3	10.3	98.7
	don't know	1	1.3	1.3	100.0
	Total	78	100.0	100.0	

A part of this attitude can be explained through the risks the consumers perceive and associate with the communication and, mostly, the consequent inappropriate employment of their personal data. The most important threats in this respect are the exposure to the potential abuses of the private companies, respectively the frauds respondents may suffer as consumers of the different products and services. By comparison, potential abuses of the public institutions (authorities) were mentioned by slightly more than a half of the respondents and the gap between the percentages associated to the abuses potentially committed by the companies, respectively public institutions (authorities), reveal that consumers tend to trust more the public entities and to fear more the private ones.

Having the right to agree or disagree in disclosing the personal data to the organizations (companies and/or public institutions or authorities) aiming to capture, process, and employ them is one of the most important mechanisms the consumers may use to defend their privacy and private space. That is why the investigated consumers have been asked to express their attitude regarding the agreement the companies and the public institutions (authorities) should ask before capturing their personal data. Results obtained (see Tables 3 and 4) indicate that, overall, consumers consider this agreement they could grant as mandatory before any attempt from the part of the companies and public institutions (authorities) to obtain their personal data.

Table 3. Attitudes of the consumers toward having the right to agree to disclose their personal data to companies

Agree_firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	64	82.1	82.1	82.1
	rather yes	14	17.9	17.9	100.0
	Total	78	100.0	100.0	

Table 4. Attitudes of the consumers toward having the right to agree to disclose their personal data to public institutions (authorities)

Agree_public

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	53	67.9	67.9	67.9
	rather yes	21	26.9	26.9	94.9
	rather no	3	3.8	3.8	98.7
	don't know	1	1.3	1.3	100.0
	Total	78	100.0	100.0	

The attitude of the respondents in terms of the agreement they should grant the companies and public institutions (authorities) confirm the higher confidence the consumers tend to have in the public entities: while there are respondents not demanding to be asked about disclosing their personal data to the public entities, all of them agreed (or rather agreed), that private entities should ask for an agreement in order to process the consumers' personal data.

The investigated consumers' attitude regarding what happens with their personal data after being captured by the companies represented a third objective of this research approach. More than a half of the respondents agreed, or rather agreed, that companies should not register their personal data when they buy products and/or services from them (see Table 5). Still, the fact that a part of the respondents appear less or not-at-all affected in this respect may suggest that a proper processing environment would make them more confident and open toward disclosing their personal data to the companies.

Table 5. Consumers' attitude toward their personal data registration by the companies

DataSave_Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	21	26.9	26.9	26.9
	rather yes	24	30.8	30.8	57.7
	rather no	19	24.4	24.4	82.1
	no	10	12.8	12.8	94.9
	don't know	4	5.1	5.1	100.0
	Total	78	100.0	100.0	

Processing of the consumers' personal data is perceived in a similar manner by the respondents: more than a half of them agree or tend to agree that companies should not process their data although a situation like this would be a rather less probable: the companies have captured the personal data of the consumers specifically to know better their demographics, psychographics and behavioral characteristics, to profile them and to use this information in planning more effective direct marketing campaigns targeting them. A possible interpretation of the respondents' attitude in this respect may consist in a certain expectation that their personal data will not be processed at all or, when processed, this will be done in a way that does not affect their private space or do not expose their private lives.

Table 6. Consumers' attitude toward their personal data processing by the companies

DataProce_Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	22	28.2	28.2	28.2
	rather yes	22	28.2	28.2	56.4
	rather no	19	24.4	24.4	80.8
	no	13	16.7	16.7	97.4
	don't know	2	2.6	2.6	100.0
	Total	78	100.0	100.0	

Employment of the consumers' personal data by the companies to promote their products and/or services through direct marketing campaigns is perceived in a rather unfavorable and reserved manner by the respondents: almost three quarters of them agree or tend to agree that companies should not employ their to support marketing campaigns aiming to promote products and/or services. The percentages corresponding to the consumers not (or rather not) having a problem in disclosing their personal data to allow companies to conduct later direct marketing campaigns support the rather overall reserved attitude of the respondents regarding the processing of their personal data. It is important to observe that all these reserves are determined not necessarily only by the fears the consumers may have regarding the risks associated with an inappropriate processing and employment of their personal data: the unclear definition of the personal data and the relative consumer knowledge on how this data should and could be protected contribute to this overall reserved attitude.

Table 7. Consumers' attitude toward their personal data employment by the companies

DataUse_Firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	44	56.4	56.4	56.4
	rather yes	13	16.7	16.7	73.1
	rather no	11	14.1	14.1	87.2
	no	9	11.5	11.5	98.7
	don't know	1	1.3	1.3	100.0
	Total	78	100.0	100.0	

Buying products/services from the companies approaching consumers in a direct and interactive manner, based, of course, on the personal data captured and processed has represented another objective of the research approach. As the results presented in the Table 8 suggest, the most important conclusions that can be drawn state that:
- consumers are (or rather are) reserved to buy products and/or services after they have been approached directly by the supplying companies, specific weights of the consumers not having reserves in this respect varying between 14.1 and 20.5 %;
- consumers tend to consider buying of the products and/or services when the distance between them and the companies approaching them is higher and to remain so. Thus, respondents have appeared to be more open (or rather open) to buy after being approached on the Internet (57.7 %) and by mail (50.0 %), respectively less open (or not open) to buy when approached in a more personal manner, over the telephone (38.5 %) or the mobile phone (35.9 %).
Keeping the distance is one of the safest strategies the consumers seem to employ in protecting, not necessarily their personal data but their private space from the its invasions conducted by the different companies present in the market.

Table 8. Consumers' attitudes toward buying products/services after being directly approached by the companies (percentages, n=78)

I would have no reserves to buy… from the companies approaching me by…	Mail	Phone	Mobile phone	Internet
Yes	19.2	16.7	14.1	20.5
Rather yes	30.8	21.8	21.8	37.2
Rather no	37.2	29.5	35.9	23.1
No	11.5	29.5	26.9	19.2
Don't know	1.3	2.6	1.3	0.0
Total	100.0	100.0	100.0	100.0

Limits of the research

The research approach has been conducted under the context created by the existence of the limits related to the set of the variables considered to define and measure the attitude of the consumers regarding the processing of their personal data (these variables should be extended for the further research to be conducted), and the sample and the sampling procedure used (further research should be conducted using a sample covering also the rural areas and having a representative structure in terms of demographics such as education and income).

Conclusions and main implications

Findings of the research show that the attitude of the consumers toward the processing their personal data is a rather reserved one. Consumers are not so willing to disclose personal data and are concerned for the risks they should face when this data is employed in an inappropriate manner. Although seem to agree the receiving of personalized marketing information, the consumers tend to avoid engaging in interactive relationships with the organizations approaching them and prefer to defend their private space keeping the distance.

The currently unclear definition of the personal data leads to an uncertain delimitation of the private space of the consumer, which may represent a source of abuses of both the companies and public institutions (authorities) over their consumers and citizens: that is why a better legal environment regulating the capturing, processing, administration and employment of the personal data is more than necessary in order to allow consumers to take a real and effective control over the collection, processing, administration and employment of their personal data.

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SUB-SECTION: ECONOMIC INFORMATICS

DATA WAREHOUSE AND DATA MINING - DATABASES NEXT STEP

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Data Warehouses and Data Mining are indispensable and inseparable parts for modern organization. Organizations will create data warehouses in order for them to be used by business executives to take important decisions. And as data volume is very large, and a simple filtration of data is not enough in taking decisions, Data Mining techniques will be called on. What must an organization do to implement a Data Warehouse and a Data Mining? Is this investment profitable (especially in the conditions of economic crisis)? In the followings we will try to answer these questions.

Keywords: database, data warehouse, data mining, decision, implementing, investment.

JEL code: M15

Data warehouse

The data warehouse concept has its origins in the early 60's when following the collaboration between a group of companies and a university in the United States were introduced new terms such as *dimensions* and *facts*.

The role of Data Warehouse was obviously marked by the year 2000 once with the advent of applications accessible to all consumers.

Data Warehouse represents in fact a response to the developers of IT society dynamics.

There are two premises that led to the emergence of data warehousing:

1. Economic premises.
2. Technological advances.

The premises are in close relationship with economic and market dynamics, namely:

- Globalization of trade.
- The dramatic sharpening of competition.
- Spectacular shortening of products' cycle of life due to technologic dynamics.
- Imposing of extremely high quality requirements.

The economic premises are:

- The increase of computing power;
- Low prices.

Given the above, we can draw the following conclusions:

- Informatics systems exist;
- data can be accessed from anywhere;
- the need for information is acute;
- great computing power;
- large and cheap storage capacity;
- available software tools.

So there we have all the premises for implementing a Data Warehouse. Data Warehouse is a collection of designed data for the fundamentals of management decision. Data Warehouse contains a great variety of data that present a coherent image of business conditions of a company at one point in time.

A Data Warehouse like system is used to monitor the activity of organizations by generating reports in standard formats for analyzing issues related to the work in the organization and based on this analysis taking coordination decisions is made.

In a Data Warehouse Data Mining operations are particularly made. One can say that Data Mining instruments use raw materials supplied by the Data Warehouse.

Basic features of a Data Warehouse are:

1. It is focused on daily operations and transactions. It focuses on the data used in the analysis on which decisions are taken.

2. The basic operation is to add data. The data is not deleted and not at all overwritten. A log of data is maintained.

3. The system is integrated. Data is collected from different places (operating systems, databases, files etc.), is transformed by bringing the data to the representation format from the Data Warehouse and centralized in the system.

4. The integration of data represents the most important issue in the construction of a Data Warehouse.

The necessary costs for creating and maintaining a Data Warehouse are divided equally into the following categories:

- Required hardware systems and data storage systems.
- Software needed for extraction, processing, storing and analyzing data.
- Professional services.

Building a Data Warehouse is a complex work and it is addressed particularly to experienced professionals.

A Data Warehouse is made out of the following levels with their own structure and functionality:

1. The level of data sources

The level of data sources refers to any information, usually electronic, that must be collected and stored in the Data Warehouse. It uses as data sources: mainframe databases (DB2, IBMS, VSAM, ISAM, Ababas etc); client-server databases (Oracle, Informix); small databases, from PC's (MS Access); spreadsheets and other types of files.

2. The level of data processing

This level deals with bringing the collected data to a standard form. The transformation consists in bringing them to the internal format of the Data Warehouse. Special applications are used such as ETL (Extract, Transform and Load).

Data transformation may require operations of "cleaning" data (accuracy, consistency, totals, subtotals etc).

3. Data Warehouse level

Data Warehouse level is actually dealing with data storage. For storage relational databases are used. Data is retained for determined periods of time.

4. Reporting level

The level of reporting is the one that does the analysis and generates reports for monitoring the organization's activity. The generating of reports can be done using specific tools: Business intelligence tools; Executive information systems; Enterprise Information Systems; OLAP; Data Mining and KDD (Knowledge Discovery in Databases), that uses statistic analysis techniques, "form" recognition to discover correlations, rules, knowledge etc.

5. Metadata level

Metadata includes administration information of the Data Warehouse (date of last update, number of connected users etc.)

6. Operations level

This level has as main purpose loading data in the Data Warehouse, but also manipulating and extraction of data. The second purpose is represented by the user management, security, capacity but other administration functions as well.

Three types for the implementation of a Data Warehouse are known: **analytical**, **for standardization of reports** and **for homogenization and consolidation of data**.

Analytical. This is very complex and requires a lot of attention from design to implementation. It is mainly addressed to the analysts who can interpret the data.

For standardization of reports. These are the most common types known on the market (80%) because they are easy to interpret. Because of the fact that they are based on developing standard reports, these have appeared long before Data Warehouse.

For homogenization and consolidation of data. These are the most complex and combine multiple sources of information in order to fit the data.

Typically Data Warehouses double their size the first 12 up to 18 months.

Data Mining

Another very powerful tool, along with the Data Warehouse, that is available to assist organizations as support to taking decisions is represented by Data Mining techniques.

Data Mining is a "deeper search" in the source data. The source data means both the data from the Data Warehouse but also other data categories. Data Mining, also known as "knowledge discovery in large databases" is a modern and powerful IT instrument that can be used to extract useful information but still unknown.

Data Mining in many cases involves data analysis in large data deposits - Data Warehouse.

Data Mining is the process of extraction knowledge from databases (Data Warehouse), knowledge that was previously unknown valid and in the same time operational.

By unknown knowledge we understand extraction of new knowledge that are unanticipated and sometimes even surprising. Extracted knowledge must be translated and applied in reality. Also they must be made operational and obtained in a short time.

Data Mining differs from other data processing for data analysis, such as data query, reports, OLAP etc. Information obtained through Data Mining techniques can be predictive or descriptive. Predictive information is used to describe an event, such as the possibility of fraud.

Using Data Warehouses and data extraction from warehouses using Data Mining techniques will give the organizations that use them a clear advantage over the competition.

Implementing Data Mining techniques, also as in the case of Data Warehouse, must be done by specialists in order for the results to be the ones expected.

The areas where Data Mining is used are multiple. They are used especially in the following directions:
- sales analysis and establishing customer behavior;
- research (medical research);
- fraud, electronic fraud and (cyber) terrorism ;
- risk analysis.

Data Mining tools use technologies of Artificial Intelligence (AI) to process and extract data.

Lately, Artificial Intelligence solutions are more and more present in the offers of the companies who offer data analysis software for business activities, thereby we have the Business Intelligence (BI) concept.

Using a Business Intelligence solution is suitable both for the management departments and for the other departments. Each department can use specific capabilities of a Business Intelligence solution. The benefits are:
- Financial departments will use Business Intelligence to analyze data and generate reports, financial statistics and to take important financial decisions based on the information.
- Operations department can anticipate requests, estimate stocks and can make the production process more efficient.
- Marketing and sales department can analyze the response to promotions and marketing campaigns, can estimate sales and the analysis of market behaviour.
- Freeing IT departments from tasks.

Components of Business Intelligence solution are: Windows Server 200X, SQL Server 2000 Analysis Services, Microsoft SQL Server Accelerator for Business Intelligence, Project Server 2000, SharePoint Portal Server, Data Analyzer, Map Point and connection customers.

Implementing the system

To design and implement a Data Warehouse and Data Mining it is necessary to go through some stages. We will discuss about Data Warehouse, understanding the existence of Data Mining.

There is no strict methodology to design and implement a Data Warehouse. In the following we will define the important stages without concentrating ourselves on technical elements.

Stage 1. **Implementation decision**

The first question one has to answer when someone wants to implement a Data Warehouse is: "Do I really need this?". The answer can be multiple some of them being clear and others ambiguous. Ten years ago probably, especially in our country the answer would have been: "No". A great part of the decision would have been taken due to the ignorance of the used terms- Data Warehouse and Data Mining. Nowadays the answer must be emphatically "Yes". A decisive argument in the foundation of the response is given by the sharpening of the competition on the market. Companies are forced to explore a huge volume of data in a very short time in order to take a decision. A second argument is given by the companies that study the IT market.

Gartner Groups Inc. was making in 2009 the following predictions for the upcoming years:

- by 2012, due to the lack of information, processes and tools, more than 35% from the total of 5000 companies worldwide will have problems in taking optimal decisions for the company's activities.

- by the year 2012 the companies will allocate 40% of the budget for Business Intelligence.

- in the late 2010, 20% of the organizations will rule analytical software applications as a Business Intelligence component.

- by 2012, one third of the analytical applications will be delivered through Web applications (web application hybrid).

Stage 2. **The analysis of the existing economic system**

At this stage a strategic analysis referring to the company's assets and the ways of achieving these objectives, and also an analysis of the existing informational system must be done. From the existing economic system we will retrieve data which consequently we will use to help management factors in taking a quick and correct decision. If the collected data is not correct and the decision will be incorrect - *garbage in garbage out*. In many cases, from personal findings the managers expect certain errors to be corrected by the IT personnel.

Stage 3. **Analysis of the existing IT system**

At this stage 2 things must be established:

- if the existing IT infrastructure can be used (at least partially to reduce costs) to implement Data Warehouse and Data Mining;

- whether the organization has a well defined and formalized security policy (in conjunction with step 3).

Hardware components that will form a new architecture cost one third of the total cost so I have to see if I can lower this cost. Ideal would be to find as many solutions to reduce initial costs, by relocating the existing computer systems, following that these to be replaced by the ones initially indicated. We should not exaggerate, an equipment with minor problems will create big problems in such a system.

In a Data Warehouse the important data about the organization is stored in one place. This involves increased risks for the organization. Building a Data Warehouse must be done very carefully because having all the data of a company focused in one single point data security problems might appear.

The steps that follow are much more complex gaining technical meanings.

Stage 4. **Data Warehouse architecture design**

Taking as starting point the existing architecture we can define the future architecture. The new architecture must be designed in such way that it will have as little impact as possible on the existing system but a further development to be allowed [3]. We define physical and logical configurations, the data, the necessary applications and financial and architectural support are designed. Basically the main components must be designed: the data stores, ETL (Extract, Transform and Load) system and the front-end applications.

Stage 5. **Selection of the technological solution**

At this stage we will identify the implementation tools for data and applications, and the tools needed for technical and architectural support. Selecting these tools must take into account the structure and the complexity of the Data Warehouse. According to their function, these tools can be classified into the following categories: Transforming and extracting time, data cleaning, data loading and refreshing, data access, security providing, version control and configuration management, database management, data backup and recovery, disaster recovery, performance monitoring, data modeling, metadata management [3].

Stage 6. **Development**

At this stage the elements designed in the data stores are designed, ETL system (including data quality system and metadata) and the front-end applications.

We define the detail level of design for every operation that has as purpose data extraction.

Stage 7. **Testing and implementation**

At this stage, all designed and built elements are put together forming a system, and are tested and implemented thereafter.

Stage 8. **Operation and mainentance**

This is actually the last stage, with equal duration of the Data Warehouse life. It involves using Data Warehouse for the purposes for which it was designed and also for periodical application on Data Warehouse of some test and maintenance operations, evaluation and security assessment. All these stages are done one at a time, when one is finished the other starts- waterfall methodology.

Ways of implementation

To be able to define a strategic plan for initial implementation and further development it is necessary to know the financial resources, time and specialists of the company. In the case of financial resources an implementation at a lower level for the Data Warehouse and Data Mining must be done. Depending on the time available one can choose for the application development his own personnel or can choose the COTS products (Commercial On The Shelf). This option must be put together with the level of the company's specialists. If the training of the specialists is high, then the implementation can be done, but otherwise this operation must be outsourced, with the problems that can appear starting from this point.

Creating and developing a Data Warehouse can be done starting from the following three stages:
1. Implementation from scratch.
2. Improving the existing system.
3. Converting an older system.

Implementation from scratch has the advantage that I do not need an audit of what we have in the organization but it implies higher costs. For operating safely it is advised to start from scratch. Instead upgrading the existing databases or hardware and software will reduce costs, but will also create "fear" in later use. If something goes wrong later, then I would probably ask myself: "Why haven't I changed the … too?". With a limited budget I will probably be forced to use open-source applications.

With a budget that is over the calculated average we will have a new and reliable system, with increased computing power. It would be best to have all the amount of money in order to make all the assembly powerful.

An option to reduce costs would be outsourcing certain services. Outsourcing any service must be done by weighing three factors: money, performance and security. With less money I can get more performance but I need to share data with an outsourced organization.

Return on investment

For this we have to answer the question: "How do we measure success?". Displaying new results will be a gained point in understanding the necessity of building and exploiting the Data Warehouse and Data Mining.

Time factor will also be essential. Making a report in a very short time will put another brick in the building of the system.

But most important is the fact that all the system can be used in assisting decisions, this time disposing the results of a large data volume, so with a higher precision.

Finally, an analysis with the specialists in the company or outside the company will highlight the benefits of using Data Warehouse and Data Mining.

The most important thing is represented by the acknowledgement of resources owner over the necessity of this type of investment.

There are Data Warehouses consisting of databases containing between one and several tens of terabytes. Creating such a warehouse costs million dollars. What organization would invest so much money without obtaining profit?

Conclusions

For the medium and large organizations with a very good computer system, implementing a Data Warehouse and of course a Data Mining are absolutely necessary.

Even if it seems an easy task at first sight, implementing a Data Warehouse proves to be a challenge for the specialists. Lately, more and more commercial applications come with Data Warehouse facilities implemented. Very often, the organization implements a Data Warehouse and thinks the issue is solved. But things are not as easy as they seem. Probably many companies have specialists who can read a standard report given by a Data Mining tools on a Data Warehouse. But how many companies have analysts who can read and interpret an analytical report or a report for homogenizing and consolidating data? This is where things get complicated. The decision personnel must be assisted by persons who are capable to interpret the data, which consequently will be used in the decision process.

Finally, after the system will be used in assisting the first decisions, the benefits of using a Data Warehouse and Data Mining system will be seen.

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OPTIMIZATION OF DISTRIBUTED QUERY USED IN SYNCHRONIZING DATA BETWEEN TABLES WITH DIFFERENT STRUCTURE

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Replication can be used to improve local database performance and to improve the availability of applications. An application can access a local database rather than a central database from another site, which minimize network traffic, locking escalation at the central database and achieve maximum performance for current insert, delete or update operations. The application can continue to function if the central database is down, or cannot be contacted due to a communication problem, power or hardware failure. This paper is focused on presenting a synchronization process between a central Microsoft SQL Server database and many remote sites databases. One possible problem in replication can appear when the two databases have different organization of tables and structures.
Keywords: replication, data synchronization, openquery, linked server, parameterized query, uniqueidentifier, SQL Server

In this paper we will focus on the problem of synchronizing data between a central database and many client databases, when the client and the server databases have different organization of tables and structures. All the client databases are identical, this means that have the same number of tables, the tables have the same structure, but the records are different. This model can be used to improve local database performance and availability of applications at the clients, because we access the local database rather than a central database. Other benefits are the minimization of network traffic between the client and the central location, the minimization of locking at the central database, the maximization of up time because we does not need a permanent communication channel between the clients and the central location and also the minimization of costs.

The architecture of the network

The network consists of one Central Server on which we have the central database and many client servers, each of them with its own database used in the local area for storage the local transactions, like in figure 1. Between the client servers and the central server communications channels had been made by using VPN (Virtual Private Network). This communication channels are most of the time down, and from time to time get connected.
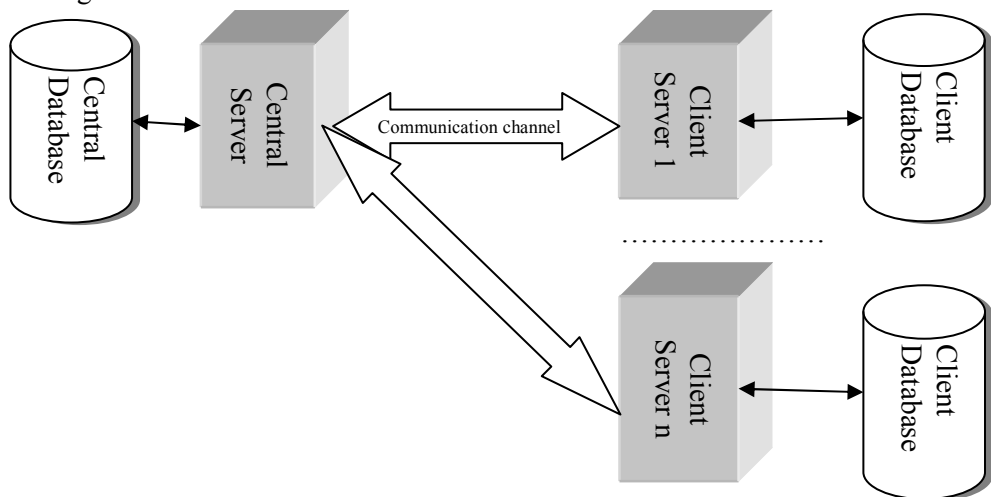

Figure 1. The architecture of the network

If we want to synchronize the information from client database with the server, we have to open first the communication channel and after that to synchronize the data. Microsoft SQL Server offers a mechanism of defining linked servers which can be used to run distributed query against multiple server. Our scenario consists of a one way data transfer from Central Database to the Client Database. We have to obtain new or modified data from the Central Database using inner join operations between TableA and TableB and to copy these data in TableC from Client Database. The fields used for filtering are of uniqueidentifier data type.

We want to obtain the best performance for our process of synchronizing the data.

One syntax for doing this operation is:

```
Select A.somefields, B.somefields
        From CentralServer.CentralDatabase.dbo.TableA A
        Inner Join CentralServer.CentralDatabase.dbo.TableB B
        On A.idProduct = B.idProduct
        And B.FilteringField = @SomeValue
    Where not exists (Select * from TableC C
                        Where C.idProduct = A.idProduct )
```

In our studying case TableA contains 1915 records, TableB contains 7341 records and TableC contains 1664 records. We obtain 243 new records which have to be copied in TableC. In our test environment this query takes about 47 seconds. The explanation for this bad performance are given to us by the following sentence "Queries involving the following are never delegated to a provider and are always evaluated locally: bit, uniqueidentifier" (Microsoft), which means that the records are taken from the Central Database to the client, and all operations are done at the client. For a poor connection we lose precious time with data transportation.

	Rows	Executes	StmtText	PhysicalOp	LogicalOp	Argument
1	243	1	select P.codprodus from . . .C...	NULL	NULL	NULL
2	243	1	|--Hash Match(Right Anti Semi Joi...	Hash Match	Right Anti Semi Join	HASH:([p:
3	1664	1	|--Index Scan(OBJECT:([vanza...	Index Scan	Index Scan	OBJECT:(
4	1907	1	|--Merge Join(Inner Join, ME...	Merge Join	Inner Join	MERGE:([
5	1915	1	|--Remote Query(SOURCE:...	Remote Query	Remote Query	SOURCE:(
6	1907	1	|--Filter(WHERE:([`...	Filter	Filter	WHERE:([
7	7341	1	|--Remote Query(SO...	Remote Query	Remote Query	SOURCE:(

Figure 2. Execution plan

The execution plan demonstrates that two remote query are executed against the linked server for bringing locally data from TableA and also from TableB, and only after that the inner join operation are executed at the client site. From this execution plan we understand that 1915 +7341 records are moving from central database to the client site.

One thing we have to optimize is that of forcing to execute inner join operation at the Central Server site. This can be done if we define a view in the CentralDatabase or if we use OPENQUERY syntax to send queries which will be executed at the central database.

```
Select *
        from OPENQUERY(CentralServer,'Select A.somefields, B.somefields
                from CentralDatabase.dbo.TableA A
                inner join CentralDatabase.dbo.TableB B
                on A.idProduct = B.idProduct') As R
where R.FilteringField = @SomeValue
        and not exists (Select * from TableC C
                            Where C.idProduct = A.idProduct )
```

Because OPENQUERY does not accept variables for its arguments, we have to write filtering condition outside. The execution plan demonstrate us that only 7341 records are coming from the central database which resulted in better performance, which means 43 seconds.

	Rows	Executes	StmtText	PhysicalOp	Argument
1	243	1	Select * from OPENQUERY(:,'...	NULL	NULL
2	243	1	|--Hash Match(Right Anti Semi Joi...	Hash Match	HASH:([p2
3	1664	1	|--Index Scan(OBJECT:([vanza...	Index Scan	OBJECT:([
4	1907	1	|--Filter(WHERE:([A].[idGest...	Filter	WHERE:([A
5	7341	1	|--Remote Scan(SOURCE:(...	Remote Scan	SOURCE:(D

Figure 3. Execution plan

The next big thing to optimize is that of execution of filtering condition at the central database to obtain only 1907 records instead of 7341. If we know exactly the value used for filtering we can write in the OPENQUERY the filtering condition.

Select *
    from OPENQUERY(CentralServer,'Select A.somefields, B.somefields
        from CentralDatabase.dbo.TableA A
        inner join CentralDatabase.dbo.TableB B
        on A.idProduct = B.idProduct
        and A.FilteringField =VALUE
        ') As R
where
    not exists (Select * from TableC C
              Where C.idProduct = A.idProduct)

The time needed for executing this query was 7 seconds, and the execution plan can be analyze from the figure 4.

	Rows	Executes	StmtText	PhysicalOp	d	Argument
1	243	1	Select * from OPENQUERY(:,'...	NULL		NULL
2	243	1	|--Hash Match(Right Anti Semi Joi...	Hash Match		HASH:([p
3	1664	1	|--Index Scan(OBJECT:([vanza...	Index Scan		OBJECT:
4	1907	1	|--Remote Scan(SOURCE:(DOUAR...	Remote Scan		SOURCE:

Figure 4. Execution plan

As we can see only 1907 records came from the central database, which is an explanation for our best results until now.

Because OPENQUERY does not accept variables for its argument, we can construct the sting dynamically and executes after that like in the following example:

DECLARE @SQLSTMT   nCHAR(4000)
DECLARE @SOMEVALUE   uniqueidentifier
--we can put here a code for initializing the value of our variables
SET @SOMEVALUE = '341FE6DA-D431-4D72-93F0-E20B2CDB1767'

SET @SQLSTMT =N' Select * '
+'from OPENQUERY (CENTRALSERVER, "Select A.somefields, B.somefields '
+' from CentralDatabase.dbo.TableA A'
+' inner join CentralDatabase.dbo.TableB B '

+' on A.idProduct = B.idProduct '
+' and B.FilteringField = ""'+cast(@idSomeValue as char(36))+""") As A '
+' where not exists (select * from TableC C '
+' where C.idProduct = A.idProduct) '

EXECUTE SP_EXECUTESQL @SQLSTMT

The execution plan for this command can be viewed in the following figure, and we can see the same results as in the last example. The execution of the Join operation and the filtering occurs on the central server. We achieve the same results.

	Rows	Executes	StmtText	PhysicalOp	Argument
1	243	1	Select * from OPENQUERY(,'s...	NULL	NULL
2	243	1	|--Hash Match(Right Anti Semi Joi...	Hash Match	HASH:([p
3	1664	1	|--Index Scan(OBJECT:([vanza...	Index Scan	OBJECT:(
4	1907	1	|--Remote Scan(SOURCE:(DOUAR...	Remote Scan	SOURCE:(

Figure 5. Execution plan for dynamic query

The speed is well for the preceding examples, but we can improve performance, if we can rewrite the query without making reference to a table from the client site.

To do this we have to kow for every records from the central site for every records involved in the query, the date when the record was added or modified. This date has to be copied to the client site.

```
DECLARE @SQLSTMT            nCHAR(4000)
DECLARE @SOMEVALUE          uniqueidentifier
DECLARE @DATA               datetime

SET @SOMEVALUE = '391FE6DA-D431-4D72-93F0-E20B2CDB1767'

SELECT @DATA =MAX(DATA)
      FROM TABLEC

      SET @SQLSTMT =N' Select * '
      +'from OPENQUERY ( CENTRALSERVER, "Select A.somefields, B.somefields '
      +' from CentralDatabase.dbo.TableA A'
      +' inner join CentralDatabase.dbo.TableB B '
      +' on A.idProduct = B.idProduct '
      +' and B.FilteringField = ""'+cast(@SomeValue as char(36))+""
      +' and P.Dataoperarii >=""'+cast(@data as char(20))+""""
      +') As A '

EXECUTE SP_EXECUTESQL @SQLSTMT
```

We obtain 1 seconds for 243 records, the best results.

	Rows	Executes	StmtText	PhysicalOp	d
1	243	1	Select * from OPENQUERY(⎺ ,'...	NULL	
2	243	1	|--Remote Scan(SOURCE:(_ ‾‾‾),...	Remote Scan	

Figure 6.Execution plan on the linked server

Another benefit of dynamically creation of sql commands consist of construction of a mechanism for calling function from linked server, like we can see in the following example:

```
DECLARE @SQLSTMT             nCHAR(4000)
DECLARE @idParameter         uniqueidentifier
--we can put here a code for initializing the value of our variables
SET @ idParameter = '6EDAE050-F5EA-4B1C-823B-28B8F599FDC9'

SET @SQLSTMT =N' Select * '
    +'from OPENQUERY(DOUAROTI,"select * '
    +' from DataBase.dbo.FunctionName( ""'+cast(@idParameter as char(36))+""")" ) '
  --we used only apostrophes

EXECUTE SP_EXECUTESQL @SQLSTMT
```

Conclusion:

1. Even if OPENQUERY does not accept variables for its argument we can build dynamically the command and executed against the linked server.
2. For better performance we have to limit the number of records which are transported from one server to other.
3. It's better to force the execution of JOIN operation at the sites where the tables are located, if we need better performance
4. Using OPENQUERY we can call function from the linked server, which can used variables.
5. The best results can be achieved if all operations will be executed on the central server.

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INTEGRATION VERSUS DEDICATION IN ROMANIAN MANAGEMENT SUPPORT SYSTEMS

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The technologies supporting future business must be intuitive from a user standpoint, flexible from design standpoint and highly productive. As an answer to many requirements, analysts recommend the inclusion of SOA and ESB in the IT management strategies, since these tend to become mainstream, overcoming their abstract vision status in the last decade. In this paper, we provide a study regarding the attitude of companies from north-western Romania with respect to this transition and the SOA&ESB models. Our analysis targets attributes such as: level of understanding, knowledge and concern in adopting such technologies, the management involvement in the company IT strategy, the added value of the new technologies and risk factors for the migration towards an SOA&ESB architecture.

1. Introduction

The role of IT has been changing significantly in the last decade. Far from being just a background element or a system acknowledged for logistics support only, the IT environment has become an engine for the business, an element with direct impact upon improving business results and indicators such as customer satisfaction and revenues. The majority of systems have developed gradually, with multiple technologies and vendors, and in time they have become too complicated and inflexible, big resource consumers and difficult to change. [site1,2006]. In the 90's many firms from Romania acquired software solutions which worked very well individually but had an application scope of high specificity. Gradually these applications generated a discontinuity in processes (information islands), it became increasingly difficult to exchange data between them, information was redundant and burdened the company resources. This could only be compensated by „manual intervention" on data (even screen scraping), which led to data isolation and inconsistency. Thus, the need for integrating legacy systems in an system of high interoperability prevailed, an integration which acts on two levels: the infrastructure integration and the applications integration. It was supposed, and in time it actually proved to be real, that the IT integration determines both the corresponding business performances and the access to the methodologies recommended by the international good practice rules for maintenance. All ensure dependence and continuity, the safety and the effectiveness of data processing and stocking in efficient conditions. The strategic planning, a feature of performant management, is extended in this way to the level of the IT department. „System integration" refers to the functional integration, which includes two aspects: the infrastructure integration and the integration at the level of the application. The infrastructure integration determines a distributed IT system, with a certain number of interconnected locations collaborating in real time, ensuring a corresponding data flow in the system

and having a security framework in place. Integration at the level of the application means that for all the data processing requirements of a firm, the number of independent applications should be minimized, both a company level and within departments and units of the organization [site1, 2006]. The integration at both levels is also known as Enterprise Application Integration. The first solution which worked relatively well with two applications was found under the name of Point-to-Point integration, well supported by Java technology. For a larger number of applications, the integration would become too complex. Moreover, there were problems in the case that one or several integrated applications were changed. Middleware-based integration is the solution that solved the integration of several applications considering that it introduces an architecture oriented towards the maintenance of the system, which allows to change certain applications more easily, without affecting the others, due to high modularity and base code refactoring [site1,2006]. SOA is based on middleware between the operation systems and the applications which ensure the integration. According to [Vasile,2005] „SOA is a model through which businesses are seen as a set of services which interact, an approach which uses open standards for making the operations of a company more efficient, more flexible and more collaborative". In this paper we make a study with the purpose of monitoring the attitude of the companies from North-West Romania towards integration through SOA and ESB.

2. Related works on SOA&ESB

Why is there a need for SOA? According to [Rangu, 2006] the fundamental reason is to be able to answer the changing and unpredictable needs determined by the market demands, the clients and the increase in the number of distribution channels. The term SOA was introduced by Yefim Natis in a research paper from 1994: SOA is a software architecture which starts from an interface definition and builds a whole topology of the application as an interface topology, interface implementation and interface calls. [Petcu,2009] The SOA principles [Frasinaru,2010] are not technology-dependant, but rather define an abstract architectural vision:

Encapsulation	Abstractization	Contract
Autonomy	No state	Loose coupling
Granularity	Re-use	Composition
Communication	(Self) description	Discovery
Standardization	Integration	Interoperability

SOA uses the service as a reusable component [Petcu,2009]: the services have a higher granularity than the components; the communication between services and with the clients is made on the basis of well-defined interfaces. The SOA general design in according to [http://www.getelastic.com/wp-content/uploads/soa-large.jpg
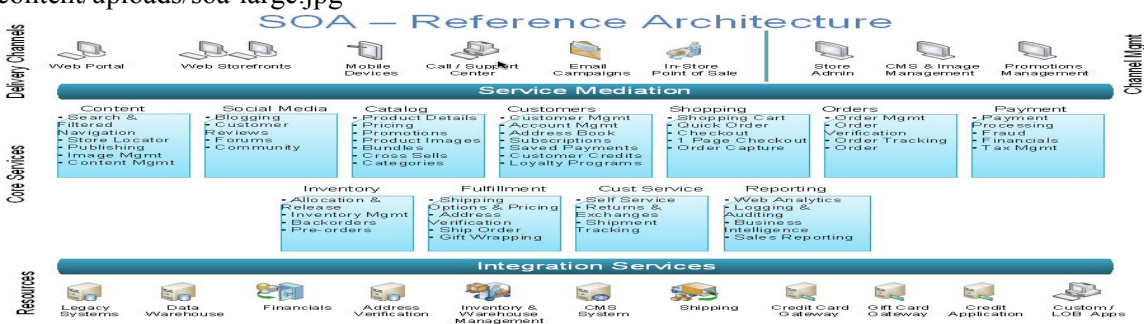
According to [Frasinaru,2010] and [ERL, 2009], SOA is an architectural solution for exhibiting and accessing the applications under the form of services (such as web services); it involves an infrastructure for communication and service management, the ESB (Enterprise Service Bus), a specialized language for composing the simple functionalities into complex ones, which will model the economic processes (such as BPEL). Other definitions state: - "service oriented architecture (SOA) is an approach to have software resources in an enterprise available and discoverable on network as well defined services. Each service would achieve a predefined business objective and perform discrete units of work. The services are independent and do not depend on the context or state of the other services.

They work within distributed systems architecture" [Anurag, 2008]; - "earlier SOA used COM or ORB based on CORBA specifications and recent SOA stress on web services using standard description (WSDL), discovery (UDDI) and messaging (SOAP). Service oriented architecture may or may not use web services but web services provide a simple way towards service oriented architecture albeit with the age old security and reliability limitations" [Anurag, 2008]; - "enterprise service bus (ESB) is an infrastructure to facilitate SOA. Technically ESB is a messaging backbone which does protocol conversion, message format transformation, routing, accept and deliver messages from various services and application which are linked to ESB" [Anurag, 2008]; - according to Gartner Group's definition, the new application integration middleware is: „a new architecture that exploits Web services, messaging middleware, intelligent routing and transformation. ESBs act as a lightweight, ubiquitous integration backbone through which software services and application components flow". [site,2006]

Some advantages of SOA we can sum up are, as follows [site,2006]: it covers the integration of applications, an essential requirement under the circumstances of very rapid development of instruments such as the CRM or BPM etc; it provides efficiency through flexibility, automation and the integration of the business processes; it ensures cost reduction through re-using what was developed before and not through re-inventing for each new product or distribution channel; it decreases the time-to-market and time-to-yes by standardization and re-use of previously developed services; it simplifies the IT infrastructure and complexity in the company, the possibility to apply well-fundamented architectural principles; it supports business innovation and the competitive advantage [Rangu,2006]; it is agile - the significant improvement of the answer times to the business changes - the systems are projected as parted and autonomous services which behave independently as the "black box" type; it supports the implementation of new business processes or modified ones at a high level of independence from the particular IT systems; - it helps the business owners to have an active and direct role in designing the IT systems or at least the business processes supported by the IT systems. The modern software products which implement the SOA architecture provide the necessary functionality to a business-agile firm by implementing an ESB line. The ESB approach is to transform the robust messaging infrastructure in a platform for the development of the applications which interact through service-type interfaces. The working and management method based on the tools contained in the SOA/ESB software products transforms the IT infrastructure so that it could be used both by IT administrators, programmers and by the business people. [Lupu,2006]

In terms of technology, a project based on SOA principles is preferable to be implemented either on a Microsoft platform or on an IBM platform, these being the most popular. The Microsoft SOA platform represents a technology portfolio which offers capabilities such as:

- service exhibition (from the business point of view it means to allow the participation/re-use of services and from the technical point of view to adapt the services and to develop the end points or facades);

- connectivity between services;

- a message exchange system between services, preserves the abstraction of service implementation and a loose coupling, but also a naming, organization and mediation system for services;

- the service composition. Assembling new solutions, with minimum code: composite application or service orchestration or process composition, business ones etc.;

- the service consumption (the interaction with the users through a minimum number of interfaces;

- the service administration, service management and governance [site2,2006].

The SOA in the IBM mainframes provides a lot of advantages. We can use the old mainframes systems for getting data and integrating them in the new applications which use newer technologies, such as Java, XML and web services. Also, besides the possibility of integrating with new applications using state of the art technologies, the use of SOA permits a cost reduction as well and avoiding the implementation of more complex systems. Through a mere application and a web service, the existing data can be taken without problems and their usage will lead to an extension of their utilization mode. Thus, the SOA integration on the IBM mainframes and the use of new technologies (Java, XML, web

services) bring about new benefits: the extension of the applicability of current data in the IBM mainframes by cost reduction, as well as avoiding the development of more complex applications which would involve an infrastructure that would be more difficult to use and maintain. [site2,2006]. Thus, SOA is implemented by using a variety of technologies [Petcu,2009]: Distributed objects CORBA, J2EE, COM/DCOM; Message-oriented middleware (MOM); WebSphere MQ, Tibco Rendezvous; MonitorsCICS, IMS, Encinia, Tuxedo; Platforms B2B as well as ebXML, RosettaNet; Web services

3. The SOA market in the northwestern Romania

The West development region, called shortly the West region, is one of the 8 development regions from Romania. From the point of view of neighborhood, the North-West region has a strategic geographical position, close to the European markets and it is characterized by a relatively good accessibility by air or land. The following were settled as prioritary supporting sectors al the region level, meant to ensure competitive advantage in the national and global competition: IT&C, higher education and research, tourism, agriculture, foods industry, consumption goods (furniture and clothes), the machine and equipment industry, banking activity. Among the factors that contributed to the introduction of the concept in the Romanian business environment we mention: - previous implementations of ERP, BPM, CRM, SCM; - the appearance of multinational companies (for example, Italian, German, Finnish even American companies); - the involvement of the software vendors who support the promotion of architecture through their products; - the statistics given to the public linked to the expansion of the SOA concept.

Concerning the ERP, this is often considered as backbone for many producers' activities, as well as a basis for performant management. The ERP systems based on SOA allow clients to model and manipulate the system in such a way as to adjust it more easily to their own needs. This thing helps them obtain maximum flexibility of their business, generate innovation and react promptly to different changes, without modifying the basic business processes. The SOA benefits include also a decrease in the demands of IT resources at the end user, for the integration and personalization of the systems, and the reduction of the maintenance requirements. Some of the statistics from the national literature which influenced, as we believe, the attempt to analyze and even to adopt the SOA &ESB concept are:

- the Forrester Research study published in August 2004 which shows that 25% of the interviewed companies gave up the EAI platforms opting for an ESB solution [site1,2006];
- according to Gartner Group, 75% of the companies' projects were supposed to be based on SOA in 2008;
- according to Gartner „SOA will be used in more than 50% of the new operational applications and the processes projected for business in 2007 and in more than 80% of such programs until 2010" [site3,2007];
- the IBM specialists predicted the use of SOA in more than 80% of the business applications and processes before 2010.

The first attempt to implement SOA in Romania was linked to the banking activity, more exactly in 2003 a collaboration between Iiruc Service and Raiffeisen Bank România. Other attempts followed. If we group on categories the potential SOA&ESB clients we can identity: banks and financial institutions; IT&C companies (Nokia); big corporations in the real estate field and in tourism, respectively industries which already run systems such as ERP, CRM, etc. The analysis we are undertaking refers to such aspects as: the understanding, knowledge and interest level in adopting these new technologies; the involvement of the management in the firm's IT strategy: the business value of the new technologies, the risk factors in the migration from a closed architecture to SOA&ESB, etc. We applied 500 questionnaires among the decision factors and the IT specialists from companies belonging to the north-west business region. We obtained 427 answers which could be processed. Through the questions from the questionnaire we tried to analyze the following aspects: the understanding, knowledge and interest level in adopting these new technologies; the involvement of the management in the IT strategy of the firm; the business value of the new technologies, the risk factors in the migration

from a closed architecture to SOA&ESB. The questions were grouped in 3 big classes: A. questions referring to the respondent's profile and to the firm he/she is coming from: age, sex, college graduated, other studies, professional activity, research activity, company type, (SMBs, or corporations), the company profile (IT&C, higher education and research, tourism, agriculture, foods and consumption goods industry (furniture, clothes), machine and equipments industry, banking activity), number of employees, the county they are coming from; B. questions about competence in IT&C; C. questions which define understanding and the will to progress. It provided the following definition: SOA is the composition of services, an architectural approach which allows IT to be agile and to answer the changing needs of business. In the following paragraph we are going to detail some conclusions linked to class C, the will to know and the interest in promoting new technologies.

To the question: „Is there a business model respectively an IT model in the company you work for?", 35% answered YES, 42% answered NO and the others said they were not interested. Out of those who answered YES a number of 67% were in leading positions and the others were ordinary employees.

To the question „Which ERP system is there in the firm you are currently working for?" 56% were able to name the ERP, 23% do not know that the integrated application is called ERP and 21% were not interested by the fact that it was an integrated application, they knew that it was an application they can work in.

To the question „Does the modernization of the company's business environment depend on the IT&C modernization?" 58 % answered YES while 25% said maybe and 17% said NO, the business environment in Romania being determined mostly by politics and current regulations.

To the question: „Does a service-oriented architecture (SOA) determine the increase of efficiency, no matter how it is defined?" 24% answered YES, 59% answered NO, and 17% think that the term efficiency must be modulated.
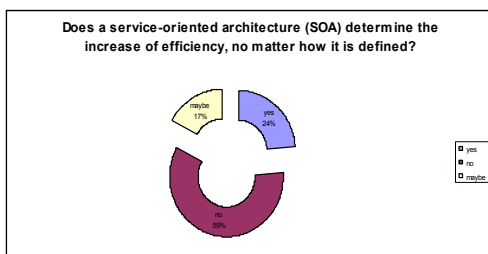
To the question "Will the organizations which will not orient their strategy towards SOA be taken out of the market?" 56% answered NO, at least in the next 10 years, 24% answered maybe in the next 5 years and the rest said NO because they consider this is a slogan with no real basis, based on a buzzword.

Our observations show that the frequency of companies
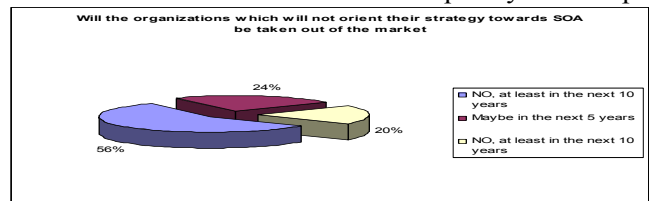
that have already implemented or try to impement the new models is low, less than 10% of the business environment in north-western Romania, but there are perspectives for a potential growth.

4. Conclusions

Regarding the questionnaire we applied there were certain difficulties in gathering data, as the concept of SOA is not really familiar to managers and is considered to be a technical issue rather than a strategic management approach. We realized that it is hard to define in universally accepted indicators the benefits of SOA. [ERL, 2005]. One of the problems the organizations under our scrutiny are facing is that the majority of IT departments would rather use legacy hardware and software than being the promoter of an IT approach strategically linked to improving business results. This can be noticed even though the IT managers admit the importance of aligning the IT efforts to the business objectives. On the other hand, the IT departments have the tendency to manage their resources and tasks like islands, each with their own agenda and priorities, consuming redundant efforts and wasted time. Another remark is that at the moment of the study there was a segmentation of the integrated software solution market and there are players with experience in this area, with a correct and acknowledged positioning, but at the same time we can still find a serious growth potential, due to the maturity and development process many companies from Romania are going through. SOA, composite applications, EAI and

related-products do not define a mature market in the north-west region of Romania. Above all we have to understand the benefits of using composite applications both on an operational and on a strategic level, and its implications on the general informational system of a company. SOA is not a product to buy and install. Besides adopting new technologies, it imposes changes in the people's behavior. All these involve costs which cannot be justified only based on technical specifications. In the absence of specific business requirements that SOA would respond to directly it is difficult to "sell" (and be convinced to buy) SOA. We conclude that the area submitted to the analysis from the point of view of IT&C technologies is characterized by three aspects: quite a big and very dynamic market, talented human resource with good technical skills and clearly belonging to the European priorities.As a final conclusion, the integration of management applications continues to represent a challenge for Romanian specialists and a necessity for companies, providing benefits from various points of view: management, system design, maintenance cost.

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IT&C POLICIES AND STRATEGIES OF THE MODERN ROMANIAN SOCIETY

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Technology has become more and more global and access to advanced technologies is vital for gaining and maintaining a durable competitive advantage under the conditions of economic globalization. Globalization and opening of large research and development centres by the large companies in areas with a major human potential, in which the operating costs are low, imply an exchange of specialized information with global distribution, access to specific applications and big data traffic generators. In the same time they imply the existence of IT&C infrastructure, as well as the availability of human resources experienced in using the new technologies. Electronic communications have a significant impact over cultural activities as well as on recreative ones, by offering a high accessibility, changing the consumer behaviour as well as offering access to a large number of options.

Keywords: universal service, national strategy, interactivity of the on-line environment, durable competitive advantage, on-line public services dedicated

Jel classification: M15, O17

Introduction

The technological progress has an important role in keeping a good position on the market, as well as for an optimum choice of the production partners or providers as well as the permanent documentation, which implies direct contacts with competitors, providers, research centres, universities, participation to scientific events, subscription to specialized publications, specialized data banks, etc. As for the Romanian business environment – which suffers from the technological gap with the developed countries – technological development appears to be a stringent necessity, which can be satisfied through education (favoured by the ever increasing spread of the technology in the society and by the ever increasing relevance of the literature in the field) and through foreign investments, which allow a continuous impulse for the Romanian partner to develop personnel training, to stimulate the creative activity and to facilitate the innovations process).

Strategies for developing technologies
Technologies can be considered a *key factor of the gaps* that separate different countries from the socio-economic level point of view. The technological factor plays an essential role in explaining the domination that a country experts on the others. If a country is the first to have industries capable of ensuring it a dominant position, it automatically benefits from an asset that the other don't have, and the others can only copy, in their development, the nation with a dominant position and to adapt to it.
As an answer to the challenges of globalization, a set of development strategies have appeared lately, as:
*-**the strategy of internationalization** – whose managerial alternatives can envisage*
        -export – as a way to minimize the risk related to investments and testing the acceptability of a product;
        -licence – an understanding through which a company gives the right to produce/sell a product of its own to another company;

-acquisition – *strategy through which is followed keeping the control in a country or obtaining a synergy by adding complementary competences;*

-joint venture – *way to avoid socio-political risks and to obtain access to a new market;*

-key operations – *suppose achieving a contract that implies creating an operation facility in a country which could be paid for;*

-production partnerships – *strategy through which is tried to obtain an advantage by combining some components/subcomponents created in different countries;*

-greenfield development – *alternative to an acquisition, with the advantage that starting a contract allows choosing the best alternative in the given moment.*

-re-centring strategy – adopted by many of the large companies in the process of adapting to the international economic conjecture, to increased competition, as well as to the profound technological transformations, this strategy consists in the orientation to outsourcing peripheral activities, and concentrating over one or a couple of activities for which companies consider they have the most performing potential.

-techno polls technology – complex strategy, through which is attempted to efficiently answer the ample and heterogeneous mutations which occur at world system, macro system and micro system levels, through a techno- industrial concentration which ensure achieving a close contact between research and industry, university and companies, by reuniting small areas, relatively little developed, by strong research networks, units for preparing the high level specialists and a nucleus of innovative industry, to which is associated an adequate socio-cultural climate, ready to ensure a rapid economic development based on a sustained technical-scientific progress.

The strategies of transnational societies cover a variety of forms, depending on the degree of integration desired under the new concurrential conditions. The informational society is integrating objectives for a durable development, based on social justice and equality of chances, ecological protection, freedom, cultural diversity and innovative development, restructuring the industry and the business environment.

The role of IT&C in the modern society

The contribution of IT&C to economic growth depends on the development of the information technology and communications sector, as well as on the degree of its use in the economy. The progress of Romania in the field of informational society, its future opportunities are far from being satisfied.

A relevant indicator of the situation of the informational society in Romania is the level of expenses in the IT field in the year 2009, which has been of approximately 2% of GDP. The analysis of performances in the field of informational society shows that Romania registered progresses in the field of informatization of education and public administration, but has not been able to cover enough of the enterprise sector in developing its IT&C. When it comes to PCs and the degree of penetration of them one can see an ascendant evolution due to competition on the market and introducing on a large scale the systems of consumer loans, which include loans for buying IT&C goods, offered to private persons, as well as the governmental program for subsidizing computer acquisition.

The successful implementation of communication technologies has tangible effects in increasing the degree of innovation by offering the opportunity to virtually aggregate the best resources and ideas from around the world. The free circulation of information and the increased interactivity lead to increasing the number of new solutions and products.

In the same times, new doors to knowledge in universities and the possibility of development and intensification of the university research programs by uniting efforts between researchers from different centres from Romania and intensifying cooperation in international projects (e-working), facilitating and accelerating the access to new information. In the same time, while communication performance increases, it triggers an increase in the interactivity of the on-line environment by attracting new users, giving the possibility of a rapid dissemination of the content, communications being a vector for promoting cultural values and diversity inside Romania. Thus, informatics databases can be developed (**e-tourism, e-culture**) which can help develop the cultural digital content, including touristy

information by introducing the necessary information for promoting national landmarks, by contributing to promoting the Romanian values as well as increasing the number of tourists.

The public administration is a provider of public information, services as tax collecting, education and health, all of which are of a major importance for the citizens. The development by the public administration of those electronic services that are covering the citizen's needs, for making the service less time consuming, when he pays the local and administrative taxes, sends requests and receives answers in electronic format and displaying the useful information for obtaining emits and authorizations (**e-governing** and **e-administration**) as well as improving the efficiency of the public health services by creating national databases regarding the health of the patients in hospitals and at the level of family doctors(**e-health**) and for developing telemedicine services that lead to improving the condition of people with heart disease, diabetic and other diseases, as well as of the handicapped people.

For private companies, broadband represents a facilitator of the **e-business application and practices**, by creating new business opportunities and helping companies to obtain increases in productivity based on an improvement of the access to information and transactions. For companies, as well as for employees, broadband communications have the role to diminish the importance of location by allowing establishing new headquarters in small towns, in rural or isolated areas, as well as facilitating tele-working. Romanian companies have developed the electronic commerce which can bring important advantages in the sense of significantly reducing transaction costs and intensifying the speed of interaction with business partners. Broadband communications allowed a revolutionary change of business processes, contributing to an increase of competitively of the Romanian companies in the Central and Eastern Europe region, as well as at global level, by facilitating the internationalization of the local companies, decentralizing functions of enterprises, such as production and marketing, etc.

For small rural or isolated communities, developing communications can favour the economic and social integration by facilitating access to new, superior goods and services, as well as opportunities of participation to the digital economy or to the informational society. For the average consumer, services, such as **e-education**, tele-working etc, have benefices effects that are concretized in an increased access to interactive content, various equipment interconnection, with or without a communication basis or personalizing consume.

Thought the pilot project edonatii.mcti.ro (**e-donations**) functional all over the country, it is permitted to private or juridical persons to donate IT equipment to people who don't have computer access. It is offered free technical support and portal hosting, ensuring the security and the integrity of the public information.

Each offering or requesting person should open an account on the site www.e-donatii.ro. The request for creating an account contains data regarding the user such as username, password, name and surname, e-mail address.

In case the solicitor belongs to the defavorized communities or ONGs with charitable or ecologic profile, there are also required the age, address, education level and the income level on family member. The solicitor will publish on site the equipment request which consists in the parameters of the wanted computer and the motivation of the request. A similar procedure has to be followed by the offering person.

The site automatically produces an encounter between a request and an offer, generating the automatic expedition towards the 2 parties of a report that contains their contact data.

By studying the flow of processes in time I noticed that there are requests and offers and that the displayed identification data seem to be elements of a test. We consider the utility of popularizing the existence of these forms of help but in the same time of reuse of the functional equipments belonging to citizens and economic agents, and the efforts made in this sense should be accomplished by the local public administration authorities.

Communitarian cohesion policies

Modernizing the society and developing European economic competitiveness generated by the process of aging of the European population, is going to be based on using electronic services and equipment which will help creating an informational society. Through these directions is aimed at stimulating an increase in the degree of economic competitiveness in the EU.

In the context created by the general objective, that is promoting economic and social progress in a balanced and achievable way is done through enforcing the economic and social cohesion. Without neglecting the decisive and dominant role of the pre-adheration funds, the implications of the absorption of the funds allocated to communitarian programs are strategic for Romania, first of all for supporting the economic convergence with the European Union, as well as for evaluating the success of the integration, based on comparisons and competition with the other member states.

In 2010 it was planned to accomplish the migration of electronic public services at the level of the Unique Access Point through using unique databases by ensuring interoperability at European level by implementing security standards for informatics systems.

In June 2009 the Ministry of Communications and Informational Security, as unique public authority for organizing and coordinating at national level the implementation of programs and projects for e-governing and e-administration, has proposed a national strategy that is following a unique vision for creating a coherent and integrated national system for online public services dedicated to citizens and to the business environment. The national strategy is accompanied by an action plan that should lead in a short time to orienting the whole public sector towards the informational society, to the society based on knowledge, whose main action instrument being the e-governing system

The basic goal is the creation of a society which would allow the access of all citizens, by increasing the capacity of using the services of the informational society, reforming the operational models at the level of the public administrations and increasing the operational efficiency by an adequate use of IT&C, respectively by increasing competitiveness at the business level by using advanced informational technologies and implicating all decedent factors, from the central and local public administration, as well as organizations that belong to the business environment as well as scientific and professional associations.

E-Romania represents a unitary vision of a coherent and integrated national system for online public services dedicated to citizens, the business environment and the central and local administration.

The interoperability of the systems will allow the local authorities to develop at various levels, as digital city or district, to implement its own services at regional, district or town level

The need to decentralize which represents a prioritary direction for action will allow e-government at local level, achieved according to the needs and specific requirements of each public local authority to be integrated in the central e-government system.

The essential element is represented by promoting public trust in the services and the importance of the informational society, in parallel with reforming the structures and operational models, introducing the model of *Digital Town* or *Digital District* by identifying, auditing and developing public services, corroborated with their translation and transporting in digital format, and promoting these practices at the level of local public authorities and at the business level.

Maximizing the quality of the public services is achieved by:

-offering services in a unitary and friendly way by interoperability, at the highest level of possible trust;

-permanent availability of services to all users, the access being ensured throughout the country or outside it;

-accessing information and services through a central, integrated access point;

-achieving a rate of service adoption similar to the one at the European level, the consequence being a degree of client satisfaction at the level of the European average;

-the integrated use of the system of electronic public acquisitions.

The service e-Romania, through its fundamental component e-governing, is based on generally valid principles, of service integrity, which supposes reprojecting the way in which various governmental

agents cooperate for providing a service. The unitary framework of approach, formulating a vision but also the explicit description of the structural components: organizational, e-service, application, infrastructure.

Centring on the citizen's needs and the needs of the business environment that is the orientation on added value of the e-governing services provided by the public administration have to satisfy the needs of its users, with private individuals or companies. The accessibility and the transparency through which the information processes and electronic services are provided by the public administration have to be accessible and transparent to all categories of clients, including the disadvantaged groups, in an intelligible form adapted to them, through traditional as well as through electronic means.

The reuse and the efficiency of the e-governing solutions and of the information/data at the level of the public administration it's the goal of avoiding project duplication with similar objectives in different public institutions and eliminating the redundancy in the information requested to citizens and the business environment

Through standardization and system interoperability, by using new technologies, open standards and architectures, which are scalable and flexible, in order to ensure interoperability between the e-governance application, as well as at national and European level.

E-Romania will cover areas of interest, general interest information, as the historic and geographic ones, the culture of our country, detailed information concerning a district, town or at the level at the associated territorial portals (figure 1).
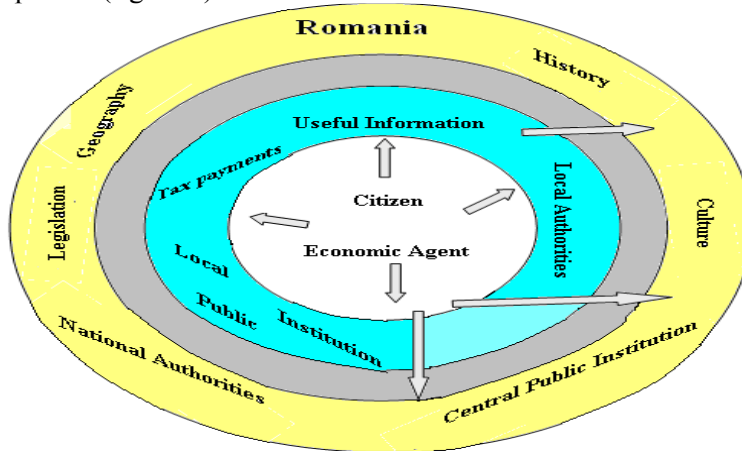

Figure 1 Areas of E-Romania

Each citizen, irrespective of where he lives, in Romania or abroad, each company and governmental user, will have the possibility of gathering information, to access the public services or to solve online any administrative problem, in the quickest and most favourable way.

Providing high quality governmental and administrative e-services to citizens, companies and users from the central or local administration, increasing the efficiency of the public sector, reducing costs, simplifying operations, a consistent increase in the number of users, are the main goals of the strategy and the goals program, the e-governance system being the main pillar of the informational society and one of the main pillars of the society based on knowledge.

The access to a set of minimum services of electronic communications is considered a fundamental right of the citizens, essential for his integration in the community and in the informational society. The electronic communication services are an essential instrument for providing to the public of all the types of information, goods and services, to the public administration (social services, for example education or health) as well as to the private sector (the services of the informational society).

In the same time the policy and strategy concerning the **universal service in the field of electronic communications** is aiming on the long run to provide access to the public telephone network through fix points in each house. On the short term the goal is providing access to isolated rural communities to

the public telephone network in a fix point, for certain defavorized categories of users. One can notice that the installation and the interoperability through telecasters represent one of the most efficient means to prevent the phenomenon of social exclusion. The low of the universal service comes with the solution of proposing one or more universal service providers, to which will be imposed the obligation to offer one or more services from the area of the universal service, in some areas or on the whole territory of Romania.

Conclusions

1. The convergence phenomenon, which appeared due to new technologies, ensures a maximum choice possibility for the final users, among several providers and ensures a maximum of benefits from the services available at a certain price level, becoming essential instruments for directly increasing the degree of satisfaction.

2. Romania has set strategic objectives in the IT&C sector, with a clear orientation towards a competition profile, by developing offers for an access infrastructure for users on the background of a continuously increasing request, fed by an increase in the buying power and by the increasingly sophisticated consumes preferences of Romanian users.

3. In order to accelerate the transition to an Informational Society and an Economy Based on Knowledge, it is aimed at increasing the efficiency of the informatics systems through which are offered public electronic services, implicitly by a more efficient use of public funds, increasing the security of informatics systems of the local and central administration, the multiple reuse of resources offered through informatics systems, the improvement of the cooperation between the institutions of the public administration, increasing the comfort of the citizen and facilitating the cooperation at European and international level.

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A STUDY ON THE STAGE OF E-LEARNING DEVELOPMENT IN ROMANIA

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This paper evaluates the stage of development of the e-learning system in Romania compared to other EU Member States, in the perspective of the newly proposed Europe 2020 strategy for a "smart, sustainable and inclusive growth". Official statistics are essential in order to monitor these comparisons. Although Romania's analyzed indicators are not at the level of other EU countries, a modest but increasing uptake of e-Learning services over the past few years can be observed. However, Romania still has major shortcomings in the field of e-Learning, our country being placed at the lower end of the EU-27 ranking in almost all statistics. As an EU Member State since 2007, Romania has to reduce its gap in the shortest possible time. The first steps were taken through implementing e-Learning projects and defining the barriers that stand in the way of an information society for everyone.

1. Introduction

In the European Union (EU) e-Learning is considered an important progress in the educational and training systems, in the perspective of reaching the strategic objective assumed for the Union by the European Commission (EC) at Lisbon in March 2000, to become "*the most competitive and dynamic knowledge-based economy in the world by 2010*". The spread of the Internet and new information and communication technologies (ICT) over the last decade, has allowed European citizens to gain access to incredibly many and varied information and information resources. Successfully using this potential in education is more a strategic and organizational problem than a technological one. The introduction of ICT should be accompanied by substantial restructuring in education. New ICT technologies allow every citizen to be (re)qualified or able to develop new skills at any age and any level of training, which means that the employment opportunities will increase and the competitiveness of European companies will enhance. In addition, this will promote the social inclusion, will increase the civic activity and will ensure the personal development.

2. EU political actions for e-Learning: a short history

The European Commision's first initiative in the field of e-Learning was in 2000, in order to implement the *eEurope* Action Plan (Lisbon Strategy, 2000) in education. The initiative entitled
"*Designing tomorrow education*" [12] set out the principles, objectives and directions for action in e-Learning, to adapt the European educational systems to the knowledge-based economy and digital culture. The *e-Learning Action Plan* (2001-2004) and *e-Learning Programme* (2004-2006) established the priority areas that should channel the efforts in modernizing education and training systems in Europe. In 2001, the EU initiative "*Making the European Area of Life Long Learning become a reality*" stipulated that each Member State should adapt its educational and training system to the requirements of the current modern environment, removing barriers between different educational systems of Europe and giving citizens a chance to develop new ICT skills. Life Long Learning is one of the basic principles governing the European policies in education and training, essential not only for the

competitiveness and the employment degree, but also for social inclusion, personal development and civic activism.

A new strategic framework, the "*i2010: a European Information Society for growth and employment*" [10], proposed by the EC in 2005, promoted an open and competitive digital economy, and stressed the role of ICT to improve social inclusion and quality of life. The i2010 Action line "*Inclusion, public services and a better quality of life*" supported the development of e-Learning in all EU countries in a positive manner by promoting technologies that underpin e-Learning strategies.

The *Lifelong Learning Programme 2007–2013* [8] defined the strategic actions to allow EU to achieve the Lisbon goal of becoming the most advanced knowledge economy. This programme's main objective is to sustain the economic development through lifelong learning and to turn the European educational systems into a world quality reference.

The Adult Learning Action Plan "*It is always a good time to learn*" [7] was adopted by the Commission in 2007, and reinforced by the Conclusions of the Council in 2008. This Action Plan had defined five actions that Member States should implement in order to increase the quality and participation in adult learning.

In May 2009, the European Council signed a new strategic framework for European cooperation in education and training – *"Education and Training 2020"(ET 2020)* – which provides common strategic objectives for Member States, including a set of principles for achieving these objectives, as well as common working methods with priority areas for each periodic work cycle [3]. The ET 2020 has the following four strategic objectives:

- *Making lifelong learning and mobility a reality:* More actions are necessary for increasing the lifelong learning quality and attractiveness, also through the use of new learning technologies. Mobility of students and teachers is an important way of promoting lifelong learning and of improving people adaptability, and thus must be increased.

- *Improving the quality and efficiency of education and training:* The EU economic success depends on quality education and training systems, which can enhance employability. High quality can only be obtained through an efficient use of both public and private resources, in implementing the best policies and practices in education and training.

- *Promoting equity, social cohesion and active citizenship:* The education and training systems should be made accessible to all learners, including those with special needs, so that all people could complete their education.

- *Enhancing creativity and innovation, including entrepreneurship, at all levels of education and training:* Creativity and innovation play an important role in enterprise development, enhancing the EU ability to compete internationally.

To reach the above objectives, a more intense European cooperation in education and training is necessary, which should produce visible results. In order to evaluate the overall progress in achieving the objectives under this framework, the Member States established five benchmarks: "adult participation in lifelong learning", "low achievers in basic skills", "tertiary level attainment", "early leavers from education and training", and "early childhood education". The strategic framework ET 2020, along with the initiative "*New Skills for New Jobs*" adopted in December 2008, play a key role in addressing the priorities of the Europe 2020 strategy [1] launched as a proposal in March 2010, in which education is one of the five measurable EU targets for 2020. The *Europe 2020* strategy is taking into consideration the accomplishments and failures of the Lisbon Strategy, and is intended to prepare the EU economy for the next decade.

3. E-Learning Initiatives in Romania

In order to introduce ICT in the educational system, the technologically advanced countries constantly pursue the socio-economical competitiveness rules, providing impressive funds for the appropriate training of human resources, and taking decisions for the following decades based on rigorous studies. In the last decade, the field of e-Learning has begun to develop also in Romania, now existing more

functional projects. Under the perspective of developing the information society in Romania, it became obvious the need to adopt a national strategy to support the expansion of electronic communications. Under these circumstances, the Romanian Ministry of Communications and Information Society (MCSI) adopted in 2009 a *Strategic Plan for 2010-2013* [4] that set out the actions and programs for developing an efficient information society and knowledge economy. Through this strategic plan, MCSI has established the following directions of activity:

- *Electronic Communications* – financed through the budgetary program *The Development of Electronic Communications and Related Areas*, including two sub-programmes: *The National Communications Infrastructure* and *The Sectoral Plan for Research and Development (R&D) in Communications*. These sub-programs attempt to encourage investments in infrastructure, promote innovation and ensure effective management of limited resources, as well as, improve the capacity of R&D systems to support future policy documents, strategies and regulations developed by MCSI.

- *Information Society* – financed by two programs: *The Development of the Information Society* and *The Knowledge-Based Economy*. The first program is structured into three sub-programmes – *Romania's transition to electronic government – e-Government Program*, *e-Europe* and *The Sectoral Plan for R&D in Information Technology* – and aims to ensure an integrated approach according to the European policies, to modernize public administration by managing and promoting information and public services using electronic means, to develop the IT research-innovation sector, and to implement the specific technologies in central and local administration and business environment. The *Knowledge-Based Economy* program contributes to computer skills improvement and facilitates access to modern ICT for citizens in disadvantaged communities.

- *Structural Funds Management* – financed by the program *Access to Technical Assistance by OIPSI for the Efficient Management of the Structural Funds Allocated to Axis III SOP IEC*. The program is trying to achieve a high degree of absorption of structural funds allocated to SOP IEC and an efficient use of interventions.

- *MCSI Administrative Capacity* – financed through the budgetary program *Advanced Institutional Management*, which aims to mobilize the available resources for developing a competitive, knowledge-based information society, promoting ICT services and increasing citizens' comfort.

One of the MCSI most recent projects is "*The implementation of an e-learning system for public administration training to support the development of information society*", developed by the National Agency of Civil Servants (NACS) and MCSI (the financial agreement was signed in March 2010) for an implementation period of 24 months[5]. The total value of this project is 13 million lei: 8.9 million lei allocated by the European Regional Development Fund (Sectoral Operational Programme "Increase of Economic Competitiveness", Priority Axis III – ICT for Private and Public Sectors), 2 million lei representing the national co-financing, and 2.1 million lei VAT. The overall goal of the project is to increase the NACS training offer through the use of ICT. The technical objectives refer to the development of software applications that will allow the implementation of a complete e-learning system (online training and testing, homeworks, automated reports on learner participation and results) and the development of an online software for registration for the various training programs of the NACS portfolio. In the 2 years period, the project aims to obtain an increase of 20% in the number of civil servants trained by NACS using electronic means, and an increase of 20% in the NACS training capacity by developing a greater number of online courses.

4. Measuring the development of e-Learning in Romania

There are rather few studies on the evolution of e-Learning at country level. The most known are the Australian researchers studies – the Flexible Learning Advisory Group (FLAG) – that have developed a benchmarking system of 12 indicators assessing the degree of use, the effect and the impact of using e-Learning in professional and technical education.

However, there are many sources where e-Learning indicators can be found: the Canadian Internet Project: Canada Online, the Canadian Internet Use Survey, the studies prepared by Empirica (Empirica

2007), the eUSER survey (eUSER 2005), EUROSTAT statistics; International Telecommunication Union (ITU) statistics etc.

4.1. ICT development indicators

Even though there are few studies concerning the e-Learning development in Romania, we can start by referring to some international statistics, observing, for example, the country's degree of informatization. One indicator describing this is "the number of Internet users per 100 inhabitants".

Table 1. Internet usage statistics for Romania

Year	Internet Users	Population	Penetration (% pop.)	Statistics Source
2000	800,000	22,217,700	3.6	International Telecommunication Union
2001	1,012,000	22,000,000	4.6	Ministry of Communications and Information Technology
2002	3,520,000	22,000,000	16.0	Ministry of Communications and Information Technology
2004	4,000,000	21,377,426	18.7	International Telecommunication Union
2006	4,940,000	21,154,226	23.4	Computer Industry Almanac
2007	7,000,000	22,276,056	31.4	Internet World Stats
2009	7,430,000	22,215,421	33.4	Internet World Stats

Table 2. Internet usage statistics for Romania and EU-27 (2009)

Internet Usage	Population (2009)	Internet Users	Penetration (% Pop)	Usage Growth (2009/2000)
Romania	22,246,862	7,430,000	33.4 %	828.8 %
EU-27	489,601,562	319,895,346	65.3 %	238.9 %

Source: Internet World Stats [6]

Despite the substantial increase in the number of Internet users during 2000-2009 (828% growth rate), Romania is situated behind most EU Member States, ranking 26 out of the 27 EU states, according to the Internet World Stats.

In order to evaluate the information society development, the International Telecommunication Union introduced in March 2009 another indicator: the ICT Development Index (IDI). This is a compound indicator made up of three sub-indices (including 11 indicators): ICT access sub-index (measuring the ICT infrastructure and access), ICT use sub-index (evaluating the ICT use and intensity of use) and ICT skills sub-index (assessing the capacity to use ICTs effectively). The 2010 ITU report [2] presents the results of the IDI indicator for 159 countries and a comparison of the 2002, 2007 and 2008 IDI values for 39 European Countries.

Table 3. IDI changes 2002-2008

Country	IDI 2002	IDI 2007	IDI 2008	IDI change 2002-2008
Romania	2.46	4.11	4.73	2.27
EU-27	4.18	5.78	6.22	2.04
Europe	4.06	5.50	5.92	1.86
World	2.42	3.32	3.58	1.16

Source: International Telecommunication Union [2]

In the 2008 IDI scale Romania has moved up 16 places since 2002, to rank 44, but it is still the last among the EU-27 Member States. Romania improved its IDI index mainly due to the ICT access sub-index (growing from 2.40 in 2002 to 5.30 in 2008). Also it had gained over one point on the ICT skills sub-index (from 7.16 in 2002 to 8.37 in 2008), being among the top ten countries worldwide that most increased this sub-index.

4.2. e-Learning development indicators

More accurate indicators for assessing the e-Learning development in Romania can be obtained from Eurostat statistics, the website having a section dedicated to Information Society. There are a number of indicators that can give an insight about the population interest towards online education and training, such as: percentage of individuals using the Internet for consultation with the purpose of learning; percentage of individuals who have used Internet for training and education; percentage of individuals using the Internet for seeking information about education, training or course offers; percentage of individuals who have used Internet for doing an online course (of any subject).

Table 4. e-Learning indicators

e-Learning indicators (% of individuals)		2007	2008	2009
Individuals who have used Internet, in the last 3 months, for training and education (I_IEDUT)	Romania	12	16	18
	EU-27	30	33	39
Individuals using the Internet for seeking information with the purpose of learning, within the last three months before the survey (I_IUCLRN)	Romania	8	11	15
	EU-27	23	26	32
Individuals who have used Internet, in the last 3 months, for looking for information about education, training or course offers (I_IUEDUIF)	Romania	8	11	14
	EU-27	19	21	24
Individuals using the Internet for doing an online course, within the last three months before the survey (I_IUOLC)	Romania	1	1	3
	EU-27	3	3	4

Source: Eurostat

The values of these indicators show a modest but increasing uptake of e-Learning services over the past few years, but Romania is still at the lower end of the European ranking, having indices that are about half that of the EU-27 averages.

Figure 1. e-Learning indicators for Romania 2009
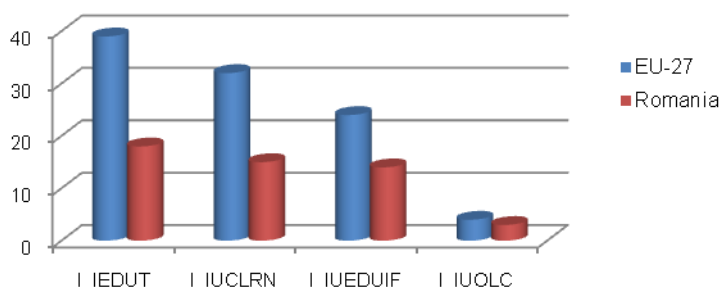
The situation is even worse for the lifelong learning indicator, taking into consideration that the value of this index for Romania is more than 6 times lower than the EU-27 mean and about 20 times lower than

the top EU-27 countries (Sweden – 32.4 and Denmark – 30.2). In the analyzed 2003-2008 period, Romania recorded little or no progress in improving this extremely low level of participation. The lifelong learning indicator refers to persons (aged 25 to 64) who have received education or training within the last four weeks preceding the survey.

Table 5. Lifelong learning indicator

Lifelong Learning indicator	2003	2004	2005	2006	2007	2008
Romania	1.1	1.4	1.6	1.3	1.3	1.5
EU-27	8.5	9.3	9.8	9.7	9.5	9.5

Source: Eurostat

The most interesting results came from the commercial sector. According to another indicator offered by Eurostat – "the percentage of enterprises using e-Learning applications for training and education of employees" – Romania is situated among the leading European countries, obtaining values above the EU-27 average. This outcome has been achieved due to the strong competition in the Romanian market, which forced the companies to acknowledge the benefits and advantages offered by e-Learning in training their employees and to invest more in their professional development.

Table 6. Enterprise e-Learning indicator

Enterprises using e-Learning applications for training and education of employees	2004	2005	2006	2007	2008	2009
Romania	30	NA	32	42	41	47
EU-27	20	21	21	23	24	24

Source: Eurostat

Even though for this field Romania obtained a remarkable result, the significant differences between our country and other EU-27 Member States regarding the e-Learning development, cannot be ignored. The reasons are complex, such as the lack of adequate infrastructure and the reduced number of offers in the field of education. Ensuring the availability of educational services and resources on the Internet, and increasing Internet use and computers endowment in educational institutions will certainly lead to a workforce that is better prepared, more flexible and more suited to market requirements, having positive effects on labor productivity and competitiveness. This kind of educational system will probably support the lifelong learning, this field being, for the moment, at a very low level in Romania.

5. Conclusions

e-Learning tends to become a regular presence in education and training systems, and Europe is making progresses in this area. Since the adoption of e-Learning Initiative in May 2000 and the Action Plan in March 2001, interest in the use of technology in education continued to grow. The objective of improving the quality of training and access to education is a foundation stone for building the new knowledge-based society in Europe. Indeed, e-Learning is viewed as a catalyst for the fundamental changes necessary for the transition to the new economy, and at the same time as a tool for achieving the European objectives for social inclusion, differences eradication, and intercultural dialogue.

Regarding the e-Learning development in Romania, even if the indicators are not at the level of other EU countries, one can observe that the situation has improved and electronic training begins to be used increasingly often. However, given that one of the objectives of the European Union is to create an information society for all by 2010, Romania, as a Member State, must align to this requirement. The first steps were taken through implementing e-Learning projects and defining the barriers that stand in the way of an information society for everyone. In the Romanian educational system – rather conservative – changes occur gradually and it takes a long time until the innovations (especially quite radical, such as those generated by the introduction of ICT) are assimilated.

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STUDY REGARDING THE USE OF SPREADSHEET APPLICATIONS IN THE ECONOMIC FIELD

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Among the specialized analysis tools, spreadsheet applications are the most accessible. In addition, techniques and tools for organizing, processing and presentation of basic data, such as strengthening multiple lists, filtering, running sum, pivot tables they offer, largely satisfy the needs of organization and data analysis activities in the field of economics. For this reason we conducted a study in which we sought to obtain information on how these applications are used in the economic field.

Keywords: data analysis, worksheet, economic analysis activity, working reports

JEL codes: C80, M21

1. Introduction

Economic activity involves many decision situations. Their complexity involve organizing, processing and analyzing of a large volume of information. [4] Because of the software tools, more diverse and better, information can be organized and processed quickly, accurately and in depth. For the same amount of data processed a larger volume of complex and diverse information can be achieved, allowing to get a more complete picture of the decision analysis situation. [2]

In the data analysis activity traditional methods and software tools can be used, such as: dispersion analysis software, multi-factor techniques, regression analysis software, data-series analysis software is useful in data-series analysis in their trend format, seasonality and of the other dynamic series components.

But where would be a more complex economic analysis, viewing the information in the form of diagrams is necessary to use specialized software tools for analysis, such as spreadsheet applications, multidimensional analysis tools, data mining applications. [1]

Among the specialized analysis tools, spreadsheet applications are the most accessible, regarding the price. In addition, techniques and tools for organizing, processing and presentation of basic data, such as strengthening multiple lists, filtering, running sum, pivot tables they offer, largely satisfy the needs of organization and data analysis activities in the field of economics. [3] For this reason we conducted a study in which we sought to obtain information on how these applications are used in the economic field.

2. Data analysis and interpretation

The study was conducted with the help of the masters in economics students from the University of Oradea. The specializations covering the activities of marketing, management and accounting were

taken into account. The most of the master degree students, both first and second year, have a job in state institutions and private companies in the western part of the country, being involved in economic activities. Thus they can provide valuable information on how spreadsheet software are used in business, the importance that managers attaches to improve the knowledge for their employees in using these applications.

Economic activities involving the subjects were grouped as follows:
- Management activities;
- Marketing activities;
- Accounting activities.

The sample chosen for study is representative because of the large number of institutions and companies in which students work. The table below presents the number of institutions and companies considered:

Investigated domain	Number of students	Number of institutions	Number of companies	Institution and companies
Management	150	27	104	131
Marketing	150	11	123	134
Accounting	150	24	106	130
Total	450	36	298	334

From the table above one can see that the subjects who participated in the study came from 36 institutions and 298 private or state companies.

To collect the necessary information a questionnaire was compiled, which was served with either students or was sent by email. Questionnaires were completed by almost all students entered in their possession. Therefore, the total of 450 questionnaires distributed, 446 were completed, returned and used for analysis, resulting in a response rate of 99.11%.

Response rate is very high compared to the situation in which questionnaires were sent for completion to persons who are not involved in an continuous learning activity. This conclusion has been driven during previous studies in which questionnaires were sent only by e-mail to people working in the economic field, without involving students. Response rate in those cases ranged between 50% - 60%.

The questions were grouped as follows:

- Questions related to the activity field of the subjects (management, marketing, accounting) and their studies.
- Questions related to the number of employees of the institution or company, the share in the total number of the company's employees of the people working in the activity field of the respondent.
- Questions related to the graduated domain, informatics studies attended, software application known.
- Questions related to the complexity of the reports they manage.
- Questions related to the activity of the economic data analysis.
- Questions related to the software applications they use in their activity.
- Questions related to the spreadsheet solutions used: the complexity of the processed data, instruments for data management, data processing and data analysis.

Collected data showed that:

- % of the subjects use spreadsheet solutions in data management, data processing and data analysis activity.
- % of the subject do not use spreadsheet solutions. Examples for this situation:
- Subjects employed in a small business private company (under 10 employees). These companies usually use software only for accounting activities. Data analysis is reduced only to compare levels at different period of time (usually the current and previous month) for management decisions. For example current month's sales are compared to those of the

previous month, the result being used to make a decision regarding the level of the next month's supply.
- Subjects that works as accountants. They use only accounting software to generate accounting reports.
- Subjects which use other software applications in data analysis, such as: data-mining specialized software, database software which include data mining instruments.
- % of the subjects which do not use spreadsheet solutions works as accountants. In most cases, they use specialized software to generate specific (desired) reports based on the software's graphic user interface- GUI (menus, commands, and so on). Data analysis and processing is made by other employees of the company.
- % of the subjects use "working reports" type software, created inside company or institution. This is the case of the employees working in a company or institution with specialized workers, employed to create personalized software.
- % of the subjects uses Microsoft Excel ® as spreadsheet solution. In most cases spreadsheets are used only for simple calculus, such as summation. Using the results, a person can make a decision, usually regarding what to do next month, based on the current month data, compared to the data acquired in the previous month. In other cases are used instruments for organizing, statistic processing and simple analysis of the data offered by the spreadsheet software: multiple lists consolidation, summation, filtering, subtotals, pivot tables, trend diagrams and relations, alternative comparison for optimum decisions.
-The most people using spreadsheet applications or type of work reports, ie 47.80%, works in managerial domain. Short distance behind, with a percentage of 42.65% is the marketing domain. The accounting domain is the worst, those who use spreadsheet applications or type of work reports representing only 9.55%.

Results are synthesized in the table below:

Software used / Field of activity	N	A	B	C	D	E
Management		78	3	11	38	20
	%	52,00	2,00	7,34	25,33	13,33
Marketing		67	6	14	29	32
	%	45,27	4,05	9,47	19,59	21,62
Accounting		19	-	4	3	122
	%	12,84		2,70	2,02	82,44
Total		164	9	29	70	174
	%	36,77	2,02	6,50	15,70	39,01

A - Microsoft Excel
B - Other spreadsheet applications
C - "Working reports" type software applications realized inside the respondent's institution or company
D - Buyed "working reports" type software applications
E - Do not use neither spreadsheet application nor "working reports" type software

It appears that 39.24% of the respondents used in their work spreadsheet applications and 36.77% of them use Microsoft Excel ®. Using mainly of Microsoft Excel ® can be explained as follows:

- Institutions and companies largely use the Microsoft Office software package, which includes the Excel spreadsheet application.

- The economic students, have in their syllabus, information on how to use this application

- Possibility of obtaining certification by ECDL accredited test centers in some schools in Oradea and in several localities of Bihor county and the Faculty of Economics, certification that entitles their owners to the use of Microsoft Excel.

3. Conclusions

Most of the University of Oradea students in master's cycle in the economy domain, are employed in state institutions or private companies, being involved in economic activities. They use pretty much in their activities of management and marketing, spreadsheet applications, or "working reports" type software. The survey found that 60.99% of the respondents use such applications.

Among those who know and use spreadsheet applications for drawing up the reports necessary for carrying out the work, 94.80% use the Microsoft Excel. This is due, on the one hand, to the fact that institutions and firms use mainly Microsoft Office software package, and secondly, that economic graduates know how to use Microsoft Excel application from school.

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INCREASING EFFICIENCY OF ELECTRONIC PUBLIC SERVICES TO CITIZENS AND BUSINESSES IN CONNECTION WITH THE IMPLEMENTATION OF INTEGRATED ELECTRONIC SOLUTIONS

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European Union enlargement, the existence of new needs and demands, requires the development of innovation and quality of public administration, which means improving public services in the global economy as a requirement of competitiveness.
The European Union hopes to achieve the major objectives in what concerns the electronic government by 2010; actions necessary to achieve them are adopting solutions based on information and communication technologies in the Romanian public administration, aimed at developing modern public services. This paper presents some best experiences of e-governance in Romania and the results of e-governance in Gorj County, and the degree of implementation and use by citizens.

Keywords: electronic government, information technology and communications, public services.

Cod JEL: O34, M15, L86

1. Development of e-Government services in the current European context

The existence of efficient and innovating public administrations is essential in a global and competitive Europe. Government is the key element for the management and putting the potential of the public sector to good use.

The electronic governance is the acceptance of general Government use of IT applications and other information technologies based on the Internet, combined with processes that implement these technologies to improve access and delivery of government information and services to the public, or to other agencies and government entities. This brings improvements in the workings of government that result in increased effectiveness, efficiency and service quality.

In general, the administrations of most developed cities make use of initiatives and programs at national and international level in order to achieve and develop an environment for e-government services in the city. Their policy is focused on developing several types of services and the establishment of a wide range of services (for citizens and businesses).

Strategy shift to e-government transformation and modernization of government is imposed by information technology and communications. Digital Governance refers to the web infrastructure to provide online services. According to an analysis of websites of major cities, which took into account five variables (security and confidentiality, can / utilization, content, type of online services offered,

answer citizens and ensuring their participation through websites), increase participation is a key to the e-government strategies[544].

Providing information and knowledge needed in the sector was a priority for governments from the beginning. They must be integrated through interactive tools that allow, for example, involving people in defining and evaluating public policies. The most important electronic governance models focus on user involvement and citizens on the one hand, and the services provided to users in urban areas, on the other.

E-Government services involve the public sector to the challenges and requirements of the new economy. Therefore, accelerating the implementation of electronic government is important in order to innovate and modernize public services[545].

Throughout the world, governments are showing interest in new technologies and electronic services of the future, allowing the implementation of electronic government, but must not forget that this involves major changes in public institutions and facilities.

Internet is easy to use and involves low cost of use, this making it a digital instrument that anyone can use. This is why the Internet is now an opportunity for the Board to serve citizen information technology intensively. Internet access isn't the only element that influences the level of development of applications for electronic government. The use of this application depends also on *education* and on *the change of mentality,* and the success of implementing these applications determines the acceptance and the impact they have in modern society. Not so long ago, citizens perceived public service negatively, being most often unpleased of their quality. The level of satisfaction of the citizens is tied to their expectations regarding public service.

The European Union has identified five priorities or **major objectives regarding e-government for 2010,** which are[546]:

- *Efficiency and efficacy,* which implies an important contribution of e-government services to the increase of satisfaction, transparency and responsibility, to the reduction of bureaucracy and to the increase of efficiency by the year 2010.

- *Implementing key services, with major impact on the citizens and on the business environment,* so, by the year 2010, public acquisitions will be 100% available online. The achievement of this objective also involves the future cooperation for the development of online services that have strong impact on the citizens.

- *Offering services for all citizens,* which means stimulating the inclusion through e-government, so all citizens will benefit from secure, innovative and easy to use services by 2010.

- *The introduction of identification keys, which allow authenticated access to public services, based on laws concerning the protection of data.* This allows citizens and the business environment to benefit of authenticated convenient access by 2010, secure and interoperable to public services from Europe (for example, eIDM, and the management of electronic identification for interoperable access to public services).

- *Strengthening the participation of citizens to the process of government and the democratic adoption of decisions,* by promoting public debate and the participation to the process of making decisions in a democratic way.

The i2010 plan for e-government – „Accelerating e-government in Europe for everyone's benefit"[547] has as main goals accelerating the process of obtaining attainable advantages for all citizens and for the

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[544] M. Păceşilă, *E-government services at European Level – Features and Trends*, *Theoretical and Empirical Researches* in Urban Management, Year 2, Number 5, 2007

[545] Source: *"i2010 eGovernment Action Plan: Accelerating eGovernment in Europe for the Benefit of All"*, Communication From the Commission to the Council, the European Parliament, Brussels, 2006, page 3.

[546] Patrick Wauters, Graham Colclough, „Online Availability of Public Services: How Is Europe Progressing? Web Based Survey on Electronic Public Services, Report of the 6th Measurement", June 2006, Capgemini, www.capgemini.com/public, page 15.

business environment; the assurance that national e-government does not lead to new barriers on the unique market because of fragmentation and lack of interoperability; expanding the advantages for the European Union through large scale economies that can be obtained in member states and cooperation in order to find solutions to common problems that appear in Europe; ensuring the cooperation of all European Union stakeholders in planning and providing e-government services. For the development of electronic government services concentrated actions are necessary, like:

- establishing a common guide, approved by member countries that will align the development of electronic government with the accessibility of electronic communication;
- advancing specifications for strategies of providing services that will allow access to e-government services through varied channels like digital television, fixed and mobile telephony and other interactive environments;
- establishing a common measurement of the impact of e-government services;
- exploiting the mechanism that ensures long term financial and operational durability for infrastructure and electronic services;
- accelerating the establishment of common specifications for public acquisitions in the European Union and launching pilot programs in this area;
- testing instruments based on information technology and communications that facilitates the transparency and involvement of the public in adopting decisions and also backing exchange of experience;
- establishing an advanced form of electronic democracy, etc.

The actions presented above and announced through i2010 were introduced in the period 2006 – 2010 and will need the cooperation of all stakeholders in order to develop electronic government in the European Union.

2. Integrated development and implementation of online public services in the Gorj County Council

Objective of the project concept development and implementation of electronic administration in the Gorj County Council, focuses on quality growth and development of electronic public services for the benefit of citizens, providing online public services to citizens / public administration at a level of sophistication environment and efficient activities of the County Council, using specific information technology by implementing new work flows, related to e-administration services.

The project will have the main results and increase satisfaction in Gorj County citizens through: transparency in providing information and electronic public services, equal access for all citizens, and better information and service them through public service available "on line" simplify, accelerate and strategic management of economic processes to be conducted on the basis of solutions, ensuring the security of transactions in a centralized, 24 hour availability of services 24, 7 days a week, in a solution integrated, consistent, easily integrated with other systems and easy to manage. Also, another significant result pursued by the project is the efficient activities of the Gorj County Council, using specific means of ICT, by: improving the quality of the administrative act and change deep relationship between public administration and citizen, increase efficiency of public administration, elimination bureaucracy and increase the quality of public services, creating a centralized system for routing administrative documents (administrative forms), ensuring the security of transactions in a centralized, retraining public servants, raise their professional standard.

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[547] Source: *"i2010 eGovernment Action Plan: Accelerating eGovernment in Europe for the Benefit of All"*, Communication From the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, Brussels, 25.04.2006, COM(2006) 173 final, pages 3-4.

3. The overall system architecture

In defining the architecture that will support the Information System Development and increased efficiency of electronic public services to citizens and businesses in Gorj country, were taken of the following general features of the system:

- Availability: Availability of IT& C depends largely on the care with which it was designed, the discipline with which it is operated, the rigor with which it was tested and optimization to over exploitation. Key availability is found in insulation capacity of that "single point of failure" existing in the individual components of the system (equipment and / or applications), thereby maximizing its uptime. Techniques and technologies to increase the availability of time are: to ensure redundancy (multiple-way communication between server and client) in the communications, and using technologies like clustering to services.

- Data security: risk management by ensuring adequate protection of networks and systems should ensure confidentiality and integrity of information circulating through the system, is an important goal in designing any system IT & C The only solution for doing so in a consistent manner is strict observance of a policy in the organization, named "defense-in-depth".

- Defense-in-depth multi-level security defines bidirectional, organized in areas of security, which ensures the compartmentalization system so that if one part of it is compromised by a potential attack, it can not compromise the other compartments.

- Scalability: scalability is the ability of a system to cope with an ascending continuous charging, without decreasing performance. In general, the major components of a system architecture that is subject to scalability are: topologies and network systems, application servers, infrastructure services, infrastructure management components and subsystems responsible for storing data.

- Safety in operation: is based on the repetitiveness with which architecture has been implemented successfully as standard system architecture. Reliability of operation may directly affect the system availability at the macro level and indirectly, the degree of success that can be achieved in areas such as security, scalability, and performance management capacity. Safety in operation is addressed to several levels (layers) and is especially critical for solution scalability and performance of individual applications.

- Standardization: implementation of infrastructure components, standardized by well-known architectural elements, creates predictable and reliable systems to exploit. Standardization creates a solid foundation for growth management system, ensuring integration of processes / applications and technologies within the organization.

The system should not allow the loss of data, in this sense is necessary to restore capabilities in case of accidents and ways to prevent them. Also, system architecture will be a component of security infrastructure that does not allow unauthorized access to data. The information and communication system will be arranged on two levels:

- Level of infrastructure: including all subsystems necessary for the functioning and security specific applications. This level contains the following subsystems:
- Subsystem Hardware.
- Communications Subsystem.
- Subsystem Software Basic.
- Security Subsystem.

- The level of specific applications: includes all the subsystems that support the activities of carrying on specific activities management. This level contains the following subsystems operating on different applications within each organization in part:
- Economic Management Subsystem.
- Subsystem HR and payroll.
- Subsystem local taxes.
- Subsystem "Marital status".

- Subsystem "Agricultural Register".
- Subsystems necessary to complete the electronic services delivery system:
  Subsystem Design and simulation work processes.
-Subsystem document management and workflow (including electronic registry).
- Project Management Subsystem.
- Subsystem external portal (the management of electronic identity for citizens enrolled in the system and operators).
- Public area of the portal institution with the functions of advertising and promotion of information of general interest.
- Component type discussion forum - which will be held on various issues - instead of being extracted information on the areas of interest to citizens for the development of new services coming to meet local community needs.
- Component type probe public opinion on the subject of attention of public opinion about various aspects of community life to find solutions closest to the characteristics of the local community.
- Subsystem management relationship with citizens and businesses.
- Implementation of computer application project specific indicators.
- Business Intelligence Subsystem.
- Subsystem Management Application.

Principle of the computer system architecture and communications for "Integrated development of online public services in Gorj" can be represented as follows:
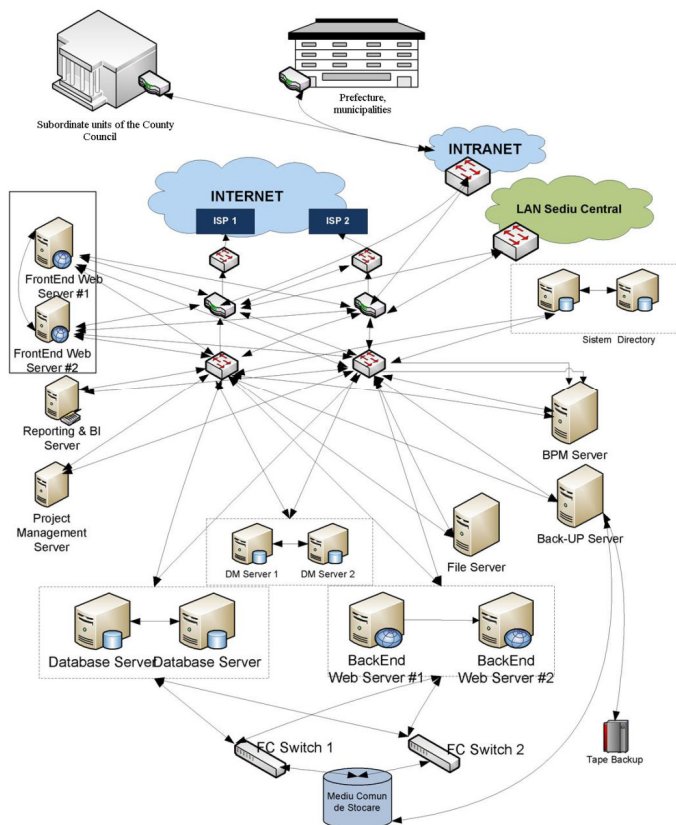

Fig. 1 County computer system architecture: Online public services

To achieve system and the Communications Council, have been taken into account these technical possibilities of designing the architecture: a centralized system, this calls for a single Data-Center, centrally, and connecting all secondary locations via VPN network , the centralized database management requires a single point, making data transfer is vertical; due to the necessity of obtaining and processing data in real time, seen fit to implement a system to connect all users to a central system. Of course, such architecture requires a communication system adequate to ensure access any information from the system operator, with reasonable response times.

4. Conclusions

In the macroeconomic context of Romania in the last few years, the IT&C sector has grown in importance, becoming a valuable instrument and important element of success, capable of generating economic growth, promoting education and, last but not least, offering real support to democracy. In this context, the initiatives of e-government of creating an electronic infrastructure that will bond educational institutions, governmental agencies, and public sectors to private sectors have formed the premise for the development of the IT&C sector.

New information technologies and communication has favored gathering, analyzing and access to information, leading to more efficient activities, a better act of decision and more transparent public and local institutions in their relationship with the citizen, who has a right for free access to information.

The Romanian strategy for e-Government is tied to the growth of the entire sector of information technology and communications and it concentrates on the government's effort to implement those electronic services that have high economic and social potential. Only through actions of developing modern electronic services can e-Government ensures transparency and institutional credibility and reduce costs necessary for managerial process in public services. In this context, the main objectives for e-Government are the use IT instruments in the sector of public administration in order to make day to day activities more efficient, the presence of public administrations on the Internet, providing more accessible information to citizens and companies, the growth of utility and usage of interactive services for citizens and companies and last but not least changing the experience of e-Government nationwide.

The achievement of these goals is not possible if a strong partnership between all sides involved (public authority, public administration and civil society), that leads to creating intelligent public services based on new information technology and communications, does not exist.

The development of public services bring benefit both in the public and private sectors, translated into economic growth, a favorable environment for investments and better use of public resource, including Structural and Cohesion Funds.

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