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ANALYSIS OF ROMANIAN ECONOMIC STABILITY IN TERMS OF EVOLUTION OF THE BUDGETARY DEFICIT AND OTHER MACROECONOMIC INDICATORS, IN THE PERIOD 2013-2017 (FORECAST)

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Abstract: *This paper intends to perform an analysis of the evolution of main macroeconomic indicators registered by the Romanian economy in the period 2013-2017 (2015, 2016 and 2017 are prospective data supplied by the Romanian Government and the National Commission for Prognosis) with a final comparison between the year 2012 and 2017. In this regard, the work is considered as an extension of earlier research conducted by the author for 2005-2012, trying to capture whether there are changes, whether beneficial or not, that have occurred in the considered time frame. In this context there were processed some statistics data from the National Institute of Statistics and Economic Studies, the National Prognosis Commission and Reports of the Ministry of Finance. Related research method is based on sets of tables and graphs that are able to illustrate the evolution of five indicators: GDP growth (GDP), the budget deficit, current account deficit, (these two latter measured as and a percentage of GDP), inflation and unemployment. At first there will be analyzed the five macroeconomic indicators and in the end of the work will be compared the macroeconomic stability determined by these indicators, using a tool called "macro stabilization pentagon", instrument also used in the previous research. Through this pentagon, a radar chart, in fact, our research will try to capture the evolution that can be seen in these indicators in a period of five years, between 2012 and 2017.*

Key words: *budgetary deficit, current account deficit, inflation rate, unemployment rate, rate of gross domestic income increase, macro economic stability*

JEL Classification: *E31, H62, J65*

The present paper encompasses an ampler research endeavour commenced in 2013 for this particular purpose, but the time period was analysed in retrospect at the time for the 2005-2012 interval. The end of 2012, when the previous research was concluded, also marks the beginning of the current research, which was carried out in order to connect this endeavour with the previous one[1], thus continuing the research on the aspects of macroeconomic stability in Romania.
For this purpose, five macroeconomic indicators will be analysed: budgetary deficit (coded as BD), current account deficit (coded as CAD), unemployment rate (coded as UR), inflation rate (coded as IR), and the rate-of-rise of the gross domestic product (coded as GDP). The expected analysis will unfold starting with 2013 until 2017. The aforementioned analysis is based on data obtained from the National Institute of Statistics, National Prognosis Commission, and the Ministry of Public Finance. At the beginning of the proposed analysis, statistical data provided by the Ministry of Public Finance concerning *budget deficit* will be taken into consideration. The aforementioned Ministry has elaborated a paper entitled *"Report on the macroeconomic situation in 2014 and its projections spanning 2015-2017"*,[2] which was based on data obtained from the National Prognosis

[1] http://anale.steconomiceuoradea.ro/volume/2013/n2/027.pdf
[2] http://discutii.mfinante.ro/static/10/Mfp/buget2014/RAPORTBUGET_2014.pdf

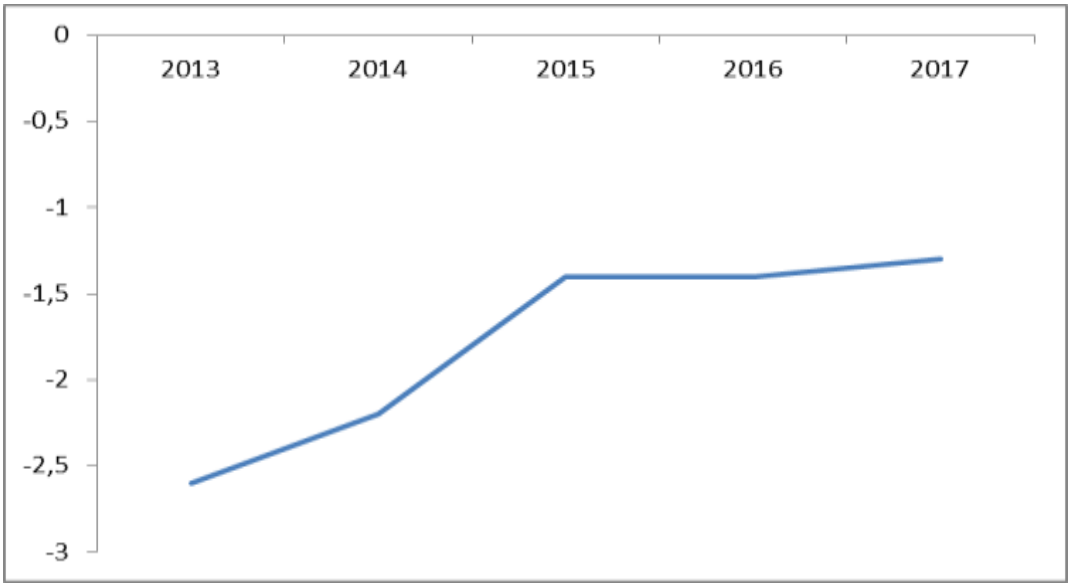
Commission[3], from INSSE[4], and from EUROSTAT[5]. The data will be listed in tables; later on, graphs will be created based on the data in order to highlight the dynamics registered not only by this indicator, but also by the rest of the abovementioned indicators.

Table no. 1 The evolution of the budget deficit (BD) weighing on the GDP during 2013-2017 (forecast)

	2013	2014	2015	2016	2017
BD (% In GDP)	-2,6	-2,2	-1,4	-1,4	-1,3

Source: Ministry of Public Finance, National Prognosis Commission, INSSE, and EUROSTAT

The graph that was elaborated based on the data from Table no. 1 is the following:



Graph no. 1: The evolution of the budget deficit (BD) weighing on the GDP during 2013-2017 (forecast)

In Graph no. 1 we notice a constant and significant decrease of past values, as well as those forecast, registered by the budget deficit in the time period allotted in the study. What is more significant is the decline presumed to occur between 2013 and 2015 with 15% between 2013 and 2014, and 36% between 2014 and 2015. At the end of the studied time span, a relative involution of this indicator is expected to occur, even a slight decline is supposed to be registered in the last year of this time span. The issue is that the data presented by the National Prognosis Commission can be infirmed, maintained, adjusted ascending or descending, which means that the degree of accuracy of the data is difficult to be assessed. The National Prognosis Commission elaborates reports with frequency lower than that of a year's, adapting their prognosis to the current developments registered by different indicators they are studying, and these indicators of this research are not left

[3] http://www.cnp.ro/user/repository/prognoza_2015_2019_varianta_toamna_2015.pdf
[4] http://www.insse.ro/cms/ro/content/buletine-statistice
[5] http://ec.europa.eu/eurostat/web/national-accounts/statistics-illustrated

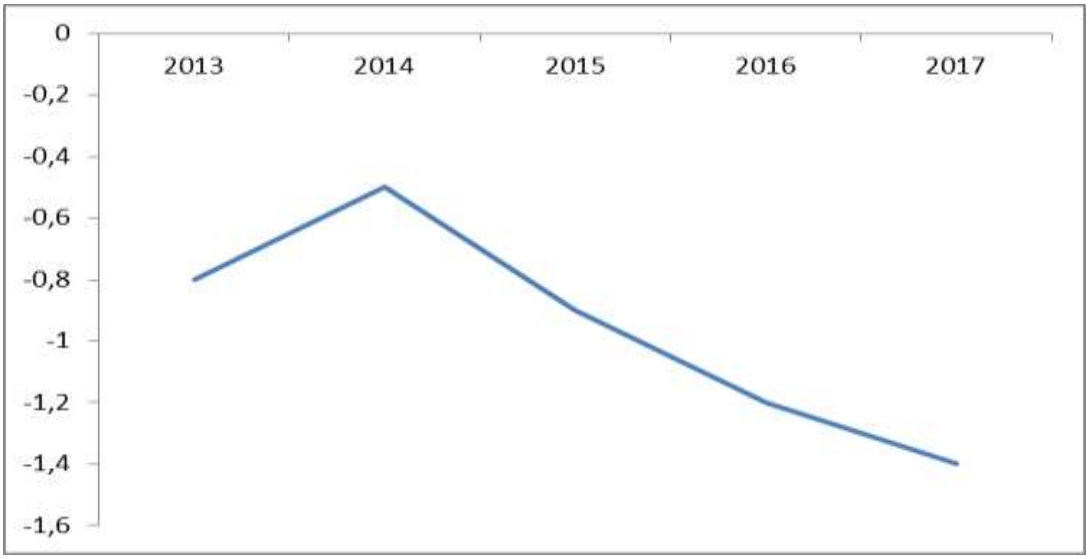
untouched by the adjustments imposed by the clash between forecast data and registered data.
What is noteworthy regarding the evolution of this indicator in the current year, 2015, which displayed a positive evolution at the end of August by registering a surplus of approximately 6.5 billion RON, namely approximately 0.92% of GDP[6]. Nevertheless, the analysis will contain only advanced data from the aforementioned *"Report on the macroeconomic situation in 2014 and its projections spanning 2015-2017".* The possibility of registering a budgetary surplus in the current year is a significant one, but since the final execution is not yet available, only the aforementioned data will be taken into consideration.
The data on the *current account deficit* stem from the same sources and are presented in the following table:

Table no. 2 The evolution of the current account deficit (CAD) weighing on the GDP during 2013-2017 (forecast)

	2013	2014	2015	2016	2017
CAD	-0,8	-0,5	-0,9	-1,2	-1,4

Source: Ministry of Public Finance, National Prognosis Commission, INSSE, and EUROSTAT

The graph that was elaborated based on the data from Table no. 2 is the following:



Graph no. 2: The evolution of the current account deficit (CAD) weighing on the GDP during 2013-2017 (forecast)

Unlike the previously analysed indicator, this one is characterized by an increasing evolution, but only regarding the second half of the studied time span, i.e. from 2015 onwards. After a significant decrease of 37% in the current account deficit between 2013 and 2014, there has been an almost twofold increase in this indicator towards the values pertaining to 2014, ranking higher in their prognosis for 2015, at -0.9% of the GDP. The

[6] http://ec.europa.eu/eurostat/web/national-accounts/statistics-illustrated

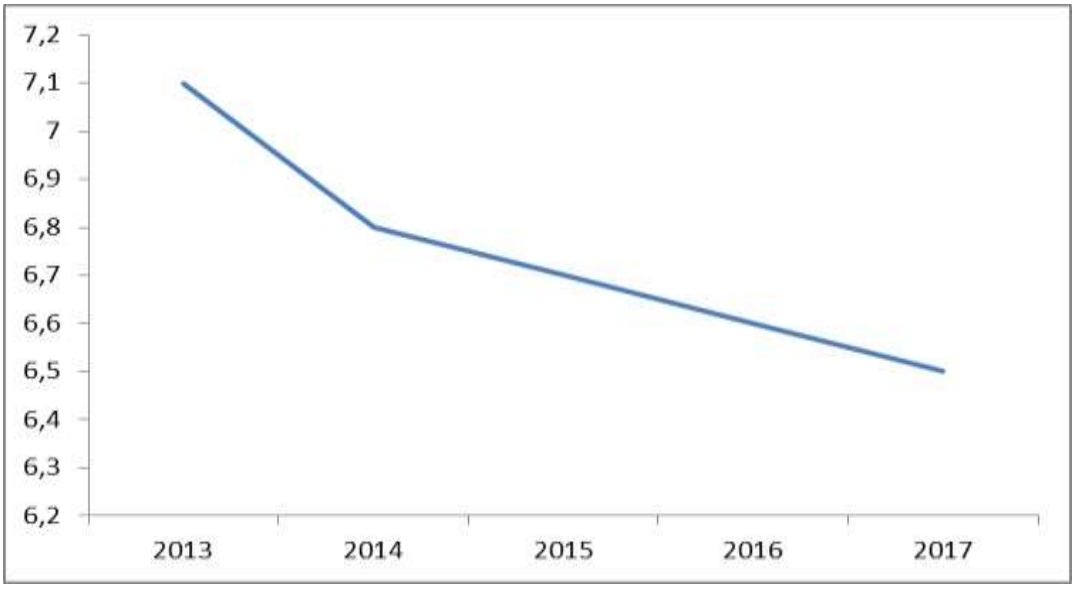
increase curve for these two years at the end of the studied time span is expected to be more accentuated, of approximately 18%.
Unemployment rate, the indicator whose evolution will be further analysed, registered the following values during 2013-2017:

Table no. 3 The evolution of the unemployment rate (UR) weighing on the GDP during 2013-2017 (forecast)

	2013	2014	2015	2016	2017
UR	7,1	6,8	6,7	6,6	6,5

Source: Ministry of Public Finance, National Prognosis Commission, INSSE, and EUROSTAT

The graph which better illustrates the data from Table no. 3 is the following:



Graph no. 3 The evolution of the unemployment rate (UR) weighing on the GDP during 2013-2017 (forecast)

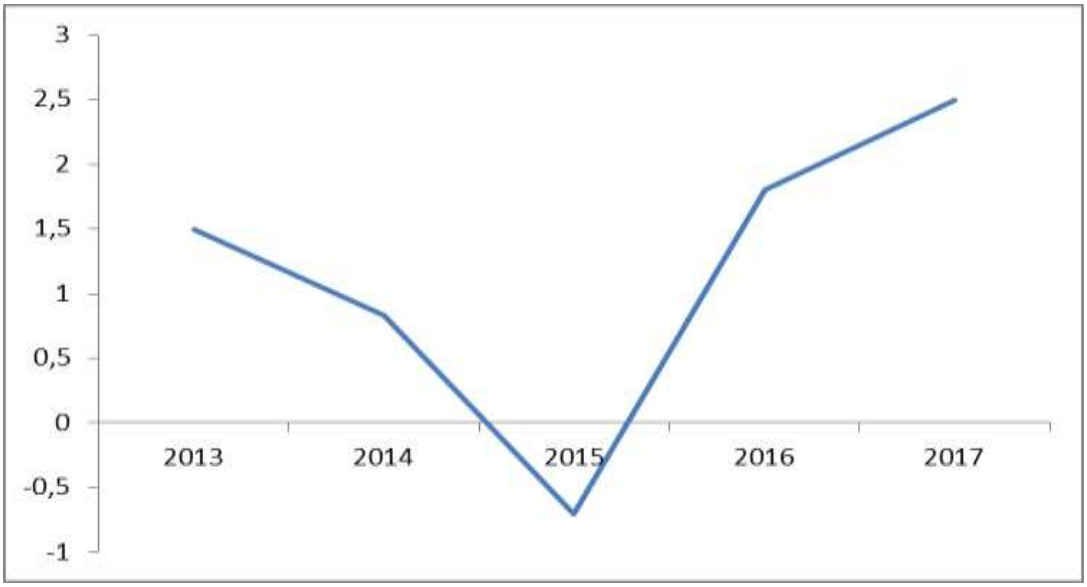
The evolution of this indicator can be appreciated as one significantly descending, with a pronounced curve in the first annual interval in the studied time span, namely between 2013 and 2014, followed by a less abrupt curve, but still descending, in the last years of this period. The forecast values cannot help but bring joy to decision makers, but an analysis of this indicator compared with the evolution of the average gross income, for example, could depict a broader image of the social dimensions of Romanian economy. This endeavour might be undertaken in another paper; therefore, not only does it pose as a limitation for the current paper, but also as a starting point for future research.
The next indicator to be analysed is the *inflation rate*, whose evolution is comprised in the following table:

Table no. 4 The evolution of the inflation rate (IR) during 2013-2017 (forecast)

	2013	2014	2015	2016	2017
IR	1,5	0,83	-0,7	1,8	2,5

Source: Ministry of Public Finance, National Prognosis Commission, INSSE, and EUROSTAT

The following graph was created based on these data:



Graph no. 4 The evolution of the inflation rate (IR) during 2013-2017 (forecast)

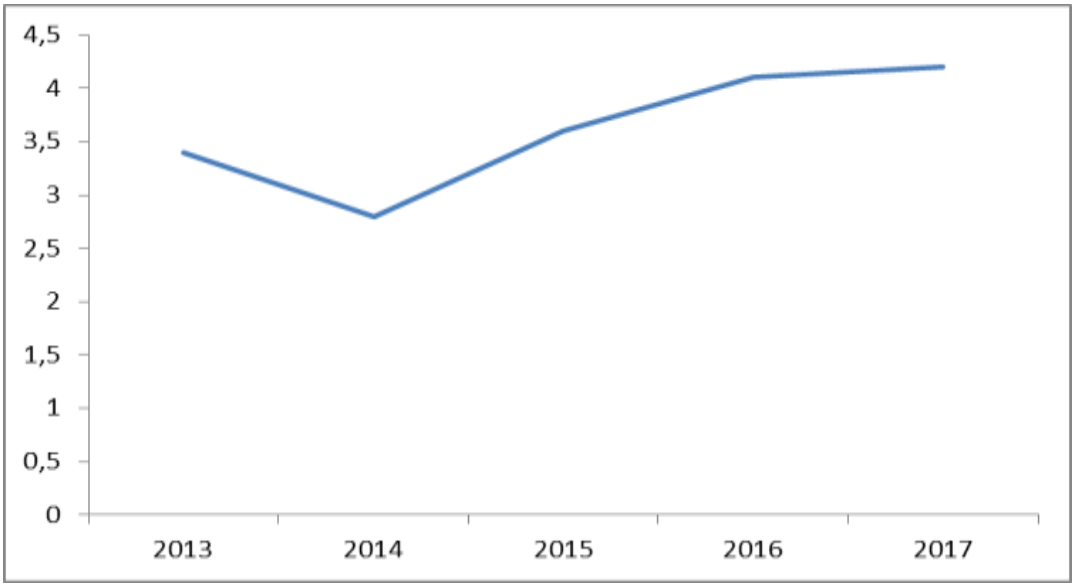
By analysing the graph, we can state that the evolution of this indicator is heterogeneous – with a drastic decrease of almost 50% between 2013 and 2014, followed by a more evident curve between 2014 and 2015, followed by an abrupt increase between 2015 and 2016, and lastly a "taming" of the increase curve in 2016-2017. Nevertheless, these values, including those pertaining to 2017, are situated below or at the target of 2.5% of inflation. What is noteworthy is the forecast inflation rate for 2015, year in which they foresee a decrease in prices of consumption, with an inflation rate of -0.7%. It is possible that this rate of inflation won't come true at the end o the year, but considering the evolution up to present, the chances of the prognosis coming true are significantly high.
In the studied time span, the rate-of-rise of the gross domestic product had the following evolution:

Table no. 5 The evolution of the rate-of-rise of the gross domestic product (GDP) during 2013-2017 (forecast)

	2013	2014	2015	2016	2017
GDP	3,4	2,8	3,6	4,1	4,2

Source: Ministry of Public Finance, National Prognosis Commission, INSSE, and EUROSTAT

The graph based on the data from the aforementioned table is the following:



Graph no. 5 The evolution of the rate-of-rise of the gross domestic product (GDP) during 2013-2017 (forecast)

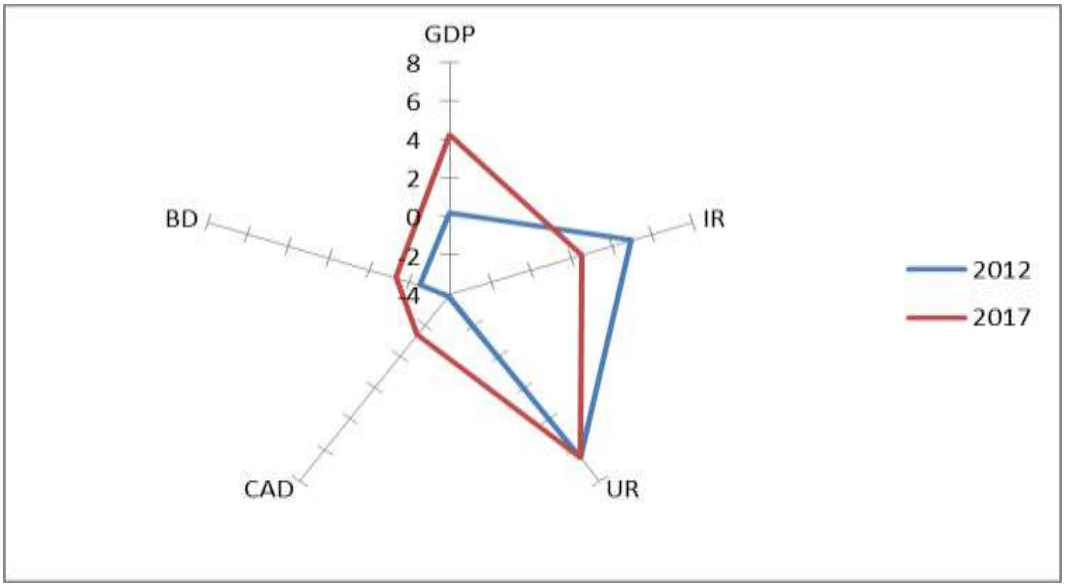
What is shown in Graph no. 5 is that the evolution of the indicator is hopeful, with a decrease between 2013 and 2014, but with a significant recovery in the next years, with constant growth, although smoother at the end of the studied time span.
Once the data regarding the five indicators have been subject to analysis, a comparison is possible based on the pentagon of macro-stability and evolution registered between 2012 and 2017. As mentioned at the beginning of this paper, a similar research has been carried out for 2005-2012; therefore, it would be interesting to highlight the changes, if any, registered between 2012 and 2017 (forecast).
The instrument presented at the beginning of the paper, namely the radar chart, also entitled 'the pentagon of macro-stability' (Văcărel (coord), 2003, p. 651) will be used in this respect. In order to create this graph, we will put together the data regarding the five indicators:

Table no. 6 The evolution of the five studied indicators (BD, CAD, UR, IR, GDP) in 2012-2017 (forecast)

	GDP	IR	UR	CAD	BD
2012	0,2	4,95	6,5	-3,8	-2,52
2017	4,2	2,5	6,5	-1,4	-1,3

Source: Ministry of Public Finance, National Prognosis Commission, INSSE, and EUROSTAT

Therefore, the radar graph mentioned above will look like this:



Graph no. 6 The evolution of the five studied indicators (BD, CAD, UR, IR, GDP) in 2012-2017 (forecast)

Graph no. 6 illustrates that the evolution of macroeconomic stability between 2012 and 2017 (the latter was forecast) experienced a positive tendency, considering the fact that a more regular and larger pentagon determines greater economic stability. The reasons for this behaviour could be find in the government proficiency, or in the economic situation, but the main thing that can be noticed is that the positive change in the values of the indicators is a fact. Even if the prognosis is not quite a fact, the evolution of these indicators is better than the expectations, so far.
However, there is room for improvement, at least in the case of some certain indicators, such as: budgetary deficit and current account deficit. In these two particular situations the improvement could lead to a better overview of the economic stability of Romania on medium and long term.

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ROMANIAN NEGOTIATING STYLE

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Abstract: *There is an aspect regarding globalization and national character and the way they interact. National character is strongly rooted in national culture, which has been influenced by myths, historical events, geographical position and climate; religion, language, common experiences are all connected in national culture and national character. And their influence upon attitudes, world view, behaviour and finally, upon negotiation style is great. In an era of instant communication and social and economic globalization knowing and understanding peoples belonging to other culture is a cornerstone to create opportunities for good understanding. In the same time, it is vitally important to know your own people, the culture to which you belong, the history and geography of your own country. In fact it is a vital aspect for cultural and national survival in this era of globalization. It is impossible to know and understand a nation's culture without knowing its history, geography, and the way art is conceived. This article is focused on Romanian national character. Romanian students and readers are quite familiar with other nations' national traits (there are a lot of studies about Japanese, German, American styles), and there is opportune to have a presentation of Romanian national character, too. Romanian national character has been created during history due to geographical location of our ancestors; they always faced a greater force which they had to resist. The means to succeed in this asymmetric interaction was running and hiding in forests and mountains, avoiding as much as possible the final battle which Romanians tried to locate in disadvantageous places and environments for the invader. In time Romanians abided by, but not totally; they rose conditions, some of them being recognized by their opponents. This long history characterized by this trait created a peculiar way of thinking and acting for a Romanian. Of course, there were elements which maintained them united and hopeful in a brighter future; religion, popular language and customs are the most important ones. Because of these elements, Romanians can be seen as a miracle. They adopted some aspects of elements coming from different foreign influences, but they didn't adapt to them... All of these things are detailed presented in the paper, while the last part is a synthetic view of main traits of Romanian style.*

Keywords: character; culture; geopolitics; history; Romanian style.

JEL classification: F50; F51; M10

1. Is there a peculiar Romanian negotiating style?

A peculiar negotiating style of man belonging to a nation is deeply rooted in that nation's culture; this is an old and well acknowledged fact. It inspired during history analysis made by prestigious philosophers and political thinkers.

And in the present global society it is a key-stone to understand how people belonging to other cultures behave and act in order to find the ways they are looking for solutions and how they see those solutions.

As culture consists of the derivates of experience, more or less organized, learned or created by the individuals of a population, it is transmitted from past generations to present and future ones, as Schwartz (in Schwartz, White and Lutz, 1992: 324) mentioned.

Culture is “the warrant of a human life” (Maliţa, 1998) meaning the exit of human from biological sphere. There are *cultures*, at plural, underscoring their big number; and “they are exclusive and underscore differences” (Maliţa, 1998). Cultures are linked to identity – they are the great sources of identity. Language, religion, customs, symbols and myths, and behaviours are all components of culture.

And as the members of a society share quite similar experiences, culture is like glue for these social atoms, which are those individuals. It connects them together, providing them a framework to see the world and their role in it.

Even in the same society, there could be easy identified groups which share different world images (for example, in a country, there can be identified more religions and ethnic groups, each having some different cultural backgrounds than others).

But from experience and practical points of view, all nations have, without exception, qualities and weak points, and their proportion could not exceed 20-25% of population as Malţa wrote (2010), even Drăghicescu (1996) intended to present the negative aspects of Romanian character, for example.

In this context, the role of culture in negotiations could not be neglected. Global interaction due to globalization and regionalization processes must take care of cultural backgrounds of different nations, while recognizing peculiarities of national style could help in promoting national interests on world stage, in an era characterized by swift changes and global menaces.

A NGO with global profile acknowledged the role of culture in negotiations granting umbrella and framework for studies regarding national styles of negotiations, resulting in a collection of remarkable works. USIP from Washington DC has dedicated a sustained effort to elaborate studies regarding culture and its role in behavior and negotiations. Under its auspices were published books regarding French, Russian, Chinese, American, German negotiating styles.

But Romanian negotiating style is more close to our interests and our souls; and to identify some peculiarities in it could be of crucial importance at the beginning of the 21-st millennium.

The most frequent reference to the origin of individual and collective behavior is that which puts as a key-stone the *mentality*, which creates a peculiar way of thinking and behavior, a distinctive way to act. It is applied to each individual, but if it is predominant in a collectivity, it is fitted for that community, too. Germans are methodic and systematic; French are rational and deductive; English use experiment and care a lot of it; Chinese are detailed oriented, while Italians are well known for their love for what happens in this life. The mentality admits that what guides us to create a profile we need in human interaction is the examination of the way a man belonging to a specified culture acts and thinks.

As Romanians have a peculiar history, they developed a quite unique way of acting and behavior. And they have a peculiar negotiating style. It is of crucial importance to know yourself as ancient thinkers mentioned, before understanding others, and before trying to pursue your interests. In this context, there could be seen the importance of understanding Romanian culture, and its geographical, historical, philosophical-cultural roots. And to answer the question risen at the beginning of this presentation there could be mentioned only one answer: Yes, *there is a Romanian negotiating style*, anchored in deep and old experiences through which Romanians have passed during their history.

While knowing the peculiarities of negotiating style of a nation means that someone understands beyond the facts: the style cannot be separated from its *geopolitical* root and diplomatic activity is impregnated by this geopolitical footprint, too.

2. Romanian culture and its context

2.1. Geography

At the crossroads of East and West, of oriental mysticism and western thinking, Romanians tried to serve their peculiar interests, as those of other neighbors. During last centuries of the Middle Age, Romanian states were of European necessity; trade line of Lower Danube would create a State, and the other one – of Crimean trade – would create another State. Iorga (1939) presented the importance of the need to create by Romanians a Wallachian state to serve the interests of trade on Lower Danube, and a Moldavian state along Siret, Prut, and Dniester rivers. Both of them were created not only for themselves and for their interests, but for the European interests at large, which intended to be involved in trade in this geographical part of the world.

Furthermore, as disciple of great historian Iorga, Brătianu warned that we "live here, at the cross-roads, at the intersection of cultures and, unfortunately at a crossroads of migrations and imperialisms" (Brătianu, 1942: 11-12); and he continues: "we cannot be separated by the whole geographical context which encircles us, and leads our destiny, between those two elements which master it: the *mountain* and the *sea.*"

Romanians have a deep Thracian base, the first psycho-ethnic element being connected to Scythians. Being situated at the crossroads of different cultures and peoples, first point of encounter in the face of eastern invasions, and always facing greater powers, Romanian national character has been influenced by this constant historical trait.

When greater power menaced Romanian existence, they always tried to deal in a manner which made them to be seen as a difficult prey; and when there appeared the impossibility to win in a disproportionate confrontation, they *negotiate* their fate in a manner which provided a limited independence which couldn't been found in neighboring societies, in this part of the world.

Always Romanians have preserved the dualism of possibilities: almost permanently East and West options have coexisted (Maliţa, 2010); they have only been chosen with different accent in main strategies aimed in Romanian politics of survival.

A great part of Romanians' soul is mutilated if one Romanian is moved totally in East or West, by the part of his spirituality specific to that place where he moved, annihilating the synthetic peculiarity of his soul. As Stăniloae (2004) put it, Romanian soul maintains itself *between East and West*.

Together with Roman inheritance, Romanians received Greek and Eastern Orthodoxy influences, while Slavic element is presented in language and religion, too.

But for the main trait of Romanian character, there is a geographical key-element: Joja (1967) indicates that it is the *forest*. it has had a capital and a protective role in the development of Romanian national character. Being at the crossroads of greater powers, Romanians have seen in *forest* the natural element which could protect them in face of invaders. They *dispersed* in small units, run in mountains and forests, rising in this way their chance for survival. Looking at great nomadic migrations during history, we could observe their fading fate in Romanian territories; Celts, Avars, Cumans, Pecenegs, Goths, Huns, Tatars, all crossed through present day Romanian territory, but their influence could be considered only with small importance. What is important connected with Romanian geography and great invasion is that Romanians learned to avoid open battle with a superior enemy, to disperse in small units under the protection of natural elements (forests and mountains), and to wait for a moment in which their interests could be achieved quite suddenly.

Geography made Romanians to think in long time perspectives; to be resilient and patient (to the level of total muteness), only to size opportunity which suddenly could appear, in order to promote their interests.

Geographical context made Romanians to develop an active adaptability, which has a

different meaning and is different from acceptability. But starting with the 16-th century, Romanians have developed a transactional mentality, which corrupted Romanian ancient traditions, creating an agglomeration of shameful behaviors, the Romanians' diplomatic and political sense being "materialized in unending transactions for forgiveness and presents." Theodorescu (in Maliţa, 2001: 221).

2.2. History

There are different ways to look at history, and to understand it; the most spectacular one has to do with a heroic presentation, wars, migrations and social revolutions being nodal points for description. Others focus on diplomatic negotiations and treaties concluded between nations or states. Of course one can envisage history as a civilization process, technical innovations being presented through their social, economic and political implications. One could tale humankind history using the history of philosophical ideas... And why not, one can see humankind history through the lens of illness and plagues; there is even a book written by McNeill (1976), which looks at humankind through the lens of plagues and diseases.

After Roman Empire retreated from present Romanian territory, it was for a millennia crossed by different peoples which came especially from Asia. During this long span of time Romanians dispersed in quite small groups and lived discreetly in forests and mountains. From the beginning of the 14-th century both Moldavia and Wallachia started to find proper solution for their survival. The historical context was always dominated by the interaction between a small power and a bigger one, and the strategy adopted by Romanian searched to *avoid* direct confrontation between deployed armies. The objective was always to stop the enemy to meet on its terms, while forbidding the deployment of its army. It is a war based on the principle aimed at winning the war without direct man-to-man combat. The second point on military strategy was to use nature and environment and to concentrate all available forces in one geographical spot where they hit the paralyzed enemy due to his unfavourable condition; in that moment he could not be able to deploy his army (mountain-straits, deep forests, thin bridges, swamps; while fog or night were valuable allays, too), lost that position, and almost always was beaten, and retreated.

It is a strategy specific to asymmetric war, where small confronts the more powerful using tactics of *erosion*, both physical and psychological, during a long way until the final battle takes place, but on terms established by smaller power. There are, as Maliţa shows (2010) three points to follow in this case: avoiding direct confrontation under the condition of greater army deployment, pressing this great army to follow the smaller one through long and dangerous journeys, eroding it continuously, and attraction the greater army in unfavorable places, where it could be decisively hit. More than two centuries in Romanian history, until Romanian countries *negotiated* the peace with the Turks and paid tribute, were characterized by this type of action.

After their consolidation, Turks started to come and press Wallachia and Moldavia, and after some two centuries both of them *negotiated* and paid tribute to the occupants. But they have always kept open the contacts in Western Europe with Catholic countries, hoping to gain a coalition to stop Turkish march to the West. Again here is evident the pendulum movement between East and West…

Anyway, contrary to all their neighbors which were directly administrated by the Turks, Romanian countries only paid tribute and depended in a limited way on Turks. In this context, it can be underscored here the deep desire or Romanians for *independence*. An attitude reflected in their behavior: they do not like *associations*, and are not well attuned to bourgeoisie society's characteristics. They are as simple and discrete as peasants could be…

There is a remarkable distinction among Romanians coming from the three dominant regions, too; during time they were influenced by different winds and their survival in all

these regions means quite different acting.
While people from Wallachia are prone to tradition, where people love picturesque, Moldavian is characterized by a more aristocratic spirit, open to western thought and to its ideas and open to foreign influences. In Transylvania Romanians had to do with different menaces: there Turks, here Hungarians and Austrians. Continuous discrimination, religion changing, totally dependence were the main pillars of Hungarian policy, while Wien pressed upon the last two. In this context, there appears a remarkable Transylvanian resilience, a sustainable stubbornness, and a preference for *long term strategy*. Transylvanians like to depart from criticism, but they embrace the constructive critic. From these historical traits appear the characteristics of *skepticism*, self-control and dignity peculiar to Transylvanian man. He is much quiet than his trans-Carpathian brothers, and looking foolish, has the quality of dissimulation when facing an invader. Quietness and patience are qualities necessary to a diplomatist as Nicolson put it (1955), and Transylvanian man come to complete the picture of trans-Carpathian Moldavians which excel in art, culture and the love for life, and Wallachians which are prone to diplomatic art and innovation (Maliţa, 2010).

2.3. Culture, Language and Religion

Romanian language belongs to Latin languages spoken without interruption in the Eastern part of Roman Empire, marking an evolution of Latin language. It was a popular language for centuries, while the official language was Latin in Transylvania, and Slavic in trans-Carpathian regions. But "the strong popular root provided the construction of Romanian language" (Maliţa, 2010: 99), gaining a wealthy nuanced character, a taste for metaphor; the language's evolution is directly linked with the historical evolution: Romanians haven't accepted the idea to borrow languages. Foreign languages didn't become a vehicle for foreign penetration; Romanians partially accepted foreign influences, not through *adoption*, but through *adaptation*. They made here as in case of war and diplomacy: they accepted the inevitable, through changing its direction, maintaining a degree of freedom. As such, language was an element of connection among Romanians. But this peculiarity can be recognized in the manner which they negotiate; they try to change an agenda they receive (or some part of it)…
Eastern Christianity dominate Romanians' soul; orthodoxy is the main religion of the country and it has been the element which kept Romanian united over centuries, even they haven't had a national state. Caught between Eastern and Western influences, Romanian churches reflect Romanian architectural talent. If Russian tend to expand the horizontal dimension of their churches, and Western world strife to higher horizons (as could easy be seen in churches of gothic style), Romanian churches are filled by a greater equilibrium between horizontal and vertical dimensions (Blaga, 2011: 168). Romanian orthodoxy connects the world from inside the church and the outside world (Maliţa, 2010: 103).
There is identifiable a Romanian *humanism* connected to the ancient one and to the European one, while for Romanians, the Church represents the *life*. And even if it had been Slavic or Greek, or had belonged to those orientations, Romanian church would have provided the *unity* as a base for durability and sustainability. It provided a *Sofianic* view making Romanians trustful in transcend world coming down and helping them, transforming history in this nation's ally.
All these cultural traits created the base for a *free imagination*, a *limited acceptance* doubled by an active adaptation (not adoption), departing Romanian soul from exaggeration, extreme positions or exacerbation. In this way the souls of traditional Romanian love equilibrium, while in skills developed a taste for an art deep and fine full, art; aspects which one can find easily in traditional Romanian's behavior. He is equilibrate and with measure.
The Byzantium – and through it – orthodoxy confirms the main Eastern character of

Romanian history, while French Revolution and Western way started a new orientation in Romanian thought, striving for modernization. Since then Romanian soul has never renounced to the two options: East and West. They have coexisted, varying only in their predominance in a peculiar historical context. This fact is underscored by Caragiale, which appreciates "the unbroken power of Romanians to assimilate" (in Maliţa, 2010: 180). But Romanians love picturesque and nature, they love a free life which only the connection to nature could provide (Blaga, 2011: 245; 248). This trait gives Romanian a taste for independence of the individual, associations being a quite strange thing to him. The way Romanian villages and their houses are built speaks for itself: between neighboring houses, there is a space, a garden where grass or trees are present, proofs of spontaneity (Blaga, 2011: 247).

Being located at the crossroads of cultures and strong influences, and assimilating from all of them, Romanians can be presented synthetically as being stubborn, (sometimes impulsive, depending the Romanian regions where they belong to), strong will, but with a changing nature; they have to be very courageous, pushed by the desire of freedom to such a measure that they hardly could be united around a common goal. But they are *intelligent and tenacious* (Maliţa, 2010: 185), and *patient* (Călinescu, 1982) but they will not fight to the death to change the trend of events. He will rather try in a discrete manner to change, but not to *force* the configuration of something (Blaga, 2011: 249), even its history.

Having these geographical, historical and cultural traits there can be said that Romanians are, starting with the 16-th century as Theodorescu (in Maliţa, 2010: 223) "skeptical, have a metaphysic inclination, depart from canonizations and heresy, manifest prudence, ingenuity, tolerance, individualism, adaptability (with good and bad, too), dissimulation", while transactional spirit which started to penetrate Romanian soul after 1550 is a departing from traditional ancient Romanian values, a degradation, an agglomeration of low dignity attitudes, making the Romanian negotiating and political style a transactional activity for forgiveness and paybacks (Theodorescu, in Maliţa, 2010: 224).

3. Yes! There is a peculiar Romanian negotiating style.

After the presentation of these geographical, historical and cultural influences, there can be identified a peculiar type of thinking, acting, and *negotiating* of a Romanian, which is quite different from those of other peoples belonging to different nations. They are put shortly as follows: (Maliţa, 2010: 254-284).

Romanian avoid direct confrontation, prefering to postpone as much as possible a final and a decissive use of confrontational position. While, there is a preference for *neutrality*, for middle way, avoiding extreme attitudes and positions. It is a peculiarity which springs from geographical and historical reasons. Being between East and West, Romanians prefer *and-and* position, avoiding the *or-or* one; they have felt well in saddle-position between East and West.

Furthermore, Romanians can work with inseparable contradictory points, while they care little about extreme positions. They run away from extreme positions, preferring middle and reasonable intermediate points. They are not used to work with binary solution (white/black; yes/no; good/bad), but prefer intermediate solution looking for a solution situated between extreme positions.

In the same time, Romanians have a great active adaptability – proper to Romanian way of thinking – accepting partners, winning friends, and having an open attitude for other people sharing different religions and having different ethnical roots, while sharing the same geographical space.

Finally, Romanian doesn't accept any situation which is offered to him, or is imposed upon him. *He doesn't tell yes or no, adopting a position* like "yes, *but*, or no, *but*". He is not disturbed by contradiction because he is used to work with East and West. He is not

attracted by strategies which are focused on other's dissolution (or disappearance/destruction), preferring to tell always *and/and*, and not *or/or*.
That for Romanian man and *Romanian negotiator* cannot be stigmatized as pessimist or optimist, sharing his feeling, or concealing them, lazy or work inclined person. *He is always both of them*.
He likes to think on long term aspects, while he develops a taste for predictions and prognosis.
Face to face with his fellows, a Romanian is open and shows a great deal of hospitability, while he maintains a covered suspicion concerning his interlocutor.
And finally, it is much harder to start him, while he's easier to be stopped. He prefers to postpone a decision, he has a nuanced attitude, prefers to speak indirectly, he's moderated, he is more intuitive than rational, prefers long term strategy instead a short term one, works slowly, is suspicious, while avoiding showdown through a discrete attitude, and being inclined to speculation, he's more preoccupied with what is hidden than with what is heard and seen. And he prefers to adopt an expectative position, not an active one.

In conclusion

As in other people and nations case, there is a peculiar Romanian behavior and negotiating style. They are rooted in actions that were taken during history by people living present day Romanian territory and the way they faced bigger enemies. They proved to be a hard to swallow pray, a peculiarity to be met in Romanian negotiator try to handle the agenda which is imposed upon him. With strong and weak points Romanian negotiations style is a reality and knowing and understanding it is a useful tool in handling with Romanians. It is important both for Romanians as such, and for foreigners, too.

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REPUTATION IN THE CREATION OF VALUE FOR STAKEHOLDERS

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Abstract: *This study aims to describe ways of identifying the principles of responsible management that allow a more meaningful understanding of the behavior of modern corporations. This helps to grow the reputation of the firm. Sometimes the legal, business and reputation risks are great for companies engaging in practices deemed unacceptable. Socially responsible behaviors can increase a company's value in that they can increase the degree of confidence of the various stakeholders and the level of reputation. The analysis of the international literature will be accompanied by the results obtained from empirical research about the reputation of the Italian companies. The firm's needs to consider and satisfy in a balanced way the needs and interests of all stakeholders had already been amply highlighted by economists belonging to the behaviorist school. In this sense the creation of value, a typical goal of stockholders, should be considered in the process of optimizing an objective function that is larger and more complex, resulting from a "political compromise" regarding the aims of the different classes of stakeholders. In particular, this function must be compatible with the needs of the external environment, taking into account the influence of cultural roots in a context of Corporate Social Responsibility (CSR). The presence of conflicting interests, both inside and outside of the company, creates the possibility for conflicts between groups; profit depends on the extent to which these groups are satisfied with the conflicting interests and with how internal and external conflict resolution takes place. This deep integration between the interests of shareholders and those of other stakeholders occurs when the company assumes an increasingly important role, particularly in local communities in support of the social and occupational context, while also indicating the increasingly strong influence of the corporate image and reputation, which inevitably reflects the choices of investors and consumers above all, as well as those of all other stakeholders.*

Keywords: Corporate Social Responsibility; Creation of Value; Reputation; Stakeholder

Jel code: M14; M16

1. Introduction and literature review.

The financial crisis that first hit the United States and subsequently European countries, along with the numerous scandals of recent years, the corruption of managers, and fraudulent financial statements, have necessitated an ever deeper integration between the objective of shareholder value and the practices of CSR (Jones, Nisbet, 2011).
The reasons for this deep integration between the interests of shareholders and those of other stakeholders are revealed not only if the company assumes increasingly important connotations, particularly in local communities to ensure the social (Doh, Guay, 2006) and occupational context, but also by the increasingly strong influence of the corporate reputation that inevitably reflects the choices of investors and consumers in the first place and those of all other stakeholders.
The concept of corporation reputation as described by Fombrun (1996, p. 36) is based on "the set of values and principles employees and managers associate with the company". He observed that organizations doing a good job managing their corporate reputations

stressed the following factors:

- distinctiveness: firms occupied a distinct place in the views of stakeholders;
- focus: firms emphasized a core strategy;
- consistency: firms were consistent in their communications with all stakeholders;
- identity: firms were seen as genuine by stakeholders;
- transparency: firms were seen as open and forthright in going about their business.

Another study shows that corporate reputation has two components: sympathy, emotional identification, and liking with competence, the quality of services and products delivered (MacMillan et al., 2005). Zyglidoupoulos (2001, p.418) defines it "as the set of knowledge and emotions held by various stakeholder groups concerning aspect of a firm and its activities." Bromley (2002) and Sandberg (2002) viewed reputation as a socially shared impression and a consensus about how a firm will behave in any given situation. Corporate reputation also is: observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time (Barnett et al., 2006, p.34). Corporate identity results from assessments to an organization, though insiders can be aware of how outsiders perceive their organization (Bartel et al., 2007; Bouchikhi and Kimberly,.2008; Deephouse and Carter, 2005).

Earle (2009) distinguishes between trust and confidence in an organization. *Trust* is social and relational; *confidence* is instrumental and calculative. He defines trust as the willingness, based on shared values such as morality, benevolence, integrity, inferred traits and intentions, fairness and caring. Trust is relational. Confidence is the belief, based on past performance and experience or evidence of an organization. Corporate reputations have many aspects and vary with different stakeholder groups. There are strong reasons to believe that corporate reputation drives business success. Companies have to adopt social responsibility (Brammer and Pavelin, 2006; Fombrun, 2005; Andriof and Waddock, 2002) which act as a key attribute to evaluate the company reputation. Schnietz and Epstein (2005) have identified reputation as antecedent of social responsibility. Lindgreen and Swaen (2005) argue that issues relating to responsibility are embedded within the functional relationships that underpin business activities.

This research generally finds clear empirical evidence for a positive relationship between creation of value and reputation. There are many works that evidence a positive relationship between CSR and financial performance and, in some cases, a positive relationship between reputation measures and financial performance (Stuebs, Sun 2011). Beurden and Gossling (2008), support a positive correlation between CSR and financial performance., in sixty eight percent of the studies reviewed, for example, they find this correlation. Thus, empirical evidence reveals that being socially responsible can bring benefits to companies reputation although the nature of the relationship between CSR and performance is still somewhat unclear (McWilliams and Siegel, 2001, Porter and Kramer, 2006, Harrison and Freeman, 1999, Smith, 2003). Servaes and Tamayo (2013) argue that CSR activities have a negligible or negative impact on firm value for firms with low advertising intensity, which suggests that for these firms the costs sometimes outweigh the benefits. Conversely, they find a positive impact for firms with high advertising intensity. However, they show that the positive impact of advertising intensity reverses for firms with a poor prior reputation for being responsible citizens. The voluntarily actions of a company help them to develop reputation. The study recommends that companies should incorporate CSR into their strategic decision making process in order to build good reputation (Ali and Ali 2011) and increase their financial performances (Gazzola, 2014a).

This study is focused on the building of reputation (Weiserand Zadek 2001) for the creation of value. The authors predominantly use methods of qualitative research.

The research is based on the theoretical framework that supports a thesis of their positive relationship between reputation and creation of value. The authors describe and synthesize, the dynamics and the evolution of the creation of value and the reputation (Gazzola, 2006). Many researchers have concluded that it is generally positive, depending

on which measures of financial performance are used. At the same time, corporate reputation is considered as a key mediator in the relationship between a firm's CSR and financial performance (Neda 2011).
The research adopts the view of the best practices illustrated. This view may enable the firm to identify and exploit new opportunities (Carroll and Shabana, 2010). The main contribution of this line of research is to explain the important relation between the reputation and creation of value.

2. The integration between CSR and creation of value

The integration between the objective of the creation of value and CSR is an unavoidable process, typical of the modern economies, resulting from the interconnection between internal goals of the enterprise and the outcome to the environment. This integration testifies to the profound change in the logic of the firm which has occurred during the last one hundred and fifty years.
The capitalist enterprises, understood as autonomous organizations for production, which are financed by shareholders with equity, and by debt, has ancient origins, and its spread can be traced back even before the start of the Industrial Revolution in 1750. In the traditional literature capitalist firms are, strictly speaking, business profit-oriented organizations that are conceived of as systems for the creation of economic and financial value for their shareholders (Mella, 2007). Their performance – based on profit and the value of capital – is measured by a system of monetary values.
For the production of value, capitalist firms must carry out five parallel transformations (Mella, 2005):

- a *productive transformation* of factors into production, governed by productivity and by quality;
- an *economic transformation* of costs and revenues into operating income, governed by prices and therefore by the market;
- a *financial transformation* of capital into returns;
- an *entrepreneurial transformation* of information into strategies;
- a *managerial* (organizational) *transformation* of strategies into actions of management control.

The success of the capitalistic firm in producing economic value depends on the capability of the entrepreneur, together with his management, and should be based on these rules:

- create a dynamic portfolio of businesses along a virtuous path from “question mark” to “cash cow” businesses by means of an effective entrepreneurial function;
- regarding decisions to start up or continue businesses, it is necessary to take into account their economic efficiency, the amount of capital invested for their start up, and the sources of available financing;
- achieve the maximum exploitation of the present market and expand toward new markets in order to increase the firms’ production volume, QP, and increase as much as possible the selling price, pP, through an efficient marketing function;
- maximize the productive efficiency of the production transformation, by contracting the unit factor requirements, qF, while expanding the *quality* of products by means of an efficient production function, thereby increasing *productivity*;
- reduce the average factor prices, pF, through an efficient supply function which searches for supply markets where the factors have a higher quality and lower purchase prices.

The production of value does not exclusively benefit the shareholders but instead concerns a vast group of stakeholders. The Industrial Revolution gave rise to large production firms with substantial flows of goods. These firms required large plants with a substantial productive capacity and high specialization. The large amounts of capital were provided by individuals or families, or raised through significant amounts of self-financing, thereby giving rise to typically family-run businesses belonging to a capitalist-family head or a

family. The large size of the plants required a large amount of capital, and their specialization made it impossible to shut down the plants short of selling the entire enterprise, with its factories, warehouses and clientele. Precisely because it was not possible to recover the invested capital, the maximum objective of the capitalist-family head was, on the one hand, to obtain the maximum flow of profits, and on the other to maximize the size of the enterprise through monopolistic policies.
The creation of the corporation, through the issuing of shares, was the means of resolving the problem of recovering the capital supplied by the entrepreneur-family head, through the increase of equity to non-industrial third party savers.
In this context, in the years following the First World War, high-level professional managers became more common in corporations; these managers were directly appointed and charged with managing the invested capital (with the obligation to issue periodic financial statements) provided by the shareholders meeting together in an assembly. The managers-administrators gradually gained more control over the corporation's management, leaving to the capitalist-family head the ownership of the capital and the final periodic control of the activities of the administrators, who were charged with producing profit.
In the large corporations there was a clear separation between management and the ownership of capital. This phenomenon was studied by Adolf Berle and Gardiner Means already back in the 1930s. In their well-known book, *The Modern Corporation and Private Property* (1932), they analyzed in depth the separation between ownership and control, a phenomenon which "... *has destroyed the unity that we commonly call property - has divided ownership into nominal ownership and the power formerly joined to it. Thereby the corporation has changed the nature of the profit-seeking enterprise*." (p. 130). The separation between management and ownership also changed the views about the firm's objectives. Profit gave way to return, that is, profit in relation to the capital needed to produce it. *Return on equity* (roe) replaced income in all calculations of the provider of equity. In this new context, the legal form of the corporation – which rapidly spread in all industrialized countries as an instrument for raising equity through the stock exchange – made it clear that the value, or price, of shares was simply derived from the discounted value of the corporation's dividends, which in turn depended on the level of *roe* that could be produced by the company over a more or less extended period in the future.
The enterprise, as a company, no longer had its own objective. Instead, the objectives were transferred to the managers-administrators, who had to achieve the maximum shareholder value by maximizing the return on equity, bringing the latter to a level greater than that of the return expected by the investor. In this way the stock market value and the company's capitalization would be maximized, in the manner set out by Copeland, Koller and Murrin (1996), which is shown in fig. 1.
From the legal point of view the shareholders are the owners of the company; however, "agency theory" (Jensen, Meckling, 1976) states that the manager-administrator should act in the interests of the shareholders (and thus be their "agent"). As a result the value created by the firm belongs to the shareholder. Managers who do not act in the interests of the shareholders must be replaced following the rejection of the balance sheet of the company they manage.
The managers of large corporations use every strategy imaginable to maximize *shareholder value*, since they are deemed "capable of managing"; they are kept on and paid as long as the shareholders are satisfied with the periodic dividends and the increase in value of their shares.

3. The shareholders' and the stakeholders' interests

Clearly the management of the value-producing firm, which strictly follows the principle of *corporate economic rationality*, tends to distinguish between the financial interests of *shareholders* and the non-financial interests of the other *stakeholders.* Companies

constitute the economic, social and political “fabric”, and their management becomes closely linked to all the outside actors, since the internal processes are intrinsically connected to the outside environmental processes. The creation of a shared and efficient network of relations among the firm and its environment of reference becomes the condition for the production of value. Thus, management cannot limit itself only to pursuing the interests of the shareholders but must seek consensus from the local, national and international stakeholders, involving these social entities that, in order to advance their non-financial interests, impose constraints and conditions on the corporation’s activities.

Recognizing that the activities of corporations have a growing social, ecological and ethical impact, and that the CSR principle represents the necessary integration between the internal management of the firm, and the management of the outside environment Keith Davis (1975) proposes five interpretative points regarding CSR:

- Social responsibility derives from social power.
- The firm is an open system in two ways: in receives inputs from society and provides results to society from its activities.
- The social costs and benefits of all business activities must be carefully calculated and valued in order to decide whether or not it is socially useful to engage in such activities.
- The social costs of each activity must be borne (in some form) by the clients.
- Firms, as social institutions and also as citizens, have the responsibility of facing social problems (which can be solved with the help of their experience) even if these lie outside their normal sphere of activity.

McGuire and Sundgren (1988) believe there is a physiological link between the production of shareholder value and CSR, a link that management must recognize and transform into constraints and opportunities, thereby joining the satisfaction of shareholders to the needs of all the other stakeholders.

In Europe the practice of considering ethics and profit in contrast with each other was widespread, and the goal of creating value justified the use of non-ethically valuable “means”. It was therefore accepted that a business management oriented toward corporate efficiency could produce negative effects of a social nature.

In recent years the opinion has grown that each firm has a value based on what it brings to its own environment, with which it forms a system of mutual advantages and disadvantages (Michaelson, 2010). Companies in an environment of increasingly tighter social and political connections (Scherer, Palazzo, 2007), are no longer considered only production systems of financial and economic values, but should be viewed as actors and motors that are responsible for the environmental development and as such can produce environmental and social value as a condition for producing an internal development sustainable with the environment.

This new concept leads to the formation and consolidation of the notion of the reputation of the firm as a social actor that expresses the degree to which the firm integrates its economic-financial strategies with environmental requirements, assuming a concrete CSR, as "the responsibility of enterprises for their impacts on society"(European Commission, 2011).

In this context of an interchange of relations between enterprises and their environment, greater attention to meeting the expectations of stakeholders is necessary for the success of the enterprise in facing new challenges:

- the process of globalization (Scherer, Palazzo, 2008) involves undertaking new responsibilities for the evolution of the economies of poor countries;
- the company's reputation is inextricably linked to its environmental policy;
- the social awareness of consumers has grown and is increasingly attentive to ethical behaviour and values promoted by the companies;
- the weight given by the respect for human rights and labour rights imposes new constraints in human resource management throughout the supply chain;
- the growing importance of human capital underlines the need for personnel policies to

enhance employees (Gazzola, 2014b);
- the unification of financial markets calls for increasing levels of fairness and transparency.

4. Reputation and creation of value in the Italian companies

The maximization of the performance of the stakeholders and all forms of value consumed, managed and generated by the company, implies the passage from the traditional notion of value created for shareholders to the sustainable value for the social, political and physical environment (Elkington, Fennell, 1998).

The creation of value must be a process compatible with the needs of the environment (Mella, Gazzola, 2005) and involve the optimization of a complex objective function, which results from a political compromise of the different needs and interests of all stakeholders who refer to it, as has already been amply highlighted by economists belonging to the behaviourist school (Simon, 1961; Cyert, March, 1955). The opposing interests regarding the distribution of the value added can affect both the definition of the characteristics of production and the relationship with customers, workers, suppliers and lenders.

The increasing attention paid by companies to achieving development and business continuity in the environment in which they operate (Moon, 2007), protecting the labour and human needs and ensuring client satisfaction as well as the expectations of all social actors (Post, Preston, Sachs, 2002), led to the adoption of behaviour consistent with the system of ethical and social values and the development of methods of information and external communication highlighting the commitments made and results achieved.

Companies, following the affirmation of stakeholder theory (Freeman, 1984), have had to redefine their competitive strategies and how they manage social and environmental issues as assessed by shareholders and judgment of legitimation of new groups of stakeholders. Consequently, communication with the outside world represents an important opportunity for the company to increase its social acceptability and to offer its point of view as understandable as possible, objective and verifiable.

Reputation Institute (2014) has analyzed 100 Italian companies and 10 thousand consumers interviewed: BMW out on top as the most socially responsible company, followed by, Ferrero, Luxotiica, Volkswagen, Giorgio Armani, Barilla, Michelin, De Longhi, Mediaworld, Deagostini (figure 1). The opinion of Italian about the willingness to purchase for consumers are: in top 10 companies 70% and in the bottom 10 companies 25%.

BMW Group is the most socially responsible company and it is in the first place also of global CSR reputation 2015. For BMW Group is essential to communicate to various stakeholders what the company is doing as a good corporate citizen. Their job as communicators is to create platforms or channels which promote contact not only with their products, but also with experts within the company. In short, business is people. And even though they have the great tools of internet and social media, face-to-face interaction is an integral component in maintaining a strong corporate reputation.

Ferrero is the second and it is in place n. 20 of global CSR reputation. Chain sustainability forms an important focus for Italian family-owned company. Ferrero's CSR strategy is based on four pillars: the products, the Ferrero Foundation with its basis in the Italian town of Alba, Ferrero's Social Enterprises in South Africa, Cameroon and India, and the company's own international Kinder+Sport programme which promotes an active lifestyle among young people.

Luxottica think that the success depends on the well-being of their people, their communities, and the natural world. That’s why their responsible business approach is based on innovation and respect for people and for the environment.



Figure 1: Italian companies with the best reputation
Source: Reputation Institute, 2014

5. Conclusions

It is a common belief that the creation of shareholder value cannot be the first and only goal of the company, and that shareholder interests should be combined with those of other stakeholders so as not to create imbalances and subsequent questioning of the management. The research shows the tendency to integrate the values and principles of CSR with the objectives of profit and value creation for shareholders. Whereas the ultimate goal for the survival of the enterprise is to create value, the processes that generate this must be sustainable, which means the long-term involvement and satisfactory remuneration of the various stakeholders, who give resources to the functional long-term success of the organization. Therefore, these processes should enhance and strengthen the firm-environment relationships, ensuring their sustainability. You could say that sustainability of a company depends on the sustainability of its relations with stakeholders. We speak of sustainable value for sustainable relationships, best described as stakeholder value (Figge, Schaltegger, 2000; Freeman, Harrison, Wicks, 2007).

CSR becomes a structural dimension of firms, which, in achieving their typical production mission, inevitably exert an influence on a variety of subjects, creating or destroying value for each of them. However the biggest problem is finding a balance between the different interests without undermining the ability of the firm to attract capital resources and professionally prepared human resources.

The results suggest that more socially responsible firms possess better corporate reputations. The study demonstrates that CSR improves reputation and than create value. Having a good reputation can drive business success in the long-term. Losing reputation creates an obstacle to this success. There is the growing realisation that reputation is a long-term asset that requires strategic thinking in order to drive real value for shareholders.

In conclusion, our opinion regarding the need for the integration between reputation and creation of value has, in recent years, been strengthened, and we feel that this integration can also be improved by adopting new techniques and strategies for performance management. If, on the one hand, the management methods could be improved by making them more effective and associated with integration, on the other they might increase the level of corporate social and environmental responsibility by involving to a greater extent the interested parties and by adopting involvement strategies (stakeholder involvement strategy) in addition to the strategies already traditionally adopted in the dialogue with the stakeholders.

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THE INTERNATIONALIZATION OF THE RENMINBI: DETERMINANTS, COSTS, BENEFITS, OBSTACLES. AN OVERVIEW

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Abstract: *China has faced spectacular economic growth in the last three decades in terms of GDP and international trade. The policy initiatives of the government to internationalize the currency and the increasing importance of Chinese economy at global level have pushed the Renminbi (RMB) on the international stage and have raised its prospect as an international currency. Moreover, the importance of RMB has become one of the most debated issues in the global financial system in the last decades, even if RMB convertibility has not made possible until recently the discussion, being considered a prerequisite for capital account liberalization. The growing interest in the internationalization of RMB has been appreciating recently, partly due to slow progress of regional financial cooperation and international financial reforms. The international status of currencies is the main feature of international monetary system, shaping the world economic and political system, thus influencing and conduct the international relations. In these circumstances, the attractiveness of Renminbi has been increasing constantly, mainly due to its economic and political involvement, both to China and to international monetary system. The growing interest in the internationalization of RMB has been appreciating recently, partly due to slow progress of regional financial cooperation and international financial reforms. Some argue that RMB is already on the brink to become an international currency, others argue that international market don't accept it very easy due to China's underdeveloped financial system, rigid monetary policy instruments and mechanisms, weak control over capital account and inefficient legal system This paper aims to review the relevant literature in the field to emphasize the importance of the internationalization process of Renminbi in the context of increased elements of costs, benefits and obstacles, but also economic and political determinants of this phenomenon, along with advised opinions about the future of the international monetary system.*

Keywords: Renminbi, internationalization, international currency, capital current account

JEL classification: F13, F21, F33, F36, F65, G21, G23

1. Introduction

The development of emerging markets has been more than evident not only by increasing their share in global GDP or through their indicators of macroeconomic stability, but also through the stability of their currencies in the last decade. This paradigm shift has given credibility to the competition to United States and USD, but also to EU and EUR.
Introduced in 1949, the importance of RMB at regional level gained momentum in 1970's and has been underlined by the used fixed exchange rate system, RMB being pegged to the US dollar at the rate of 8.28 RMB/USD in the period 1997-2005. In 2005, the Chinese central bank adopted a floating exchange rate system, but returned in 2008 to a fixed one as a response to the global financial crisis, and in 2010 allowed again a floating exchange rate system. The Chinese government took an important decision in 2008, after the economic crisis started to show its effects, especially in the direction of promoting the

international used of RMB. There is a growing interest in the internationalization of RMB, the currency potential being stressed not only by its importance in regional trade and financial transactions, but also by its potential importance in international transactions. The most important factors that are associated with the RMB internationalization are considered to be: government support, increased economic activity and expectations regarding RMB appreciation.
Recent studies underline the importance of this phenomenon and the challenge that rises at global level (Subbachi, 2010, Eichengreen, 2011, Shahidul and Bashar, 2012, Chey, 2013, Zhang, 2013, Eichengreen and Kawai, 2014), but there are, also, critic views that show more negative aspects of it, relying more on the destabilization of the financial system, already shaky after the recent economic crisis (Gao and Yu, 2011, Vallée, 2012, Hwang, 2013, Cheung, 2014, Yu, 2014).

2. Assumptions about the internationalization of RMB

The scientific and technical progress, mainly the development of information and communication technologies, has facilitated the emergence of a multipolar currency system. But what do we understand by internationalization of a currency? First of all, an international currency is usually defined as a currency that is used elsewhere beyond its home country (Chey, 2013). Second of all, the currency has to be used outside the country as a medium of exchange, unit of account and a store of value.
As a medium of exchange, the currency is officially used as a foreign exchange market intervention currency, and is privately used to settle international economic transactions.
For RMB function as a medium of exchange, the government began to sign swap agreements with other countries at regional level under the Chiang Mai initiative, which appeared after the Asian financial crisis in order to improve future financial stability. As a result, RMB started to be used as a vehicle currency and as a denominating currency in the issuance of Asian bonds. This is considered the first step of the RMB internationalization process (Eichengreen and Kawai, 2013). In July 2009, the Chinese government launched a pilot program that allowed the regional use of RMB in trade settlement. Since then, over 80% of trade settlements have been in Hong Kong.
At the private level, the Chinese government allowed the use of RMB by companies in trade and financial transactions at international level, in part replacing the transactions in USD or JPY (Gao and Yu, 2011). Although these transactions have grown exponentially, most are based on transactions invoiced in USD or JPY, so the RMB is not used quite as in international currency, but rather a regional one. In Mongolia, over 60% of the transactions are in RMB, in South Korea the RMB is accepted for payments in restaurants and in shops, in Hong Kong is the second most used currency after the Hong Kong dollar.
As a unit of account, the currency is officially used as an anchor to which governments peg their currencies, and is privately used to denominate international economic transactions. USD had the most important role at first at Asian regional level, and then JPY gained momentum because of the inflexibility of the Chinese exchange rate. However, with exchange rate flexibility in place, RMB became one of the anchors of other currency's exchange rate. But how to promote RMB in being used as invoicing currency in trade transactions has not been yet defined in a credible way (Yu, 2014).
As a store of value, the currency is officially used as a reserve currency, and is privately used as an investment asset. The second step of RMB internationalization was the development of the offshore currency market in Hong Kong in 2004, which allowed China to encourage RMB deposits for non-residents, given the limited size and immaturity of the Chinese domestic bond market.
The development of bond market is important for the internationalization process, RMB denominated bonds being called dim sum bonds in Hong Kong, but this activity remains small in absolute terms. Only in 2010 the transactions on the offshore market started to

relax, allowing the appreciation of RMB on the market as a currency trading vehicle (Subbachi and Huang, 2013).
At official level, some central banks have started to hold RMB as part of their foreign exchange reserves, increasing the significance of RMB as an international currency. However, this activity remains low because the currency is not yet fully convertible at the capital account level, while RMB denominated assets are still in low number at global level.

2.1. Economic circumstances of RMB internationalization

China has shown one of the best economic performances in the last three decades, trying to align the traditional socialist culture to the dynamics of a new economic system. It recognizes the importance of private companies in the country's welfare. Private companies share over 50% of GDP, have created over 80% of the jobs and have provided over 80% of new goods in mainland China. However, the legal system for private sector remains weak, not transparent and arbitrary implemented, while foreign investments remain the subject of government restrictions.
The Chinese government plans are important in the RMB internationalization process, but this is not the only push factor that ensures its success. The internationalization of a currency is a complex process and it is influenced by many factors, mostly economic ones. Economists agreed about the fact that economic factors can be grouped into two main categories (Chey, 2012): confidence and convenience.
Confidence is important because it creates the premises of the currency stability. Pit can be affected by non-coherent fiscal and monetary policies, the current account deficit or the lack of a sound financial system. Convenience is important too because it is related to important economic transactions in that currency, along with setting the trade networks and financial stability worldwide. It can be affected by inertia and path dependence in international relations.
The five-year governmental plan for 2011-2015 has counted on specific measures to increase domestic demand, reflecting the Chinese government's desire to improve their own economic development model. Even China admits that its development model, based on extensive exports and investments, need to focus more on domestic consumption and on the development of a strong financial system in order to meet its challenges due to the exposure to financial risks that are associated to the status of an international currency.
Although the efforts in the direction of RMB internationalization started in 2008, in 2006 there were voices that claimed at political meetings that it was the time to start the process and to defend it at international level (Huang et al, 2014). The effects of this policy refers to increasing the competitiveness of Chinese economy at international level by increasing the international used of RMB in international trade and financial transactions, along with the convertibility in the current account, that allows greater mobility of RMB denominated capital instruments and an increase in confidence possession of assets by non-resident economic agents.
There are many who argue that capital account liberalization is a pre-requisite of RMB internationalization. The capital account transactions cover international transactions deriving from foreign direct investments into capital accounts (Zhang, 2013). This process has already being developing for three decades, but some economic sectors are strictly regulated and inaccessible to foreign economic agents, such as RMB denominated assets and bonds. A strong international currency must be backed by a strong financial market, free and accessible to foreign economic agents, sufficiently liquid and characterized by stability, equipped with efficient tools for risk diversification. To achieve this task, the Chinese government needs to liberalize its capital account in order to allow free movement of capital flows across borders (Huang et al, 2014). There are other economists who argue that capital account liberalization is far from being a pre-requisite of the internationalization process of a currency, because promoting offshore markets lead to internationalization of currency itself, allowing the country to have control over its capital account (He and

McCauley, 2010). Once a currency become international, the capital account restrictions do not lead to a decline in its value or status (Zhang, 2013). Best examples in this sense are GBP and USD. During World War I, Bank of England issued foreign bonds and controlled the process, which prevented long term capital operations, and this did not affect the position of the international currency at that time, GBP, still being used as a store of value and unit of account, largely due to the size of British market and share in the world trade at that time. Second best example is related to USD. In the 1960's, the United States controlled the international loans and investment level, following the Eurodollar market development, using restriction in capital account transactions. But the size of the US market and its competitiveness at international level did not weaken the international position of the USD.

China's impressive current account surplus put obstacles to RMB internationalization, because it tightens the conditions for accumulation of RMB reserves. Foreign traders must accumulate RMB first, and then invest, considering the low acceptability of the RMB denominated transactions.

Hence, there are questions about if these economic circumstances favor or not the RMB internationalization. The main problem would be the relatively small market of the Chinese economy, limited supply of RMB to foreign businesses and an insufficient development of the financial market (Yu, 2014).

2.2 Political circumstances of RMB internationalization

The political circumstances of the internationalization process of a currency tend to be neglected when discussing the main determinants in this aspect. The politics can affect directly or indirectly the currency. It affects it directly when the economic agents are persuaded with the benefits of using that currency, being highlighted the inherent advantages that occur due to economic attractiveness, and not to the political action itself. It affects it in an indirect way when economic circumstance are influenced, in particular by promoting the currency denominated instruments through international settlements (Helleiner, 2003).

Can the political reforms represent a pre-requisite for successful currency internationalization? (Eichengreen and Kawai, 2013) GBP and USD belong to successful democracies, thus being stable and supported currencies at international level. Economists say that these supportive actions need a powerful and transparent rule of law, and effective legal system, and it is not enough to have a strong economy only or a free market. USD serves as an international currency for almost all the 20th century due to a strong rule of law.

The level of democracy in China is at low levels, and effective political landscape has not changed in the last 15 years, all policies being formulated and implemented at central level. It is an autocratic system, with limited opportunities for civil society. The Chinese government has maintained a dictatorial form of political power, with limited power of expression, press freedom and lack of involvement for civil society in government activities. Theoretically, the control system in China is subordinated to political actors and state laws, but practically the institutional system does not recognize the separation of powers within the state, the legal system is not independent and under the influence of local officials. The government has maintained absolute power in all economic, political and social aspects. The prospects for democratization remain gloomy, due to the fact that the government is not prepared to share power with other political actors and rejects constantly the Western model of pluralist democracy. In this sense, China needs a more credible system, with an independent central bank, a fait and transparent legal system and a fair and transparent political system.

But when talking about the political circumstances of currency internationalization, we consider that one of the most important issues is related to international political power and influence of that country (Chey, 2012), with significant implications, whether the action is a

direct or indirect one.
An increase in the political power of the issuing country leads to its currency appreciation, by using its ability to avoid the burdens of adjustments of its external imbalances, but also by encouraging the foreign use of the currency, mainly through diplomatic, military and economic assistance to other countries that depend directly or indirectly on them.
Thus, there is a great need for further explanations if China has won more political power and if US have lost a part of their own political power at global level. The US is still the world's leading investor, military and diplomatic power, even in ongoing financial crisis. In these circumstances, the USD seems to keep its status in front of RMB. China's communist political structures prevent the acceptance of RMB abroad, which results in slowing the internationalization process (Cheung, 2014).

3. Main benefits of the internationalization process

Main benefits of currency internationalization (Islam and Bashar, 2012): reduction in transaction costs, macroeconomic flexibility and stability, international seigniorage income, leverage and reputation.
Financial institutions and private companies also gain advantages from currency internationalization. The financial institutions deal with a competitive advantage regarding the home currency, from using monetary liabilities denominated in RMB easily and from higher foreign demand for a broader set of financial services. A more profitable financial sector can turn into profits for the private sector through lowering of costs of capital in the economy (Kenen, 2009). The cross-border transactions may bring benefits by shifting the exchange rate risk to foreign counterparts, thus increasing the ease of hedging and international arbitrage, even if they are costly procedures.
Another important benefit is international seigniorage income, which refers to the revenue or profit derived from printing currency (Chey, 2013). Thus, this income is generated when foreign economic agents hold the currency or RMB denominated assets in exchange for trade in goods and services. The profit comes also from reduced borrowing costs for the issuing state, which equals the difference between returns on foreign assets and costs of foreign liabilities.
RMB internationalization leads to a rise in China's economic and political power, due to more autonomy in development policies and growing abilities to avoid dangerous imbalances in the balance of payments (Chey, 2012). By expanding the use of its currency, China improves its external status by resorting to coercive power on the neighboring countries, mainly, which depend on RMB in their business activities, thus providing substantial political advantages to the Chinese government. A rise in its structural strength means a rise in its soft power at regional level, this translating in negotiation and cooperation activities.
In terms of monetary policy, talking about RMB internationalization is rather difficult because of some elements (Gao and Yu, 2011): the distinction between the impact of currency internationalization and the regional integration, apart from other factors such as the liberalization of the financial market; there is no analytical framework for monetary policy transmission mechanism; the use of RMB at regional level is rather limited.
The line between costs and benefits of the currency internationalization is rather thin, as it affects the domestic policies of the issuing country by influencing the public opinion of its supporters and opponents. Thus, the companies that are more inward oriented in their activity do not fight for the currency internationalization, because their gains are limited in this process. But the financial institutions are for this process, being the main beneficiaries.
The balance between costs is benefits may change over time. Thereby, foreign demand for currency appears in early stages of internationalization, and if the supply expands, the foreign demand may decline overtime (Chey, 2013). The best example is GBP before and after the Second World War. Before the war, GBP was the first at international level, which

allowed Britain to finance its military expenses. After the war, its debt grew enormously and its position was taken over by US.

4. Costs and obstacles of the internationalization process

The currency internationalization does not come without any costs, the most important ones being the fact that the independence of the monetary policy can be significantly restricted and that the currency may be the subject of fluctuations. It is more than obvious that the Chinese government will not give up easily to the control it has over the entire financial and monetary architecture, which is a serious impediment to the RMB internationalization process (Gao and Yu, 2011). The most serious costs that are underlined by economists are: the financial system is still fragile, the capital market is too shallow, the economic structure is still inflexible, the financial institutions lack competitiveness.

The 20th century was shaped by the changing evolution of currencies that were candidates for the role of international currency. In the early 20th century, GBP was the international standard currency, even if US had managed to become the largest economy in the world before World War I. But the American financial market was not accessible for the large public and the central bank didn't show enough credibility in international transactions. This may lead to the conclusion that the market size measured by GDP is an important factor, but not enough to create an international currency.

After the First World War, US created the Federal Reserves and the USD appreciation grew globally. US credited UK with loans that reversed the creditor-debtor relationship, propelling the USD as a strong currency at international level, and after 1944, as an international currency in the Bretton Woods system.

JPY started to be appreciated as an international currency in the 1970's, with the collapse of the Bretton Woods system and the overall importance given to the Japanese exports-based economic model. The central banks around the world started to build up reserves in JPY, even if the Japanese market remained uncompetitive, highly regulated and closed to foreign economic agents. International use of JPY accelerated in the 1980's, when JPY denominated reserves peaked the highest percentage ever (9% in 1991). But the recession that started in 1990 stressed that any further attempt to strengthen the international status of JPY is useless (Huang et al, 2014).

At the end of 20th century, EUR appeared on the international scene as a possible competitor for the monopoly of USD as international currency. But the Eurozone crisis and the fault that it is a coin without a country (Eichengreen, 2011) has shown that EUR is not in a direct competition with USD, but a common objective of EU countries to reach the full common market, although EUR ranks second after USD as a unit of account at international level.

The risks that are associated with RMB internationalization are (Huang et al, 2014): premature capital account liberalization may lead to financial crisis, for example, the developing countries in the late 1980's; exchange rate or interest rate liberalization may result in increased associated costs with capital flows and a sharp outflow of the capital leads to financial crisis; RMB liberalization does not necessarily lead to China's transition to developed country status, which would mean an important international paradox and can lead to the instability of the international monetary system.

5. Future prospects for the internationalization of RMB

The support for RMB to become an international currency is based on China's economic growth. In the last three decades, its economic growth averaged 10% per year, surpassing Japan from its position as the second largest economy in the world since 2010. All international predictions head towards the overcoming of US leadership in the next 10

years. But the unsustainable economic growth calls into question the effectiveness of Chinese economic model, widely debated and even put in place. The main criticism of this model are: dependence on resource consumption, current account surplus, inequality in income distribution, pollution, asymmetric market liberalization, which translates into labor costs, environment costs, energy costs and so on (Huang et al, 2014).

But what is the exact way that China needs to approach in order to be successful in RMB internationalization? Some economists say that China's progress related to RMB internationalization is more at the regional level, calling the phenomenon " *the Asianization of RMB*" (Subbachi, 2010). This is mainly due to the insufficient development of the Chinese financial market and the slow decision-making process.

USD and EUR are successful examples of currency internationalization at the end of the Second World War. But the two currencies have gone separate ways in their successful development. The American approach was based on individualism and monopoly, while the European one was based on regionalism and cooperation. USD and EUR status was determined by economic and political factors. If China truly wants to follow the US model, then it should base its activity on RMB independence, along with USD, EUR and even JPY. If China wants to follow the EU model, then it should engage in a fully-fledged monetary union, where RMB can become or be replaced by a new Asian single currency. But the crisis started in Eurozone in 2010 has highlighted the flaws of the union in this sense, damaging the credibility and confidence in the common currency.

The main conditions for the internationalization of RMB refer to (Gao and Yu, 2011): China's growing importance in the global economy, full convertibility of RMB, the development of the domestic financial market and financial liberalization, the development of the RMB offshore market, flexibility of RMB exchange rate.

The RMB internationalization efforts include the possibility of including the RMB in the SDR (special drawing rights) basket, along with the promotion of RMB denominated assets at regional level (Huang et al, 2014). SDR was founded in 1969 to back USD as a source of international liquidity, but cannot be considered an international currency since it does not fulfill the basic functions of one, like market intervention or source of liquidities. Adding RMB in the SDR basket will increase its importance in international transactions and provide stable financial policies to China. For the RMB to be considered as part of SDR basket, there is a great need of bilateral agreements at regional level for supplementation the currency reserves of countries with currencies from other countries in the region (Huang et al, 2012), making it immediately available as international reserve currencies and opening the bond market, with mutual supervision policies.

6. Conclusions

The world is moving towards a multipolar currency system, and RMB already play an important role at regional level and it can be considered on its way to international status, along with USD, EUG, GBP and JPY. But the rise of the RMB importance as an international currency is the subject of debates among researchers and practitioners in the field and puts some evident challenges (Islam and Bashar, 2012): changing the global paradigm related to emerging countries' currencies, higher emphasis on domestic demand as a source of growth requires that its exchange rate is determined free on the market, its current growth model generate excessive savings and forces China to rely heavily on USD and other reserve currencies, rapid advances in technology have made room for more than one dominant currency.

While the currency internationalization process is a consequence of the market and not of the government intervention on the market, China is considered a special example with taking into consideration both forces due to its economic structure. The success of RMB internationalization can start boosting cross-border use of RMB in terms of denominating trade and financial transactions. RMB regionalization can be an intermediate step in this process, encouraged by the use of RMB as an invoicing currency, in signing bilateral and plurilateral swap agreements and on the regional financial market.

Among many other issues, these are considered to be the most important ones: achieving full convertibility of the currency, liberalization and strengthening the financial system, a more flexible exchange rate, developing domestic money, bond and equity market, necessary adjustments related to the legal system. There is a tendency of addressing only the economic dimensions of the currency internationalization process, neglecting the political ones, which prove to be with the same importance in propelling and maintaining a currency status at international level. It seems that RMB tends to regionalize more and to internationalize less, given the variety of costs and obstacles to this process.

In contrast with the pessimism related to the USD position in the international environment, especially the financial one, its attractiveness seems to disappear in cross-border transactions. Although the studies and researches show that the USD status has been subject to direct competition with EUR, JPY and RMB at the moment, it will not lose its dominance very soon, being feasible the discussion about a multipolar currency system, where USD and RMB can play together an important role at international level: USD may continue its monopoly in international financial transactions, and RMB can be used in trade settlements and international investments, completing successfully each other.

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THE FOOTPRINTS OF STAGFLATION IN TURKISH ECONOMY

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Abstract: *The Inflation, in which most of the countries interfere and which is an important concept, states constant raise ingeneral level of prices. Although many policies have been applied throughout the history, the inflation is a problem which was and always will be inside the economy. High and perpetual inflation has a negative effect on society and economy. In an inflationary environment, many negative effects such as raise in production costs, investment decisions' becoming difficult, decrease in savings and emergence of foreign trade deficit come into existence. On the other hand, unemployment, which takes an important place in economy like the inflation, expresses the situation in which people cannot work because of various reasons. Beyond being an economic problem, unemployment can be described as a social problem as it creates moral and material negativities in social life. Since approximately 1970s, Turkey have been facing both unemployment and inflation problem. Both inflation and unemployment draw conclusions that can leave indelible effects on economy all by itself.*

In Turkey, both in the period when there was an import substitution oriented policy and after the January 24th decisions period when the foreign trade was liberalized, the policies related to inflation and unemployment couldn't be developed well. So, since the 1990s when outward-oriented industrialization strategies were applied, the inflation and unemployment have raised with the '94 Depression in Turkey, '97 Depression in Asia, '98 Depression in Russia, 2001 Economic Depression and 2008 Global Financial Depression. In order to provide stability, one of the important elements is to adopt an economic policy in which low rate inflation and less unemployment can be valid. There are many studies made in literature in order to define the relation between inflation and unemployment. The most important one among them is Phillips Curve and it defines the relation between inflation and unemployment in theory. According to this approach, the decrease in unemployment will result in the raise in inflation. However, although Turkey displayed a positive image in 2000s proving this theory, the question of "Are we going back to the days of stagflation?" flashes with its performance after 2010. Thus, the relation between variables are analyzed and the results are interpreted by using the inflation and unemployment data covering the period between 1990-2014 in order to present the relation between inflation and unemployment in Turkey, based on the importance of inflation and unemployment in economy.

Keywords: *Inflation, Unemployment, Stagflation, Panel Co-integration.*
Jel Classification: *E24, E31.*

1. Introduction

The inflation, which is defined as the perpetual raise of general level of prices, means the decrease in purchasing power of the currency at the same time. In other words, inflation defines the situation in which money income reaches a higher position when compared to actual output. That is, inflation is a situation that economic groups try to increase their real income or that they demand more monetary income to protect their level of income (Sönmez, 2007:7).

The concept of inflation which is considered as the most important economic problem for many developing countries appears before us as a subject that many countries have been trying to solve for many years. The inflation directly affects many economic subjects such as income level of a country, income distribution, process and effectiveness of the decision making of investors, level of employment, and the situation of payments and salaries of the employees. The emergence of inflation changes from country to country in terms of the country's own position. Preventing inflation is especially related to the identification of these reasons in a right way. Sometimes, the inflation emerges from the demand growth and sometimes it emerges from cost increase (Telek, 2012:1).

Turkey is a country which has been struggling with inflation for many years. The inflation was approximately 62,7 % in the period between 1983-1994. The inflation became 71,6% between the years 1995-2001. Among its reasons, there are the often emerging depressions and having a high rate in transition inflation rate among the sectors. As a result of struggle against the inflation programs applied during 2002-2012 and the Stand-by Agreement signed with IMF, the inflation became quite lower than the previous periods and it was 11,2% (Kılınç, 2013:74).

In macroeconomics, the unemployment is a problem which is as important as the inflation. The unemployment shows itself as a multi-directional problem which has both economic and social effects. According to the definition used by the Turkish Statistical Institution (TÜİK), the ones who have the following features are considered as unemployed: among the ones who have not been employed during the reference period (the ones who has never worked for profit allowance, as casual employee, or as paid or unpaid and has no connections with such works), all the people at the non-institutional working age who used at least one of the job search channels in the last three months and can start working in two weeks are included in the unemployed population. According to another definition, the unemployed is the existence of the labor force that has the power or demand to work and who consents to work for the current wage and cannot find a job (Yıldırım and Karaman, 2001:19). The unemployment comes before us as a both social and economic problem. Therefore, approaching it alone in economy policy and analyzing it makes it hard to solve this problem.

The population at the age of work (between 15 and 64) is separated into three sets as employed, unemployed and non-active population. The employed are the ones who work paid or unpaid during the reference period. The unemployed are the ones who do not have a job, who are ready to work and who were looking for a job actively before the survey made. The set out of these two sets is non-actives and they are excluded from the labor power (Brandolini, Cipollone, Vivione, 2006:9). As a result, the group out of the labor power includes seasonal workers, the people who do house works, students, the retired people and the people who cannot work.

There are many approaches explaining the reasons of unemployment. Besides the macro factors such as; globalization tendencies, technological improvements, level of production and investment, distribution of investment in the world, and population growth; there are primary environmental factors explaining the quality and the quantity of the unemployment such as lack of qualification, the educational policies that cannot meet the demands of business world, level of productivity, inability of public employment services, the corporate structure in labor power market, and increasing input prices (Duruel and Kara, 2009:358). The fundamental reasons such as the continuation of agricultural

society's qualifications and lack of providing with employment in galloping population lie at the bottom of the unemployment problem in Turkey. So, this gives birth to the result that the unemployment in Turkey has a structural feature. Primarily in industrial sector; not providing with regularity in the amount of investments results in not enough employment of the over labor power in agricultural sector by the sectors that are not in the agricultural sector. The weight of agriculture inside economy reduces related to the improvements in the process of industrialization and progress (Bozdağlıoğlu, 2008:46).

In Turkey, the first time job seekers generate approximately half of the long-term unemployed. Having a great share in long-term unemployment of the first time job seekers emphasizes the role of quality conflict in long-term unemployment (Gürsel and Ulusoy, 1999:130). The long-term unemployment rate is around 60% in European Union countries and especially in the continent of Europe. The long-term unemployment rate is quite lower in Turkey when compared to many European Union countries. Remaining too limited in scope of unemployment coverage in Turkey and the amount of the average income's being little explains why this rate is low. As the most of the unemployed cannot bear the cost of being a log-term unemployed, they tend to find a job quickly and this weakens the job seeking effectiveness of the unemployed (TÜSİAD, 2004:159).

So, in fact, Turkey had to struggle with inflation and unemployment for long years, in other words, Turkey dealt with the concept of "stagflation". As is known, stagflation defines the increase in unemployment while there is an increase in inflation, and this phenomenon confutes the Phillips Curve approach. Turkey was successful in ending -even if it is partially - the stagflation adventure that started in1970s and continued, in the first decade of 2000s. Although the expected improvement in unemployment problem wasn't provided, when the population growth in Turkey in referred period is considered, it is a fact that the rates are not in a desperate situation. However, besides unemployment, a huge part of the ground about inflation was covered and the economy was saved from the stagflation spiral due to the proportionately obtained decline in the light of the positive improvement in economy.

However, after 2010, when the high unemployment rate added the increase in inflation in itself, there emerged the question "Do Turkey have a problem of stagflation?" and along with this, the fear of economic instability emerged. When we look at the recent statistics, it is observed that the number of unemployed between the age of 15 and over in 2014 was 2,686,000 people in Turkey. However, the number of unemployed was 2,323,000 people on the books in the previous year. Consequently, the rate of unemployment reached the level of 9,9%. The unemployment rate in men was 8,4% and in women was 10,2%. At the same period, the unemployment out of agriculture was estimated as 10,8%. While the unemployment rate among the young which included the age range of 15 to 24 was 15,5%, this rate was 9,1% in the group of 15-64. And the number of employed was 26,194,000 people and the employment rate was 46,1%. This rate was 65,1% in men, and 27,6% in women on the books. According to the data obtained from Turkish Statistical Instıtution (TÜİK), inflation reached annually 9,32% on the basis of consumer price index, inflation reached annually 9,46% on the basis of domestic producer price index.

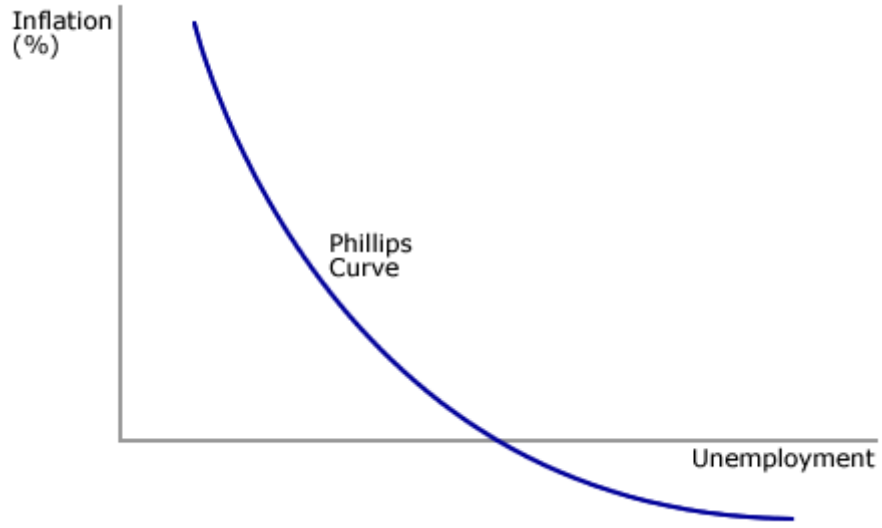
If there was a study on the most popular subject to be analyzed of the economists who have studies on economic policy in the last fifty years, it wouldn't surprise anyone to see Phillips Curve, which shows the concepts of inflation and unemployment and their relation, on the top of the list (Büyükakın, 2008:134). In time, different approaches about the direction and degree of the relation between inflation and unemployment dominated the ground. Based on this, the contribution of our study to the literature is to reveal results about the direction and dimensions of the relation between inflation and unemployment in Turkey with Time Series Analysis by using the data related to 1990-2014 period.

2. Theoretical Structure of Relationship Between Inflation and Unemployment

The first study on the relations between price change and unemployment & production level was published in Economic Journal with the title of "Stabilization Policy in a Closed Economy" by Alban William Phillips. Phillips includes the relation between the change rate in product prices and production level in this article. The relation between subject variables is explained in terms of derived demand which emerges in the factor markets and firstly affects factor prices and then product prices (Phillips, 1954:307-308). In his work which he formed by using annual data, Phillips took unemployment rate as independent variable and the rate of change in money wages as dependent variable. Instead of studying the period of 1861 – 1957 as a whole, he studied this relation by separating the period into three as 1861 – 1913, 1913 – 1948 and 1948 – 1957. A strong, inverse and non-linear relation between change rates inmoney wages and unemployment rates appeared in the first period covering 1861 – 1913. The relation in the period between 1913 and 1948 was not as strong as it had been in the first period. However, another important point to consider here is that the time period involves WWII and the period of recessions in itself. And in the last period which covers the years 1948 – 1957, this strong relation can be seen again (Altan, 1996:23-24).

As a result, in his work, Phillips revealed that there was a non-linear, inverse and steady relation between unemployment rate and change rates in money wages. In Figure 1, there is the original form of the Phillips Curve. The unemployment rate takes place in horizontal axis (u) and the change rate in money wages takes places in vertical axis (w).

Figure - 1: Original Phillips Curve



Source: Büyükakın, 2008: 137

Two fundamental features characterize the shape of it which secants the horizontal axis on a particular point and is non-linear. The first one is that while unemployment rate is in frictional level (5,5%), there is no change in money wages. The second one is that any value of unemployment rate equals to the two values of change rate in money wages. More clearly, any change rate emerging in money wagesin any level of unemployment will be faster when unemployment rate reduces and will be slower when unemployment rate increases (Phillips, 1958:290).

The first important effort to support Phillips Curvestrongly in theory, which was

revealed by A. W. Phillips empirically, was done by Richard G. Lipsey (1960). Lipsey tried to provide Phillips Curve with theoretical base via two hypothetical relations' combination here:

1) A positive linear relation between increase rate in money wages and demand surplus directed to effort.

2) A negative non-linear relation between the demand surplus directed to effort and unemployment.

Lipsey could provide with an economic justification for Phillips's non-linear negative relation between change rate in money wages and unemployment via the combination of these two hypothetical relations. As a result Lipsey expressed that the change rate in money wages depends on the degree of surplus demand (or supply) in labor market represented by level of unemployment (Lipsey, 1960:1-31; Snowdon and Vane, 2005:137-140).

The shape of Phillips Curve, which comes to the minds of the economists, was drawn by Paul Samuelson and Robert Solow two years after A. W. Phillips's study. The authors transformed the Phillips Curve which shows the relation between change rate in money wages and unemployment rate into a shape that shows the relation between inflation rate and unemployment rate (Samuelson and Solow, 1960:192).

In 1960s, the Phillips Curve was quickly accepted as a component part of Orthodox Keynesian Paradigm because Keynesian economists thought that the subject curve presented a selection menu between various unemployment levels and inflation rates and it represented the valid and stable relation for both short-term and long-term. According to the generally accepted interpretation of Phillips Curve in that era, permanently low unemployment levels could be realistically achieved through multiplying with permanently high inflation levels (Mankiw, 1990:1647).

Through the end of 1960s, Friedman (1968) and Phelps (1967), who brought a new perspective to the relation between inflation and unemployment brought by Phillips, indicated the importance of the inflation rate expectations against studies depending on past statics inflationist expectations and questioned if Phillips Curve protect their firmness feature by analyzing in the light of Monetarist theory. The greatest contribution of Friedman and Phelps to Phillips's analysis is that they brought "Expectation Augmented Phillips Curve". In the Expectation Augmented Phillips Curve approach, inflation rate expectation is taken into consideration as weighted average of delayed dynamic inflation rates. Friedman stated in his study that the hypothesis stating labor supply of Neo-Keynesian model was a function of nominal wage was invalid and supposed that labor supply was a function of expected real wage (Ünsal, 2004:359). It is indicated that the hypothesis stating that nominal variables have effect on real variables, which was produced by Friedman based on traditional Phillips curve, is illogical. In this regard, according to Friedman, Neo-Keynesian analysis' thesis supporting the idea that there is inverse exchange between unemployment and inflation rates is only valid for short term; in long term unemployment rate is completely independent from the inflation rate (Ünsal, 2004:36; Friedman, 1968:1-17). The second criticism towards Phillips Curve by Phelps and Friedman is related to the discourse stating that there is a stable relation between inflation and unemployment. Accordingly, an economy has a natural unemployment rate that is balancedin the long-term and via monetary policy, it is impossible to affect this long-term balance (Demir, 2005:8).

3. Related Literature

In economy literature, the relation between inflation and unemployment has been a subject of discussion for years. Today, most of the studies show that there is no long-term relation between inflation and unemployment; however, they show that there is a short-term relation between them (Akkı,uş, 2012:99). In this part, there will be a domestic and foreign literature review covering recent inflation-unemployment studies.

Monthly inflation and unemployment data were included in the analysis and it is determined that there is an inverse relation between the two in the period of 1935-1939 by Fisher, Nuizinga (1980) (Kılıç, 2013:94). Fountas, Lally and Wu got a result that revealed the relation reflected by short-term Phillips Curve in Ireland for the period of 1975-1992 in their study in which they searched the existence of the relation reflected by short-term Phillips Curve and long-term Phillips Curve in the economy of Ireland.

Eller and Gordon (2002) determined that there was an inverse relation between two variables by applying NAIRU (Noon Accelerating Inflation Rate of Unemployment) test in America with the quarter term data between the years 1995-2001. Uysal and Erdoğan (2003) discussed the relation between unemployment rates and price levels via Phillips Curve in their study covering 1980-2002 periods for Turkey. The authors divided this 23 years period into two as 1980-1990 and 1991-2002 and they suggested that there was a positive relation between unemployment and price levels between 1980 and 1990 and there was a negative relation between them in 1991-2002.

In the study applied by Önder (2004), in the short term analysis of the relation between inflation rate and unemployment rate output gap variable was used instead of unemployment rate. According to the result of the analysis, there was a significant exchange relation between inflation rate and output gap. In the study of Kuştepeli (2005) the relation between inflation rate and unemployment rate discussed as short-term analysis and a significant exchange relation between inflation and unemployment rate could not be found by using data sets belonging to different periods.

In the study covering the first term of 2000 and the third term of 2007 for the Turkish economy, Hepsağ (2009) found that the previous period inflation rates had effect on inflation rate in short term. Accordingly, it was stated that previous period inflation rate was the indicative of the current period inflation instead of short-term unemployment rates in price stability's attaining its goal. In the long term, a valid exchange relation between inflation rate and unemployment rate was found.

For South Africa, in the period between 1980 and 2008, Chicheke (2009) tested the correlation between inflation and unemployment by applying ADF unit root test and VEC model. According to the result of the analysis, there was an inverse relation between inflation and unemployment and it was come to the light that tight money policy had to be applied as a precaution.

Topçu (2010) analyzed the relation between unemployment and inflation on G8 countries. As a result of the analysis, it was found that there was duplex causation relation among G8 countries; that is, unemployment was the reason for inflation and inflation was the reason for unemployment.

By Berentsen, Menzio, Wright (2001) the relation between inflation and unemployment was analyzed by using inflation and unemployment adjusted data between the years 1970 and 1980. The result of the analysis showed that there was an inverse relation between these two variables. Mangır and Erdoğan (2012) studied economic relation between unemployment rate and inflation rate by using three-month values of unemployment and inflation rates of Turkish economy in the years between 1990 and 2011. As a result of the analysis, they found that Phillips Curve didn't support the theoretical hypothesis in short term in Turkey in the studied period.

4. Research Methodology

Before analyzing the causality relations between variables, the stability degree of the series must be defined. In the studies made with unstable time series, spurious regressions may occur. Although in spurious regressions there can be high R^2 and significant t statistics, the parameter estimations are economically meaningless. The usage of unstable time series can cause obtaining a relation which doesn't exist in reality between the variables in the model which will be estimated. So there isn't any economic significance of parameter estimation results in spurious regressions. In that case, the

stability of the time series to be used must be tested in the studies with time series analysis in order to avoid spurious regression (Ümit, 2007:160).

4.1. Unit Root Tests

$X_t = c_o + j.X_{t-1} + e_t$ (1)

In the equation (1), if $|j|<1$, X_t series is stable, if $|j|=1$, X_t series is not stable. It is favorable that the autoregressive coefficient j equals or is lower than one for most of the time series. If $j>1$, it is economically illogical. In the autoregressive equation with the number (1), $j=1$ is known as the "differences stable process" and most of the economic time series are seen as differences stable process. When $j=1$ in such a process, it is said that X_t series are integrated from the first degree (Utkulu, 1993:309). In the equation (1), the easy and proper method of integration degree of X_t was suggested by Dickey and Fuller (1987) and it is known as Dickey Fuller Test (DF). In short, this test tests $j=1$ against $j<1$hypothesis in (1).

From the equation (1), the following equation is estimated;

$\Delta X_t = c_1 + \lambda X_{t-1} + e_t$ (2)

The equation (2) can be explained as follows;

$X_t = c_o + (1+\lambda) X_{t-1} + e_t$(3)

$(1+\lambda)$ in the equation above is the same with j in the equation (1). If λ in equation (2) is negative, equation is $j<1$ as it is in (1). Therefore, DF test embodies the negativity test of λ in the equation (2) regression. Rejecting Ho hypothesis and accepting alternative ($\lambda=0$) hypothesis mean $j=1$ and it means that X_t is not stable in its level value. In that case, t and F distributions are not proper for the equation (2), the distribution of t statistics cannot be known for sure in this case.

Ho: $\lambda<0$ ($j<1$) =>Series are stable.

Ha: $\lambda=0$ (j=l) => Series are not stable.

If Ho hypothesis is rejected, there are two alternatives in this case; integration degree of X_t is bigger than 0 or there isn't integration in all of them. Naturally, the next step is to test if the integration degree equals one or not. DF equation becomes as follows:

$\Delta\Delta X_t = c_2 + \lambda \Delta X_{t-1} + e_t$ (4)

Our concern in the equation (4) is λ's negativity test. Until we set an integration degree for X_t or it is made stable by taking the differences of X_t series during this time, we can continue.

Although DF test is an important step in measuring integration degree, it doesn't take autocorrelation in error terms into consideration. If the error term e_t is with autocorrelation, DF (Dickey-Fuller) Test will be void. As a solution for this situation, Dickey and Fuller suggested adding dependent variable's delayed value to the model as explanatory variable and that way they suggested that autocorrelation be removed. This test is called Augmented Dickey-Fuller Test (ADF) and it is considered as the most effective test to identify integration degrees and it is widely used in practice.

ADF Test:

$$\Delta X_t = c_3 + \lambda X_{t-1} + \sum_{i=1}^{k} \lambda_1 \Delta X_{t-1} + u_t \quad (5)$$

is defined with the equation above. In ADF test, critical values table which is also used in DF test is used (Charemza and Deadmen, 1999:103-104).

4.2. Co-integration Methods

Co-integration is a technique which has been developed in order to analyze the correlation between two unstable time series. The concept of Co-integration was put forward by Engle and Granger (1987). Co-integration analyses are applied in order to analyze the long-term relations between series. In other words, the concept of co-integration is used in order to detect the long-term balance relations and to test it (Göktaş,

2005:113; Granger and Engle, 1987:251-276). The econometric usage of the word balance defines the long-term relations between unstable variables. In Engel and Granger's usage of the co-integration concept, there can be a reduced form relation among balance relations, causative, behavioral or trending variables. Engle and Granger (1987) defined co-integration as follows:

$x_1 = (x_{1t}, x_{2t}, x_{3t}, \cdots, x_{nt})$ vector's all components are defined as integrated on d and bth degree and it is shown as $x_t \sim CI(d,b)$.

The Conditions

1) All the components of X_t are integrated on the dth degree.

2) There is the vector $\beta = (\beta_1, \beta_2, \cdots, \beta_n)$

3) $\beta x_t = \beta_1 x_{1t} + \beta_2 x_{2t} + \ldots + \beta_n x_{nt}$ is integrated on (d-b)th degree. (b>0) β vector is called as "co-integration vector" (Engle and Granger, 1987:253; Charemza and Deadman, 1999:144).

The importance of the integration degrees of series in co-integration concept is great. In order to learn if the series are co-integrated or not, the degrees of integration have to be known. The integration degrees of the series can be learnt through unit root tests. If a series is unstable with taking first difference, the series is stable on the level and because of that, it is I(0). In other words, "the integration degree of the series is zero". If the difference of the series must be taken d times in order to become stable, it is said that this series is integrated on the dth degree and it is shown as I(d). According to the definition, have two series which are X and Y I(1). In this case, naturally the linear combination of these two series will be I(1). However, under some circumstances, the linear combination of two I(1) variable can become a variable which is I(0). As defined, these series are called co-integrated series (Kadılar, 2000:119).

4.3. Engle-Granger Two-Phased Modeling Method

Granger suggests a causality analysis which is widely used in economy literature in order to show the direction of casuality between analyzed variables. Granger brought the concepts of casuality and exogeneity up. According to this, if adding the information belonging to X varibale to the model contributes to the forecast of the variable Y, the variable X is the cause of the variable Y. Granger causality analysis requires the estimationof regression set on delayed values of each internal variable's own and of other variables (Granger, 1969:553-560).

In this study, Granger Causality Analysis has been used in order to search the causality relation between CPI and unemployment. This analysis is made via using these two equation:

$$Y_t = \alpha_0 + \sum_{i=1}^{k1} \alpha_i Y_{t-i} + \sum_{i=1}^{k2} \beta_i X_{t-i} + u_t \quad (6)$$

$$X_t = X_0 + \sum_{i=1}^{k3} \chi_i X_{t-i} + \sum_{i=1}^{k4} \delta_i Y_{t-i} + v_t \quad (7)$$

Granger causality analysis is applied by testing if the coefficient of the delayed values of the independent variable, which is placed before error term in the model above, equals to zero as a group or not. If $\beta_i$coefficients in the equation (6) are found as different from zero in a particular significancy level, it is concluded that X is the cause of Y. Likewise, in the equation (7) $\delta_i$coefficients' being different from zero in a particular significancy level shows that Y is the cause of X. In that case, there is a mutual causality between X and Y. If the $\beta_i$coefficients are different from zero only in the eqaution (6), there is a one way causality relation from X to Y and if the $\delta_i$coefficients are different from zero

only in the equation (7), there is a one way causality from Y to X. If the β_i and δ_i are not different from zero, it is concluded that there is no causality relation between these two variables. In the original Granger Causality Analysis, k_1, k_2, k_3, k_4 show the delay lenght and u_t & v_t show the error term in the equations above (Işığıçok, 1994:93).

5. Results

In order to analyze course of events related to inflation and unemployment in Turkey, the relation between two variables have been studied by using an econometric modelling and in practice, the numerical results found by using time series have been interpreted. The logarithm of values has been taken in our study in order to avoid small fluctuations that time series can show. So, when it has been found that both variables haven't been stable in level, their first difference have been taken. Both of them became stable when their differences were taken. As Consumer Price Index (CPI) and unemployment were stable at the same level, Co-integration test was applied in order to determine if there was a long-term relation between them. And finally, Granger Causality Test was applied in order to see if the variables in the model are the reason of each other, in other words, in order to determine the direction of the relation between variables.

In the study, the data of 1990-2014 period annual CPI and unemployment were used and the subject data were obtained and compiled from the publications on the website of the Turkish Statistical Institute. For CPI data, "1987=100" index related to the period before 1995; and "1994=100" index related to the period from 1995 and after were used as base.

5.1. Panel Unit Root Analysis

Time series' being stable means that variance's and average's being stable in time and that covariance of variables in two delayed time period depended on the delay between variables, not on the time (Gujarati, 1995:709). When the stability analysis is observed, it is seen that both series are not stable on the level however when their first differences are taken, they become stable. The hypothesis belonging to CPI and unemployment are as follows:

Ho: Unit root included in CPI series
Ha: No unit root included in CPI series
Ho: Unit root included in Unemployment series
Ha: No unit root included in Unemployment series

Table – 1: Panel Unit Root Test Results

Variables	ADF (fixed)	ADF (Trend and fixed)	PP (fixed)	PP (Trend and fixed)
LNINF	-0.207920	-2.127666	-0.027499	-2.077122
LNUNE	-1.527232	-1.767737	-1.527232	-1.767737
ΔLNINF	-5.75851***	-5.87334***	-5.67759***	-5.85082***
ΔLNUNE	-3.97734***	-3.87996 **	-3.95107***	-3.848970**
Critical Value %1	-3.752946	-4.416345	-3.752946	-4.416345
Critical Value	-2.998064	-3.622033	-2.998064	-3.622033

Variables	ADF (fixed)	ADF (Trend and fixed)	PP (fixed)	PP (Trend and fixed)
%5				
Critical Value %10	-2.638752	-3.248592	-2.638752	-3.248592
Note: Δ figure shows the first differences. For ADF and PP, the critical values are obtained by MacKinnon(1996). ***p<.01, **p<.05, *p<.10				

If series doesn't include unit root, it means that it is not stable. When the fixed and fixed & trend data of ADF and PP test statistics are observed; these can be said for CPI and unemployment series: it is measured with ADF and PP tests that they don't have stable structure on the level and that they don't show a distribution around a certain average. When the results are studied, test statistics' being smaller than %1, %5 and %10 values as absolute value provides with the rejection of Ho hypothesis. When the first differences are taken, it is seen that the test statistics are bigger than critical values determined by MacKinnon as absolute values. So, when the first differences of CPI and unemployment rate series are taken, it can be said that they prove stability hypothesis.

5.2. Johansen Co-integration (VAR) Analysis

Because the series of the variables are stable at the same level with their first differences, Johansen Co-integration test is applied in order to prevent spurious regression relation. This test allows us to determine if there is a long-term relation between variables. The first step in Johansen method is to determine the length of the delay. In order to achieve that, many delays have been studied and it is decided that the optimum delay length is "one" according to AIC criteria. So in Co-integration test, this delay number was used and the found results are as follows:

Table – 2: Lag Length Test Results

Lag	LogL	LR	FPE	AIC	SC
0	-20.24408	NA	0.025902	0.022189	2.121374
1	9.29354	51.01953*	0.002550*	-0.299413*	-0.001856*
2	12.28630	4.625174	0.002830	-0.207846	0.288083

* Shows the delay number choosen according to the criteria.

In order to make the Co-integration Analysis which shows the long-term relation between variables statistically, the series need to be integrated from the same level I(d). As the first degree differences of both CPI and unemployment series in the application are stable, I(1), there is no problem in searching the Co-integration relation between them. Johansen Co-integration Test results, which were made for "one" delay length, are presented in the table 3:

Hypothesis:

Ho: CPI and unemployment series are not co-integrated.

Ha: CPI and unemployment series are co-integrated.

Table – 3: Panel Co-Integration Test Results

Ho Hypo.	Eigen Value Stat.	Trace Stat.	%5 Critical Value	Prob.*	Max Eigen Value Stat.	%5 Critical Value	Prob.*
r=0	0.33139	9.00367	15.4950	0.3650	8.85605	14.2650	0.2983
$r \leq 1$	0.00669	0.14762	3.8415	0.7008	0.14762	3.8415	0.7008

(.) Maximum Eigen value test shows that there is no co-integration equality in α=0,05.
***** P values are belongs to MacKinnon & Haug-Michelis (1999).

When the co-integration analysis results are observed, there is no significant co-integration between CPI and unemployment series. As the probability values of Eigen value and Trace statistics are bigger than alpha value which has the significance value, Ho hypothesis which expresses the lack of co-integration of series is not rejected. In the light of data set used between series, there isn't any Co-integration relation.

5.3. Granger Causality Analysis

"Granger Causality Test" was developed by Granger in order to test if one of the variables is the cause of the other in a modelling which is formed in order to estimate a variable. This test explains the causality relation between variables. The obtained results are presented in Table 4.

Hypothesis:

Ho: CPI is not the Granger cause of unemployment.
Ha: CPI is the Granger cause of unemployment.
Ho: Unemployment is not the Granger cause of CPI.
Ha: Unemployment is the Granger cause of CPI.

Table – 4: Granger Causality Test Results

Hypothesis	Observation No	F-Statistics	Probability
CPI is not the Granger cause of unemployment.	15	0.35154	0.5540
Unemployment is not the Granger cause of CPI.	15	7.41295	0.0136

According to the Granger Causality Test results, Ho hypothesis which claims that CPI is not the Granger cause of the unemployment is accepted (with 0.5540). Also, finally the Ho hypothesis claiming that Unemployment is not the Granger cause of CPI is rejected (with 0.0136). So, as a result of this practice made in order to determine the relation between variables and to determine if one of the variables is the cause of the other, it is found that there is a causality relation from unemployment rate to inflation rate.

Table – 5: Directions Of Causality Among Variables

Variables	Direction Of Causality	Relationship
Unemployment - CPI	→	One – Way Causality

When Granger Causality Test results given in Table – 4 were examined; it seems that statistically significant causality relationship is available for 2 directions without directions from Unemployment to Consumer Price Index (CPI) in the level of 0,05. Directions of causality among these three variables are shown in Table – 5 as a figure.

6. Conclusion

Inflation and unemployment are maybe the greatest two problems of economy. Because, as a result of these two phenomena, economic recession and most importantly decay in the social life can be seen. Besides, causing economic negativities such as reduction in production, decline in income and economic constriction, unemployment displays many negative effects on people in terms of psychology and society. Likewise, inflation brings about many negative events. Some of them are destroying income distribution, reduction in savings and investments, causing foreign trade deficit and destroying source distribution in the economy. Therefore, it is possible to say that inflation and unemployment cause serious wounds in both social sense and economic sense. Thus, governments should try to reduce inflation and unemployment and even reduce them to the minimum level with the various tools and policies that they apply. The relation between the concepts of this study has always been a matter of discussion. Looking at the literature, we can come across with various theoretical and empirical studies that have analyzed the relation between inflation and unemployment and obtaining different results.

In Turkey, the concept of stagflation, which contains the concepts of inflation and unemployment, emerged with the crisis periods of 1970s and it affected every part of the country. In order to solve the inflation and unemployment problems, many stability programs have been applied for many years.

In order to solve the subject problem, the aim of reducing inflation was clearly stated and inflation became the primary aim of many stability programs in 1980s. Although some achievement were realized during the period of 1980-2002 in the stability programs applied to struggle with inflation, no important success was achieved until 2003. However, as a result of passing to the strong economy and some structural programs applied after this period, inflation is slowly leaving its place of the most important problem of Turkey, today.

In the scope of struggle with inflation, Turkey left the implicit inflation targeting between 2002 and 2005 and has moved to open economy inflation targeting since 2006. With the effect of economic woes originating from European Union in 2008, even if it raised to 10,1% level in 2011, from 2012 on, inflation decreased to the level of 7,5%. However, when the political disturbance in 2013 brought about economic instability, according to the Turkish Statistics Institute (TÜİK)'s data, the annual rise in Consumer Price Index (CPI) happened in the rate of 9,32%. All these events show that in order to control the inflation in Turkey, fiscal policies should be used in addition to monetary policies to provide with fiscal discipline and that decisive attitude of the political authority in struggle with inflation has a great role in the struggle with the inflation.

However, although taking the precautions in order to prevent unemployment started with the planned period, it is hard to mention about a successful employment policy

in solving the problem unemployment. Unemployment is a problem of Turkey which is very old and structural. On the top of the reasons of this problem comes the population growth. Besides population growth, transfers from agriculture to non-agricultural sectors make this structural problem even heavier. The decline in employment paralleled with rise of fertility in agriculture during the progress process is a natural phenomenon paralleled with universal progress process. Constant economic crisis are also another reason that increase unemployment. When the change in unemployment after 2000 is observed, although there are not many changes in participating in labor force rate, it is seen that the unemployment rate has risen to 10,3% in 2002 from 6,5% in 2000. The main reason for this rapid rise is 2001 economic depression. Although in 2006, the effect of the crisis of 2001 in terms of unemployment started to reduce and unemployment partly regressed, it has been increasing since the second half of 2008 with the effect of the global economic crisis.

During this process, the unemployment rate, which set its record by increasing to 14% in 2009, managed to be on the book with the 8,9% by declining just like the inflation in 2012. However, while some confidence crisis that the government faced in 2013 in Turkey trimmed the unemployment rate to 10% by 2014 year-end, the point of view that the annual inflation rate won't be under 7% at best by the end of 2015, the stagflation risk is expected in Turkey with the increasing unemployment. When we think that FED decisions causes effects in Turkey as they do in any other developing countries, all these events will have negative effects on the economic growth of the country. Therefore, as an unavoidable condition in terms of economy, Turkey should maintain the political stability first and then should focus on the economic indicators in 2015, when the general elections are going to be held. Otherwise, the negative image on domestic and foreign investors who will directly or indirectly invest will realize in the recent period002C when the uncertainties grow, and the footprints of stagflation which has just started to be felt and which is only a riskfor now will become evident on Turkish economy.

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SUB-SECTION: EU SUSTAINABLE ECONOMIC DEVELOPMENT AND COMPETITIVENESS

SUSTAINABLE CONSUMPTION AND PRODUCTION IN THE EUROPEAN UNION AND OECD COUNTRIES

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Abstract: *Sustainable development is a fundamental objective of the European Union, with essential implications at economic, social and environmental level. One of the most important theme of sustainable development is sustainable consumption and production and the finding of solutions which will lead to this purpose. Producers and consumers are permanently connected, so they have to learn to become sustainable, providing and purchasing eco-friendly products. Sustainable consumption policies must take into account the social and ethical dimensions of products and how they are produced, as well as their ecological impacts. Governments play an essential role in this process, as they have to create legislative, educational and technological frameworks to help people to change their lifestyle in a sustainable manner. National sustainable consumption and production programmes are important too and is better for a country to integrate sustainable consumption and production policies in the overall economic and development policy of that country. The paper presents the concept of sustainable consumption and production (SCP) and its goals and the results of a survey conducted at EU level about consumers' attitudes towards SCP. The final part of the paper analyses the most important tools which governments can use to promote sustainable consumption and the best practice examples in OECD (Organisation for Economic Co-operation and Development) countries.*

Keywords: sustainable development, sustainable consumption and production, sustainable consumer, European Union, OECD, environment

JEL classification: Q01, Q56, I25

1. Introduction

In 1994, Norwegian Ministry of Environment defines Sustainable Consumption and Production (SCP) as "the use of services and related products, which respond to basic needs and bring a better quality of life while minimising the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the

service or product so as not to jeopardise the needs of future generations" (UNEP, 2010). The actors – consumers, policy makers, scientists, retailers, agencies and others – involved in SCP system have to cooperate for the accomplishment of SCP's main objectives. As the most important goals of SCP the author mentions:

- Decoupling economic growth from environmental degradation and pollution;
- Promoting resource and energy efficiency and sustainable infrastructure;
- Providing access to green jobs for a better quality of life;
- Reducing environmental and social costs;
- Increasing economic competitiveness and reduce poverty.

The accomplishment of this goals can't become true if the individuals and the society as a whole are not educated in the spirit of sustainable development. Education for Sustainable Development (ESD) promotes five types of learning in order to make people more responsible on this issue: "learning to know, learning to be, learning to live together, learning to do and learning to transform oneself and society" (UNEP, 2010). Education for Sustainable Consumption is part of the ESD and helps citizens to gain the appropriate knowledge, values and skills to improve the use of resources, to avoid the environment degradation in order to create a sustainable consumption behaviour and to foster a sustainable lifestyle.

Sustainable lifestyle is a way of living in balance with our natural environment. It is a new pattern on how we organize our life, how we buy, how we socialise, how we educate ourselves or other people and how we choose different services, respecting sustainability principles. Governments play an essential role in this process, as they have to create legislative, educational and technological frameworks to help people to change their lifestyle in a sustainable manner. National SCP Programmes are important too and is better for a country to integrate SCP policies in the overall economic and development policy of that country.

2. European Union's consumers attitudes towards Sustainable Consumption and Production

In the second part of the paper the author realises a brief presentation of the survey "Europeans' attitudes towards the issue of sustainable consumption and production" and is trying to outline a model of sustainable consumer.

The survey was organised on five main issues, such as:

- Influence of environmental impact on consumption habits;
- General perceptions about ecolabelling and especially, the EU Ecolabel;
- Producers and companies' claims about environmental performance;
- The introduction of a voluntary environmental "code of conduct" for retailers;
- Finding the best way to promote environmentally-friendly products.

Regarding the first issue, the results have shown that 30% of EU citizens believe that minimising waste and recycling have the greatest impact on solving environmental problems. Only 55% of EU population are fully aware about the impacts of the products they bought on the environment. One worrying result is that only three member states (Greece, Cyprus and Italy) said in proportion of over 50% that in their purchase decision is very important product's impact on the environment (Gallup Organisation, 2009). A great majority of respondents have taken energy-efficiency into consideration when buying products.

Considering the second theme of the survey, about half of EU population stated that ecolabelling has a major role in their decision to buy a product and the most important information on labels is the possibility to reuse or recycle the product. Overall in EU27 the evolution of Ecolabel or "EU Flower" licences can be observed in the figure below. The

growth is spectacular from 49 licences in 2000 to 1067 licences in 2010. In 2010 the highest number of EU Ecolabel licences was recorded in Italy-331, France-245 and Spain-80 and the lowest in Estonia-2, Lithuania-1 and Malta-1, according to Eurostat statistics.

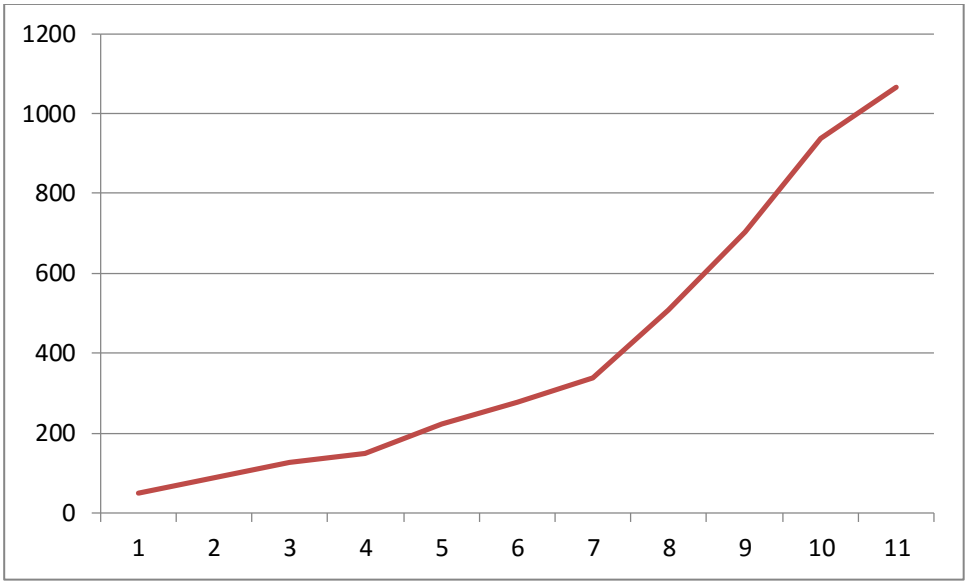


Figure 1: Number of Ecolabel licences in EU27 in the period 2000-2010
Source: http://ec.europa.eu/eurostat/data

The results on the third issue at European Union's level have shown the fact that 49% of citizens trust producers' claims about the environmental performance of their products and 48% did not trust them. The highest trust was recorded in Portugal (52%) and the lowest in Bulgaria (13%) (Gallup Organisation, 2009).
In the case of the fourth issue, the majority of EU respondents agreed that it is a good idea to develop a voluntary environmental "code of conduct" for EU retailers.
The answers for the last theme of the survey stressed the importance of a better information to consumers, the increasing visibility of environmentally-friendly products on store shelves or a green corner dedicated to these products. Another solution agreed by almost a half of respondents would be the reducing taxes for more environmentally-friendly products in order to promote them and the increasing taxes for those products which damage the environment.
It can be concluded that the European consumer wants to preserve the environment through his purchasing choices. The solution is to become a sustainable consumer, a consumer who buy green products, bringing positive effects to the environment, economy and society (Tanner & Kast, 2003). An interesting approach that has been the subject of many research is on the differences between male and female consumers. A recent study shows that male consumers are "objective-oriented as they pursued consequences of personal interests such as reduced energy consumption, reduce expenses and time saving and convenient". Female consumers are more "aware for environmental protection through their use of green products" (Lin & Lin, 2015).

3. Government tools for promoting sustainable consumption in OECD countries
Governments can encourage sustainable consumption through many instruments such as

standards, mandatory labelling, taxes and charges, subsidies and incentives, communications campaigns, education and others. These tools can be used on their own or in combination with other instruments.
Performance standards and mandatory labels are the best direct policy tools in order to eliminate unsustainable products from the market. Generally, the standards regard the reduction of energy use. Mandatory labels indicating the energy efficiency of household appliances are common in many OECD countries. Some good practice examples are Australia and New Zealand, where more than 95% of consumers recognise the mandatory energy efficiency labels and Mexico, where standards and labels developed for household products led to a reduction with over 50% of energy consumed by household appliances (OECD, 2008).
Another important tools that can influence consumer behaviour towards sustainable purchasing choices are taxes and charges. These market-based instruments raise revenues that can be used for environmental and social goals. Taxes and charges can reduce car emissions, household energy consumption, household waste, water use, tobacco and alcohol consumption. A good practice example is Ireland, where "a 15 cent levy on plastic bags reduced consumption of these bags by 92% and promoted the use of reusable bags by the majority of shoppers, with receipts going to a fund used to support waste management and other environmental initiatives" (OECD, 2008).
Subsidies and incentives are like presents (monetary grants, donations of goods and fiscal incentives) given by many OECD governments to encourage consumers and households to make more sustainable choices when they buy products and services. For example, in Canada, "homeowners are encouraged to improve the energy efficiency of their homes through the ecoEnergy Retrofit scheme, introduced in 2007, which grants a maximum of 5000 canadian dolars for this purpose" (OECD, 2008).
Communications campaigns are an essential instrument that can change the entire perception of the consumers, that can make them to rethink the patterns of their lifestyles towards sustainable choices. Most government campaigns are consumer-oriented and encourage eco-friendly consumption habits. Inform and increasing of consumer awareness for a sustainable consumption are the target elements of every public communication campaigns. A good practice example is the "Cool Biz" campaign launched by Japan in 2005 to lower CO2 emissions by encouraging people to wear casual clothes and businessmen to go without ties and jackets to reduce the use of air conditioning.
Education is the fundamental pillar of a society. Governments have integrated this key element in every social and economic policy. Many OECD countries are teaching and developing curricula on sustainable development, that comprises lessons and demonstrations on sustainable consumption also and provides the appropriate skills and competencies to become sustainable consumers. For example, in Australia the programme "Sustainable Consumption: Young Australians as Agents of Change" enumerated "techniques to empower students to change their consumption patterns and act as catalysts for more sustainable lifestyles in the wider community" (OECD, 2008).

4. Conclusions

Sustainable development is a major goal of the European Union in order to improve the quality of life and well-being for present and future generation. To accomplish this objective is important to take into account the action plan on sustainable consumption and production (SCP).
Consumers, policy makers, scientists, retailers, agencies and others – involved in SCP system have to cooperate for the accomplishment of SCP's main objectives, especially for the decoupling of economic growth from environmental degradation and pollution. They

have to be more sustainable-oriented, to become responsible, to create a sustainable consumption behaviour and to foster a sustainable lifestyle.
Governments can encourage sustainable consumption through many instruments such as standards, mandatory labelling, taxes and charges, subsidies and incentives, communications campaigns, education and others. Communications campaigns are becoming more common to encourage socially – conscious consumption.
Inform and increasing of consumer awareness for a sustainable consumption are the key elements of every society who desires to develop in a sustainable manner.

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ADULT LEARNING AS A MAJOR CHALLENGE FOR AN AGEING POPULATION AND WORKFORCE IN THE EUROPEAN UNION

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Abstract: *The dynamics of the contemporary society, the pace and complex character of changes on the labour market have induced the continuing need of adjustment to changes and to the requirements in swift development of the professional activities for individuals. This adjustment capacity cannot be conceived without involvement into a complex process of education and training, which in the contemporary period means no longer just an initial stage preceding the active life, but is combined with the latter under the form of lifelong learning. The adjustment need is even more relevant for the following target-groups: elderly on labour market who must update professional competences, low-skilled adult population, early school leavers and migrants all of which led at European level to the emergence of the concept and process of adult learning. This is regarded as important component part of lifelong learning and benefits of generous approach within the European policy process focused on these issues. The European Union regards the significance of adult learning from the perspective of the economic and social challenges of the Union. From the viewpoint of competitiveness it ascertains the need of increasing the share of jobs requiring tertiary level qualifications. From the perspective of demographic change, it underpins the requirement for putting to good use the entire human potential, by priority investments in the above-mentioned target-groups, and social exclusion could be exacerbated by the new illiteracy forms, respectively access and use of ICT in the professional and daily life. In order to direct and stimulate the implementation of adult learning in the member-states, the European Commission set up a set of common priorities regarding: the effects of reforms undertaken in education and training by the Member-States with respect to adult learning; the quality of provision in the adult learning sector; the opportunity provided to the adults to increase by at least one level the gained skill; the evaluation and recognition of the outcomes for non-formal and informal learning and the monitoring of the adult learning sector. By means of the participation rates to education and training we have attempted to reflect the unwanted gap still existing between political discourse and practice.*

Keywords: ageing workforce; adult learning; employability; job security; social returns

JEL classification: J13; J21; J24; I25

1. Introduction

The present study begins the brief characterisation of the economic and social implications of demographic change in the European area that generated the need for optimum valorisation of the entire human potential, with emphasis on following target-groups: older workers, low-skilled workers, early school leavers and migrants.

Valorising the contribution of the above-mentioned target-groups in the labour market cannot be conceived without their involvement in the adult learning process. The characterisation of the political European approach from the viewpoint of the most relevant documents focusing on adult learning as important component part of lifelong learning constitutes the majority section of the present study. The finding inserted in the policy

approach, regarding the dichotomy between political discourse and reality, we attempted to illustrate by means of the participation rates to education and training.

2. Demographic and labour force ageing

The decline of birth-rates and fertility which was even more swift and steep in the East-European countries after the collapse of the Eastern Block, to which is added the high increase of life expectancy have led to the ongoing process of demographic and labour force ageing within the European area, and this represents one of the most concerning contemporary developments in the European Union.

The demographic projections show for the time-horizon 2030 a significant increase of the share of individuals aged 65 years of age and over, and a negative dynamic of the working age population (20-65 years of age) in the majority of Member-States. The increase of life-expectancy must be regarded as a major achievement of the mankind, but the implications of ageing cannot be ignored.

At labour market level, the consequences will be the following: change of the age structure in enterprises; exit rates increase on the labour market, in parallel with low flows of young entrants.

The increase of the dependency rate of elderly which shall develop from a ratio of four to one, to a ratio of only two to one in the year 2060 shall represent a serious challenge for the sustainability of the social security systems that are already under pressure.

The attempt of generating a satisfying answering capacity of the society to these challenges led to the emergence of the concept and process of adult learning, promoted by a sustained European approach that makes the object of the present study.

3. The European Analytical and Political Approach of Promoting Adult Learning

The European analytical approach (CEDEFOP, 2012) dedicated to elderly on labour market as important target-group among the targeted groups of the political European approach dedicated to adult learning mentions the following desirable features of the process: strong focus on key-competences required by the professional activity and stimulating the involvement in this process of the seniors on labour market, considering the importance of updating knowledge and competences for this segment of the human capital.

The efficient learning forms, validated by the practice on labour market and, consequently, the ones proposed are the following: on the job learning based on infrastructure adjusted to the requirements of the activity and, if possible, while working; the efficiency of the process is even higher if it is conceived in an intergenerational form, within some multi-generational working and learning teams for the benefit of all parties involved, that is a win-win type approach.

The effects generated by such process content are among most important for the economy, society and individual. Learners will gain employability, this feature of the human capital being crucial for the entire force in gaining employment security, and older workers job security considering the lower occupational mobility of the latter. Once the labour market insertion is assured, the aim of social inclusion turns into reality, just as the decent living standard ensured by labour incomes.

The European political approach consecrated to promoting the lifelong education and training process presupposes a multitude of European political acts. From among these, in the present study, we debate only about some of the ones dedicated to adult learning as important part of lifelong learning a process that in the European understanding must address the following target-groups: older workers, of an increased importance in the

context of demographic change, low-skilled adult population, early school leavers and migrants.
Already at the beginning of the 2000s, documents such as the Commission's Communication Making a European Area of Lifelong Learning a Reality and the 2002 Council Resolution on lifelong learning have underpinned the importance of this process, from the perspective of the triggered economic and social benefits.
A first major step of the policy approach in promoting adult learning within the Union is represented by the Commission's Communication Adult Learning: It is never too late to learn, from the year 2006. The document defines briefly the process of adult learning as important component of lifelong learning, achieving a synthesis of its incontestable benefits and based on the finding about the "dichotomy between political discourse and the reality" addresses to all member-states pertinent recommendations under the form of some key messages. The definition given to the process is the following: "all forms of learning undertaken by adults after heaving left initial education and training".
The generated benefits are regarded from the perspective of the economic and social challenges in the European area: From the perspective of competitiveness, the certain economic benefits are recorded at individual level (better informed, efficient, employable workers), but also at the society level (reduced expenditures in areas such as unemployment benefits, early-retirement pensions, welfare payments). Complementary to the latter are registered also major social returns: civic participation, individual well-being and better health.
From the perspective of demographic change for compensating the low flow of young entrants on the labour market, the document proposes the following future directions: expanding active life, combating early school leaving that feeds the low-skilled adult population and valorising the potential of migrants, which could compensate for the labour force deficit and the skills' shortage in certain sectors.
From the perspective of social inclusion the new forms of illiteracy (access and use of ICT in professional and daily life) are regarded as having the potential to exacerbate social exclusion.
The key-messages addressed to the member-states make reference to removing the existing barriers, guidance that would aim both to increase overall participation to adult learning, and encouraging groups with the lowest participation trend, thus generating a "more equitable picture"; ensuring quality provision of adult learning; acknowledging and validating of non-formal, informal and formal learning outcomes; investment in the ageing population and migrants; pursuing the development of the process based on surveys and specific indicators (Adult Education Survey, Continuing Vocational Training Survey).
In order to render concrete these key-messages, the European Commission drew up in the year 2007 the "Action plan on adult learning: It is always a good time to learn" which provided for the first time a set of common priorities in this respect that can be supported by intensifying the European cooperation in the framework provided by the Open Method of Coordination (OMC).
These priorities are: the effects of the reforms undertaken in education and training by the member-states regarding adult learning; quality of provision in the adult learning sector; the opportunity provided to adults to increase by at least one level the gained skills; the evaluation and recognition of the non-formal and informal learning outcomes and the monitoring of the adult learning sector.
In order to evaluate the progresses recorded with respect to these priorities of action, the Commission elaborated in the year 2012 a new "Action plan on adult learning: achievements and results 2008-2010". This document was conceived as a mitigating reaction to the economic crisis and in the spirit of the Europe 2020 Strategy, where the role of adult learning in developing the competences of human capital is regarded as key-

element within the flagship objective “a smart, sustainable and inclusive growth”. The stage reached regarding these priorities of action is outlined in the following findings:
With respect to the first mentioned priority is found that the implementation of the strategies still remains a critical aspect, the main hindrance being in financing. A cost/benefit analysis for adult learning has not been performed ye, the relevance of which is increased by virtue of the budgetary constraints induced by the economic crisis. The role of reforms in vocational education and training (VET) has been underpinned, as well as the one of the Copenhagen Process which covers continuing training for work purposes, as well as the role of the Bologna process and of the agenda for modernising higher-education that allowed for the adult increased participation within this educational level.
In order to ensure the second priority is highlighted the conditioning of the quality of services by the quality of the personnel in the sector, from the viewpoint of initial and continuing training, by the status held and by the wage earnings. For developing the statutes of the profession, the Commission undertook a study on Key competences for adult learning professionals that would answer to the need of assuring ”high quality teaching, to provide adequate initial teacher education, continuous professional development for teachers and trainers, and to make teaching an attractive career-choice”.
The action plans stipulate clearly that the adult learning activity must have the specific purpose of providing to the participants, with emphasis on the low-skilled ones, the opportunity of improving their skills by at least one level. It is recommended to all countries to develop their own plans of action that would allow for target-groups “to progress to a minimum EQF (European Qualifications Framework) level 2 (equivalent to lower secondary education), with an option to continue to level three”.
The acknowledgement of non-formal and informal learning outcomes gives the opportunity to identify the beginning and entry point to a learning programme at a given level, but also of achieving time and money savings as what has already been assimilated will no longer be part of the learning objective.
To provide for the opportunity of monitoring and exercising control with respect to the adult learning sector as emergency imposes itself the creation of a common concept and language that would constitute the background for ensuring comparable data, in view of performing a periodical review of the sector’s evolution.
In the same year, 2011, the Council Resolution on a renewed European agenda for adult learning underpinned the importance of the strategic framework for European cooperation in education and training (ET 2020) that is in the spirit of the Europe 2020 Strategy. From the viewpoint of the latter, the conditioning of turning into reality the flagship initiatives is highlighted, including by education and learning. An Agenda for New Skills and Jobs presupposes the assurance for the population of the opportunity to gain complex competences and in permanent development as demanded by the labour market, including here by adult learning which could constitute the sound background for the “Innovation Union” that aims to promote excellence in education, so that the future economic growth would result from “innovation in products, services and business models”. This might provide for Europe better mitigation capacities with respect to demographic change and competitiveness pressures. Such economic backbones can open the path towards a European Platform against Poverty.
The social dimension of education and training is reaffirmed as it is generously approached in the Lifelong Learning Programme with emphasis on higher-education.
A very recent European document (Council conclusions on quality assurance supporting education and training, 2014) addresses the progress registered in developing a culture of quality within the education and training systems in Europe, regarding them as one of the main contributors to “better jobs, stronger growth and competitiveness”. The important

European challenges related to education and learning are reviewed from the perspective of the Europe 2020 strategy: the gaining by learners of skills and competences that assures their employability from the perspective of “An Agenda for New Skills and Jobs” Initiative; the broad access and the diminishment of the early school leaving rates, as well as innovative learning from the viewpoint of the “Innovation Union”, along with the inclusive society and active citizenship from the perspective of the “European Platform against Poverty”.
An important finding in our opinion makes reference to vocational education and training (VET), highlighting that European Quality Assurance Reference Framework for VET (EQAVET) network supported the progress towards a culture of quality in the member-states, as many of them have already implemented or are underway in developing a national quality assurance approach in line with EQAVET.

4. Coordinates of the learning gap existence in the EU.
This last section is consecrated to catching the existence of the learning gap between the commitment political discourse and practice, that has already been mentioned on one hand, and on the other hand, between the following age groups: elderly on labour market (55 to 64 years of age), a segment of priority focus in our approach among the other two target-groups and, respectively the young population (25 to 34 years of age) and the adult population (35 to 54 years of age). A first analysis makes references to the differences between member-states with respect to access to continuing vocational training (CVT) as validated on the labour market for adult learning. The second analysis reflects the differences between elderly on labour market on one hand, and the young and adult employed population on the other hand, with respect to the participation rates to education and training. A last brief analysis catches the differences regarding the intensity of participation to education and training.
The access of employees to CVT differs a lot between the European countries. If we consider the share of employees that participate to CVT by taking into account only enterprises providing such courses, the access indicator registers the following values in the European context (Figure no.1):

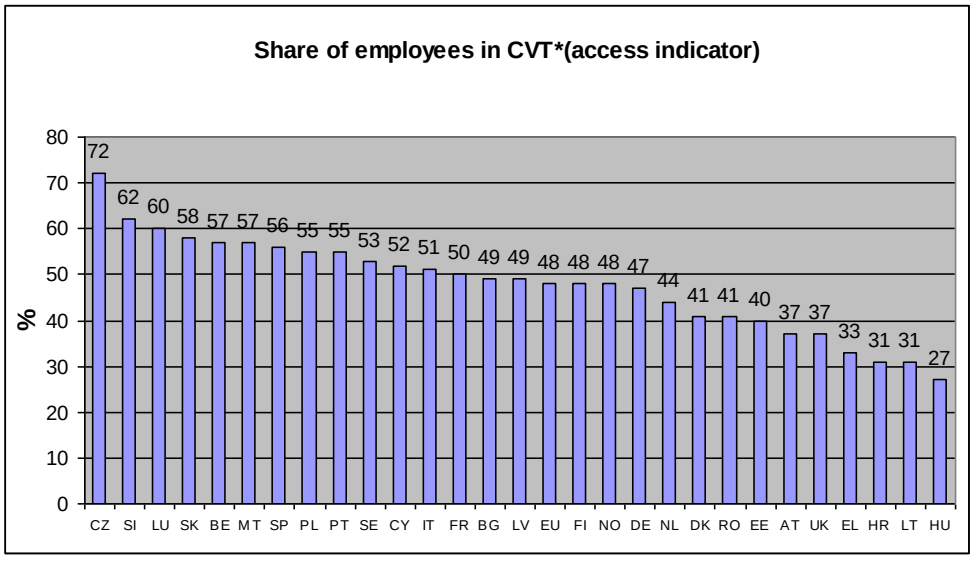


Figura 1: Share of employees in CVT (access indicator)

Note: *=by considering only enterprises providing for CVT courses
Source: Eurostat Cod: [trng_cvts]

Against an average EU level of 48% the highest values can be noticed for the following countries: the maximum value of 72% for the Czech Republic and values of about 60% in Slovenia, Luxemburg, Slovakia, Belgium and Malta. At the opposite pole, the lowest values of the indicator are recorded in three countries in transition Hungary, Lithuania, Croatia and Greece between 27% and 33%. Also low levels, close to this interval are registered in other two developed European countries, respectively the United Kingdom and Austria (37%). The analysis of the participation rates to education and training for elderly in the labour market regarded comparatively to the rates registered for the young and adult population in the member-states leads to the following relevant conclusions: First of all, if all participation rates to non-formal training are comparatively higher for all age group segments analysed, still it is obvious the preference of elderly for this type of training. This registers, in the case of elderly, in 2011, rates between 20% -35% in many member-states, while the formal education and training rates for the same year were only between 2% - 6% (Table no.1).

Table 1: Participation rate to education and training on age groups

	Non-formal education and training						**Formal education and training**					
	2007			**2011**			**2007**			**2011**		
	25-34	**35-54**	**55-64**	**25-34**	**35-54**	**55-64**	**25-34**	**35-54**	**55-64**	**25-34**	**35-54**	**55-64**
EU	36.1	33.6	19.7	40.8	39.8	25.6	14.2	4.9	2.0	13.6	4.9	1.6
BE	44.4	35.9	19.1	41.3	36.5	17.6	21.8	11.2	7.4	12.9	6.7	3.6
BG	41.2	39.2	20.3	25.8	28.6	15	7.4	1.5	:	7.4	1	:
CZ	38	41.8	21.5	38.8	39.9	20.1	9.8	2.6	:	9.2	2.3	:
DK	35.7	43.4	27.3	52.2	56.6	44.7	28	7	:	30.6	9.6	3.1
DE	46.8	47.6	27.1	51.4	51.6	38.1	14.8	2.8	1.8	13.2	1.5	:
EE	48	41.5	27.2	59.2	48.9	32.6	11.3	3.5	:	18.1	3.3	:
IE	:	:	:	19.4	20	14.3	:	:	:	11.2	5.6	2.3
EL	18.5	12.8	5.1	13.7	10.3	3.1	5.8	1.4	:	8.1	1.2	:
ES	32.5	28.3	15.7	40.5	35.4	22	11.8	4.1	1.8	14.3	5.2	2.1
FR	41.1	33.8	15.9	57.5	53	32.7	11.7	3.5	0.8	8.8	2.6	0.5
HR	24.7	19.1	9	:	:	:	13.1	2.2	:	:	:	:
IT	24.1	22.1	11.6	38.2	37.5	22.3	12.5	2.6	0.7	9.7	1.3	:
CY	50	40.9	20	46.3	43	27.7	7.8	1.2	:	9.1	2	:
LV	35.2	32.5	20.9	33.1	32.9	19.1	10.8	4.7	:	8.9	3.4	:
LT	33.6	34	18.9	29	28.3	16.1	16.4	3.5	:	11.9	1.7	:
LU	:	:	:	75.7	71.4	48.5	:	:	:	17.8	7.9	5.7
HU	9.7	7.6	2.5	44.3	42.3	21.2	7.2	1.5	:	13.1	5.9	0.9
MT	45.6	32.4	15.5	40.9	38.9	19.7	10	4.9	:	8.1	4.4	:
NL	52.5	43.7	28.2	62.8	58.9	35.7	15.2	5.1	2.4	21.4	11.4	4.5
AT	40.2	44.9	25.2	49.3	47.9	35.2	11.4	2.4	:	13.1	4.3	1.9
PL	26	18.9	6.7	28.1	22.6	9.4	13.4	3.2	:	12.7	3.5	:
PT	31.8	22.6	10.2	53.2	41.6	20	13.9	4.8	1.2	17.4	10.3	3
RO	6.7	4.8	2.5	10.1	7.2	1.9	8.7	2.4	:	3.4	0.9	:
SI	40	40.2	22	38.6	39	22.7	22.3	5.5	:	7.2	0.9	:
SK	44.6	46.5	23.8	42.7	43.1	21.6	12.7	4.5	:	12	4.5	:
FI	55.7	55.9	37.1	54.8	58.6	34.7	24	8.5	:	26.9	9.9	2.4

	Non-formal education and training						Formal education and training					
	2007			2011			2007			2011		
	25-34	35-54	55-64	25-34	35-54	55-64	25-34	35-54	55-64	25-34	35-54	55-64
SE	72.4	72.8	60.1	67	71.6	57.1	26.5	11.4	2.7	28.3	11.2	3.4
UK	44.3	41.8	32.5	23.9	25.4	22.3	23.1	14.7	7.7	22.6	14.9	6.1
NO	56	52.6	40.3	65.4	60.4	40	20.8	8.2	:	14.2	7.3	:
CH	49.8	49.8	36.6	65.7	65.6	53.8	12.1	3.4	0.7	22.9	6.1	1.2

Source: Eurostat Cod: [trng_aes_101]

Extreme levels of the non-formal training rate in the case of elderly in 2011 were registered in the following countries; the highest levels were in Sweden (57.1%), Luxemburg (48.5%), Denmark (44.7%), Germany (38.1%), the Netherlands (35.7%), and Austria (35.2%); the lowest levels were in: Romania (1.9%), Greece (3.1%), Poland (9.4%), Ireland (14.3%), Bulgaria (15.0%). The trend of these non-formal education and training rates registered by elderly in the labour market for 2007 - 2011 was the following: the European average registered an increase of 5.9 pp from 19.7% to 25.6%. The highest increases of the indicator's values, superior to the average were registered in: Hungary (18.7 pp); Denmark (17.4% pp, under the conditions of an extremely high level of the indicator); France (16.8 pp); Germany (11.0 pp); Italy (10.7 pp); an approximately similar growth (10.0 pp) was registered in Austria, as well. The opposite decreasing trend, by more than 2 pp was noticed also in some countries: Bulgaria (-5.3 pp); Sweden (-3.0 pp, but under the conditions of registering maximum values of the indicator for both years); Lithuania (-2.8 pp); Finland (-2.4 pp, under the conditions of some high levels of the indicator in both years). An absolutely minor diminishment (-0.6 pp) was recorded also in Romania, but under the conditions in which the country has the lowest values of the indicator in both analysed years (only 2.5% in 2007 and, respectively, 1.9% in 2011), which indicates rather non-involvement than participation to the analysed process of the elderly.

The comparison of elderly's participation in the labour market to non-formal education and training with the one of youths and adults indicates for the majority of cases a significant gap. The highest values of the gap, resulting from the comparison with the young in 2011 were registered in: Portugal (33.2 pp); Luxemburg (27.2 pp, under the conditions of the highest participation rates for young and adult population); the Netherlands (27.1 pp); Estonia (26.6 pp); France (24.8 pp) and Belgium (23.7 pp).

The lowest values of the gap were recorded in: the United Kingdom (1.6 pp); Ireland (5.1 pp); Denmark (7.5 pp on the background of high participation rates); Romania (8.2 pp, under the conditions of the lowest participation rates for all three age group segments).

From the comparison with adult population results, also, a significant gap but which in many cases is inferior to the gap resulting from the comparison with young population. In particular, this is the case for Portugal, Luxemburg, the Netherlands, Estonia and France, countries where also high values are recorded for the two compared gaps, but also higher participation rates for the compared age group segments. The same characteristic resulting from comparing the gaps is shown also in some East-European countries (Romania and Poland) but under the conditions of some lower participation rates to education and training that are even lower in Romania's case.

The participation to formal education and training can be briefly characterised as follows: the existence of some very low participation rates for all analysed age groups and the lack of available data regarding this aspect for very many of the member-states in the case of elderly in the labour market.

According to available data regarding this age group an involvement of elderly employees is found, including in formal training in some developed European countries: the United

Kingdom (6.1% participation rate), Luxemburg (5.7%), the Netherlands (4.5%), Belgium (3.6%), and Sweden (3.4%).
Not only participation rates to education and training differ very much between European countries, but also the intensity of involvement in this process (Figure no.2). This intensity indicator was calculated according to the European analytical approach by the ratio between the number of hours allocated to education and training by the elderly in the labour market to the number of hours allocated for the same process by the majority segment of the employed population (25-64 years of age). Against the EU average level of 62% for the intensity of participation to education and training, superior values to the 80% threshold were recorded in: Luxemburg (91%), Slovenia (88%), the Netherlands (83%) and the United Kingdom (81%). The lowest values of the indicator are recorded in Greece and Bulgaria (38%), but values much inferior to the average level are registered also in Poland and Sweden (47%).

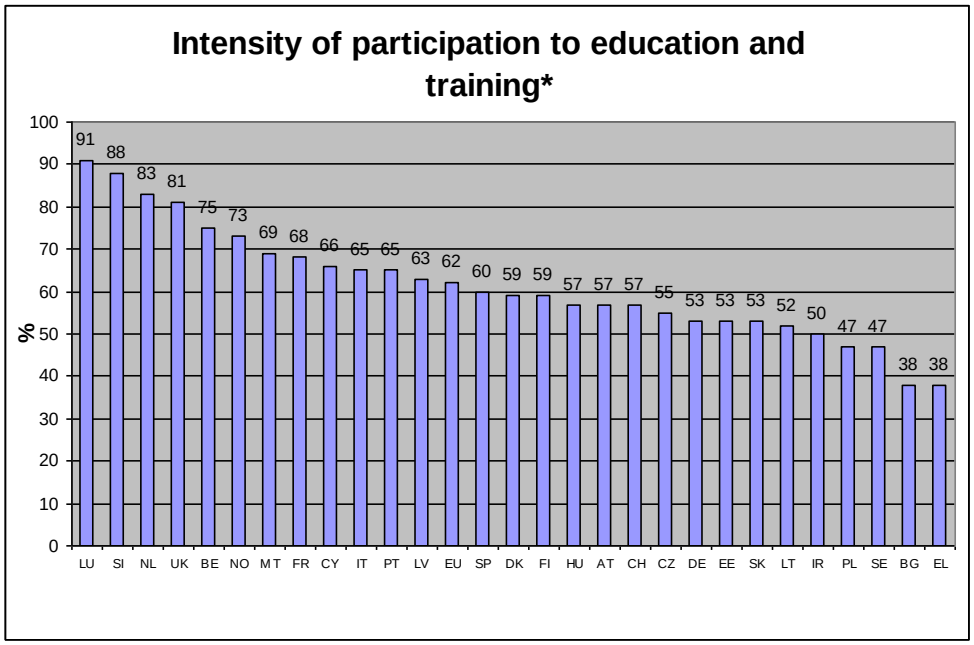


Figure 2: Intensity of participation to education and training
Note: *=as ratio between the number of hours allocated for education and training by elderly in the labour market (55-64 years of age) and the corresponding number of hours allocated by the majority segment of employed population (25-64 years of age).
Source: Eurostat Cod: [trng_aes]

5. Conclusions

The economic and social implications of demographic change in the European area as major challenge of the Union generated the need for optimum valorisation of the available human potential of elderly in the labour market, of course, among other target-groups: low-skilled workers, early school leavers and migrants. Valorising their contribution to the labour market cannot be conceived without responsible involvement in the process of adult learning that benefits of generous address in the European political approach.
From the multitude of European documents we debated but some few relevant ones from the viewpoint of key-messages for member-states and of formulating a set of common

priorities.
Unfortunately, implementation remains a critical part, aspect that together with the learning gap existing between older workers and young and adult population were reflected by means of participation rates to education and training and the intensity of the process.

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THEORETICAL APPROACHES OF ENDOGENOSU REGIONAL DEVELOPMENT

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Abstract: *The territory affects how economic systems work, geographic proximity being a primary source of economic and social benefits. Generally speaking, territorial development is minimal determined by exogenous factors, while the main factors that influence the potential of local development are: endowment, resources, human and social capital, accessibility, infrastructure etc. These factors can be found in the regional growth theory which, by its scientific nature, is assimilated with macroeconomic theory.*
New economic geography emphasizes the importance of these factors, which focus on the lower production costs. At the same time, technological change and diffusion of technologies are considered endogenous variables which react to the market signals. Positive externalities are produced by using technological investment, employment and income redistribution in society. Research development, entrepreneurial skills, local production, innovation, knowledge, learning networks etc. are considered to be the engine of economic growth.
In this paper, there are presented the main theoretical approaches of endogenous growth, which have contributed to understanding the implications and the effects of this process upon regional development.

Keywords: regional endogenous growth, new economic geography, endogenous factors

JEL classification: R1, R10, R11

1. Introduction

In general, understanding the relevant factors of economic development represents core of the economic analyses. The neoclassical theory tries to explain the process of growth through constant scale profits, competition and the mobility of production factors (labour, capital); the growth achieved on long- term, under the conditions of a free market, determines the achievements of territorial income per capita.
Reconsidering the role of territorial level in empirical analyses regarding the benefits and costs, the location has become the focus of many studies and research. Recently, we assist to amplification of the role played by regions in national and global context.
New economic geography is based on variables combination between geographical and economic factors. These combinations regard different approaches related to regional growth theory which has added the knowledge, innovation and economies of scale. This has led to decreasing importance of distances from one market to another (played by transport costs) and the market size.
Regional theoretical approaches assess the impact of transport costs on spatial distribution. Transport costs were considered real barriers to business (Krugman; Venables, 1993), their appearance being determined by physical causes, institutional arrangements (trade and fiscal policies) or cultural differences. As a rule, the regional clusters and scale economies are influenced by the emergent decisions of geographical concentration of production and the interaction of internal and external forces.
Economic integration affected, in its turn, the phasing out of trade barriers, the industries concentration and territorial revenues; the gradual reduction of trade constraints triggers

the processes of agglomeration, mutually reinforcing (self-reinforcing), resulting the trends of activities concentration (Ascani, Crescenzi, Lammarino, 2012).
The economic integration emphasizes the market competition which influences the geographical distribution of production. Achieving a high level of economic integration is not a simple act; there are a lot of economic barriers such as: tariffs and quotas, rules, different cultures and languages, etc. (Krugman, Venables, 1990). Therefore, the complete economic integration, also, includes a large number of non-economic elements.
From theoretical approaches perspective, we can identify the processes that could lead to spatial concentration or dispersion of economic activities and, also, the way it reaches the steady status between certain processes. This can help regions to understand how their economies have emerged and how they might change over time.

2. Specific factors of endogenous regional development

Regional development represents the effect of internal and external economic forces, in different proportions. According to the theory of regional economic growth, the impact factors are grouped, as follows:

- Exogenous factors – these factors do not influence local context, and are transferred in fortuitous or deliberate manner (for example, the presence of multinational companies in the area, the installation of an infrastructure decided by external authority);
- Endogenous factors - appear and develop within the area, leading to a process of self-development (examples: entrepreneurial skills, local production, quality of local actors/institutions, innovation, knowledge, learning networks, the advantages of physical proximity, etc.).

The dominance of these forces (exogenous or endogenous) has led to the emergence of regional models and has supported the development of new visions. Thus, if in the 90's, the development of neoclassical theory had represented more than the result of some external force (growth of income per capita was dependent on savings rate and exogenous shocks), we are witnesses, in present, to a new type of approach based in particular (but not exclusively) on internal forces and their own capabilities development.

Also, known as the endogenous growth theory, the new approach is driven by scale economies (at national or regional level). The systematic analysis through explicit dynamic models was made prominent by Solow's famous paper (1956); he was following up and clarifying the earlier work, especially of Roy Harrod and Evsey Domar. He allowed for a wide variety of aggregate production functions and assumed both a fixed savings rate and an exogenously given rate of Hicks-neutral technological growth. Although the basic approach became widespread almost immediately, a number of economists felt both of these last assumptions were limiting. Some stressed the alternative assumption that the savings rate was itself rationally determined, to optimize some function of present and future consumptions. This led to the theory of optimal economic growth. Others were concerned that technological change was itself the result of economic and other decisions, not to be taken as exogenously given, leading to endogenous growth theory.
Considering the studies developed by Kenneth Arrow (1962), Uzawa (1965), Sidrauski (1967), Romer (1986), Lucas (1988) and Rebelo (1991), the process of economic growth is mainly due to investments in human capital, which causes a spillover and capital accumulation. In this process, the next resources are involved:

- natural resources: land, water, climate etc.;
- human resources: knowledge, experience and expertise, specialisation;
- material resources: roads, canals, irrigation systems, schools, hospitals,

etc;

- economic resources: the market of goods, of food, work, property, credit system, prices, etc.;
- social resources: ethnic organizations, households, social institutions, leadership, decision-making mode, etc.;
- cultural and spiritual resources: rules, rituals, festivals, art, language, lifestyle, etc.

Endogenous growth promotes the idea that the process of economic development is, primarily, the result of the investment in human capital, innovation and knowledge (Romer, 1994). Positive externalities and the effects of knowledge distribution determine, to a very large scale, economic development. At the same time, political measures have a very important role in promoting long-term economic growth (for example, the subsidies earmarked for research and development, education, innovation etc.).

The endogenous regional growth processes involve the interest of specialists from various fields (economic, social, geographical, etc.). From the first attempts regarding the endogenous character of technologies (Romer, 1990) and of human capital (Lucas, 1985, 1988), we are witnessing, at present, to the emergence of regional concepts under the great umbrella of endogenous growth theory (Stimson R, 2009): innovative regions (Saxenian, 1994), knowledge regions (Simmie, 1997), innovation regional systems, new industrial spaces (Scott, 1988), competitive advantages (Porter, 1990) and the new economic geography (Krugman, 1991).

Recent contributions to the regional economy are considered endogenous problems of regional economic development (Nijkamp, Capello, Vanclay, Krugman, etc.).

At regional level, the endogenous development factors are:

- technical progress generates economic development - Rees (1979), Malecki (1991);
- the diversity of industry (Henderson, Kuncoro, McCann);
- the regional specialization - an important factor that explains the differences between levels of performance (Hanushek, Kimko, 2000; Goetz and Rapasingla, 2001);
- the agglomeration economies (Taylor, Ara, Gane, 2002; Duranton and Puga, 2000).

Additional factors of endogenous regional development are:

- leadership - Judd and Parkinson (1990); Bryson and Crosby (1992); Fosler (1992); Hansen (1992); Fairholm (1994); de Santis and Stough (1999);
- strategies/policies/institutions - Doig and Hargrove (1987); Gray (1989); North (1990); Fukuyama (1996); Putman (1993); Svara and Mouritzen (2000);
- entrepreneurship - Schumpeter (1934); Kirzner (1973); Acs (1999); Jessop (1998); Acs, Audretsch, Braunerhjelm and Carlsson (2004); Audretsch and Kreilbach (2004); High (2004); Stough, Kulkarni and Paelinck (2004).

One of the most known models that assess the factors which underline the endogenous development at regional level is Stimson-Stough-Salazar Model (Figure 1).

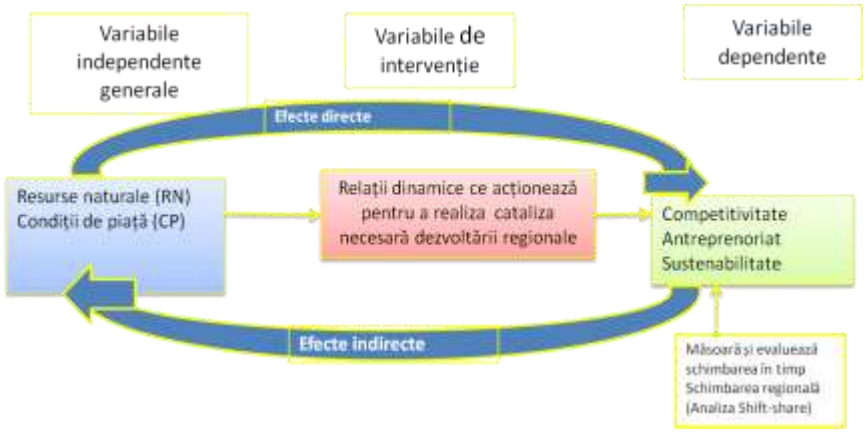


Figure 1: Stimson-Stough-Salazar Model
Source: Aroca, P., Stimson, Stough (2011).

The endogenous potential factors at regional level can be grouped into four important categories:
(a) The endogenous factors specific to the East EU regions, being presented by the specialized literature in the form of driving forces (driving elements). In particular, the location on the border of the EU-15 and the presence of capital cities has been interpreted as support of the regional differentiated growth. The location next to the EU-15 has generated a higher market potential, while the presence of the capital-cities has represented the main economic and social assets, necessary for the growth pattern in these regions.
b) From the perspective of new economic growth model, an important role is played by knowledge and innovation (well-established in the economic theory). The factors bounded directly by the accumulation of knowledge and innovation have become the main sources of growth (Lucas, 1998, Bronzini, Alok, 2009). Also, the presence of FDI has been interpreted as an external source of innovation (Barrell and Pain, 1997).
(c) The third group of factors referring to the presence of the physical infrastructure and accessibility are interpreted as pre-conditions for obtaining the knowledge and information. Even when the knowledge and innovative process was accomplished, it cannot be replicated with the same intensity in another place/area. The accumulation of knowledge is strongly rooted and anchored in the characteristics of the economic, social, cultural and institutional process, thus some areas have a more an innovative character pronounced than others.
d) The fourth group of factors consists of the presence of certain sectorial components which explain regional growth (Perloff et al., 1960). Changing the sectorial structures may represent an important explanatory element, in particular, for new regions of the EU.
At present, the sustainability of regional development strategies is considered essential, and becomes even a more important territorial approach, from the perspective of endogenous factors.
An important element of regional performance is the internal ability of each region to develop.
Over the past decade, the interpretation of endogenous regional capacity has led to a change of paradigm (Figure 2):

- from the classical development factors to the innovative ones (Nijkamp, 1986);
- from the hard-factors to the soft or intangible factors (Becattini, 1990);
- from the functional approach to the cognitive one.

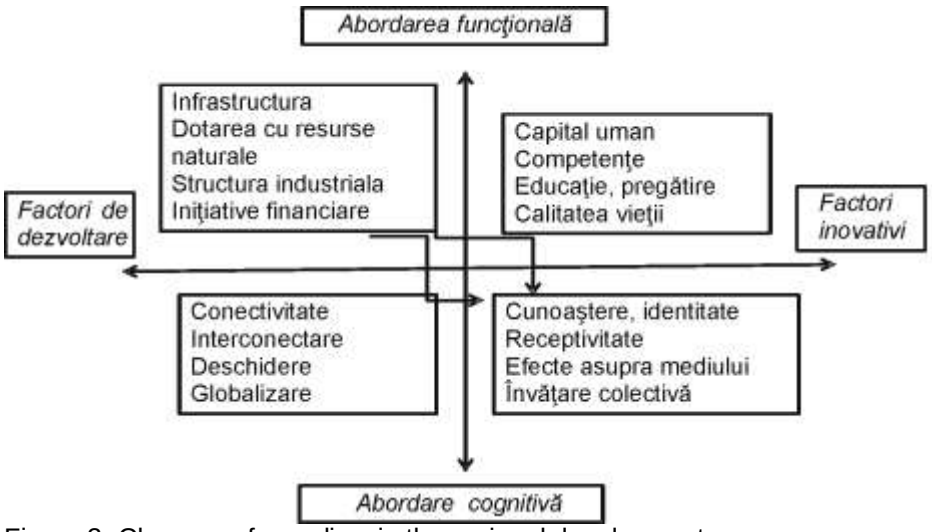


Figure 2: Changes of paradigm in the regional development
Source: own processing

The recent studies aim to explain the implications of global financial crisis, and try to capture the catalytic effect of innovation and creativity which generate knowledge (Nijkamp). Furthermore, they try to identify the skills required for capturing the ideas and the innovations necessary to support a modern regional economy.
The critics regarding endogenous development are determined by the failure in explaining the hypothesis of conditional convergence, the reduction in capital gains and the explanation the divergences regarding the regions/countries income, at global level.
The implications of the endogenous growth theory take place in political context (market competition, open markets, promoting research and innovation etc.). Also, economic policies that promote market protection may lead, in time, to a slower growth process. Long-term growth process represents a process of continuous transformation of economies (Howitt P, 2005).

3. The main models of endogenous regional development

As a result of the major changes that occurred at global level, the theory of regional development had a rapid expansion, after the 1970s (the economic downturn had triggered the crisis phenomena in all industrialized countries etc.).
The theory of endogenous growth at regional level has two major components, namely:
• the selective autarchy - an action that aims to meet the regions needs as part of a whole territory, starting from the adoption of an appropriate economic policy implemented at the local level;
• the capitalisation of the strategic territorial advantages – assuming the development of products for which the region has a favorable market position, regardless of the political or economic requirements.
A model of endogenous regional development must be able to guarantee the autonomy of the process (and his sustainability), built on local characteristics/resources and which manages the fundamental variables.
The main endogenous development strategies are:
 the '50s – infrastructure development;
 the '60s - emphasis on attracting external activities and industrial export etc.;
 the '70s – increase of the SME s role and local workforce skills;

 the '80s - diffusion of innovation and technology;
 the '90s - knowledge, intangible factors, local culture;
 after 2000 - to the "relational capital", collective knowledge, interconnections, the territorial capital.

The new theoretical and practical approaches regarding the regional development have in the spotlight the following: rapid technological change, innovation, research, education, agglomerations and externalities, knowledge, entrepreneurship diversification and sectorial specialization etc.

The endogenous growth theory is heavily influenced by practical analyses on regional growth, policies and spatial development strategies and the actual economic processes: the trends of convergence/divergence at Member State level, the spatial polarization of incomes and the growing role of knowledge etc.

The endogenous growth theory is based on two important approaches (Howitt, 1998):

a) the accumulation of human capital represents a an engine of economic growth, and education is a critical force that generates progress; also, education and specialisation of human capital contribute to the differences in labour productivity (Lucas, 1988);

b) the second approach emphasizes the role of the human capital in the process of innovation. According to this approach, inventions can be considered the result of research and development activity and they have an essential contribution in the process of economic growth (Romer, 1990).

The first generation of endogenous growth models had predicted the convergence clubs based on the effect of the most important factors of production – innovation (Azariadis and Stachurski, 2006). Specifically, in these models, the aggregate function of production is associated with the effects of the capital accumulation and with the long-term dependency, compared with initial conditions (Funke and Niebuhr, 2005, Basile, 2008, 2009).

Other endogenous growth models are based on the total factor productivity, assuming that innovation leads to productivity growth by creating a new products (not necessarily improved) (Romer, 1990). One of the versions of these models is the Schumpeter model, developed by Howitt (1992, 1998), and called the creative destruction process.

A key aspect of all the endogenous growth models is that the technologies create the contagion effects due to the nature of their non-rivalry and partially excludable goods.

According to endogenous growth theory, every economy is considered an island, and the regional economies have greater openness than the national economy and they faster interact one with another. The endogenous growth models should explicitly take into account the interactions between regions.

A special place in the regional literature is taken by the externalities. The models of endogenous growth allow international mobility, international trade and dissemination of knowledge, and have important implications on the integration and convergence.

The theoretical contributions of New Economic Geography that promote the endogenous growth models are, also, important. They are given by the mixture of economic growth models, in order to increase the interaction between regional analysis and the process of economic concentration (Baldwin, Martin, 2004). In this context, it can be mentioned the contribution of knowledge to capital development and innovation is a collateral cross-temporal effect (Romer, 1990). These endogenous growth models have important implications on regional policy.

Conclusions

The theory of endogenous regional growth is a result of the interaction of local processes, management and control of resources.

This model of growth is considered the effect of the collective action of public and private sector, in an attempt to meet the demands of local communities (the development of better services, promotion of local market, development of human resources and financial management, development of entrepreneurial initiative and environmental protection etc.).
In terms of local resources mobilization, the endogenous development is a continuous process of valorisation the strategic advantages.
The endogenous development strategy aims to reduce the dependence on external factors and ensure a greater autonomy in use of local resources.
Endogenous regional development becomes, thus, an important subject of recent territorial studies and analyses which refer to the global crisis.

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ANALYSIS OF THE RECENT EVOLUTION OF ROMANIAN COMPETITIVENESS COMPARED TO CERTAIN REFFERENCE STATES

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Abstract: National competitiveness in the context of sustainable development is an important concern at international and European level. The greatest economists have been dedicating their research to developing assessment methodologies for national, regional and firm competitiveness. Various impressive international institutions like IMD, WEF, EC, WB conduct and publish annual reports regarding national competitiveness. *Recently, Romania is very present in all the international and European reports trying to identify various solutions for increasing competitiveness. In this context, this article is trying to study by comparison our country's national and sectorial competitiveness, emphasizing the strengths, but also the weaknesses and also trying to add some competent proposals, ideas, recommendations and opinions for improving our national competitiveness. The second part of the article presents the working methodology and the results obtained for our country's competitiveness compared to four other EU member states (reference member state). This conducted analysis is based on the WEF indicators used for determining national competitiveness and EC recommended indicators for determining RDI performance. Both of the competitiveness plans (national and RDI level) are presented by comparative means, aiming to identifying certain correlations between them.*

Keywords: competitiveness; economy; WEF; SII; analysis.

JEL classification: O1, O52

1. Introduction

The concerns regarding competitiveness are present in all plans of the socio-economic life: at national level, regional level, economic level, making refferences to all economic sectors and also to firm level.

A nation's competitiveness is based on three important elements: technlogy, solid institutions and macroeconomic stability. Technology is a premises for long term development, the institutions are the body that insures the right to property, the compliance with the negotiated contracts, the efficiency and transparecy of the governmental expenditure, while the monetary and fiscal policies and the financial institutions stabilityhave an important role for a sustainable progess. **(Berinde, 2006).**

In the last decade, the intense discussions relate tothe EU competitiveness in relation to the most important international competitors: USA, Japan and China. This article we have chose to analyse the recent evolution of the Romanian competitiveness in relation to certain EU27 member states and we have explained our choise in the second part of the paper.

As part of ,,PROINNO Europe initiative'', promoted by the European Comission every year starting with 2001, ,,Innovation Union Scoreboard''(IUS) establishes according to the statistical data base published bt Eurostat, the value of ,,Summary Innovation Index''(SII), the summary of the innvation index based on 25 fundamental index (IFI) structured in 8 pillars (IPI) and aggregated into 3 directions (IAI) **(Innovation Union Scoreboard, 2011)**:

- 8 aggregated indicators called determined factors, structured in three pillars: human resources, open and atractive research systems and fnancing RDI;
- 9 indicators aggregated into the indicator „firm activity", structured in the pillars: firm investment, networking and entrepreneurship and intelectual assets;
- 8 fundamental indicators, structured into two pillars: innovation factors and economic effects – inside the aggregated indicator „results".

2. Methodology:

National competitiveess is based on the data published by The Annual Global Competitiveness Report (GCR) developed by WEF.

The calculating methodology established by GCR **(Constantin, 2006, pag. 72-80)** envolves evaluating four categories of indicators: fundamental indicators, related to competitiveness pillars indicators (IAC), aggregated indicators (IAC) and global idicator.

The primary (fundamental) indicators are created by: survey and official statistics (GCR, 2008).Data is modeled as follows:

- The survey answers are ranked on a scale from 1 to 7;
- The official variable values are standardised for the same scale [0,7] using a linear interpolation formula:

$$6 * [(xi - xmin) / (xmax – xmin)] + 1 \quad (1)$$

Where:

xi = the value oft he indicator forthe analysed country;
xmax = maximal value of the indicator (fort he country with the best result);
xmin = minimal value of the indocator (for the country with the lowest result)

$$GCI (I) = ½ TI + ¼ PII + ¼ MEI \quad (2)$$
$$GCI (II) = 1/3 TI + 1/3 PII + 1/3 MEI \quad (3)$$

where:
GCI = Growth Competitiveness Index for the countries ranked in the first group (I) and in the second group (II)
TI = Technological Index
PII = Public Institutions Index
MEI = Macroeconomic Environment Index

FEvery one of the three indicators cumulates with different shares according to a certain group of countries, a series of specific subindex. For example, TI (I) = ½ innovation subindex + ½ TIC subindex (information and communication index) and TI (II) = 1/8 innovation subindex + 3/8 technologica transfer subindex + ½ TIC subindex. For composing the following subindex we use the same method.

For the efficiency of the comparison process, we have used the data provided by the reports published in the last 7 years: (2006/2007, 2007/2008, 2008/2009, 2009/2010, 2010/2011, 2011/2012, 2012/2013).

For the compared analysis process we have chosen four EU27 member states: Germany, France, Hungary and Bulgaria and the motivation is the following **(Felea, 2013)**:

- Germany is the „model" member state regarding economic and social pillars of sustainable development
- France is the „model" member state regarding the environment and social pillars of the sustainable development;
- Hungary went through the same political regime as Romania, is our country's Western neighbour, joined the EU in 2004 and allthough had a similar start in 1989

it seems to be a lot more competitive than Romania, therefor is very usefull to identify the instruments that represented „the motor of competitiveness" and try to apply them here;

- Bulgaria – is the country that joined the EU in the same accession wave as Romania, the Southern neighbour which is permanently the subject of comparison.

The IUS significance and the synthesis indicator assessed by EC and published in IUS and in the Summary Innovation Index(SII) was presented in the first part of the article.
Besides the compared analysis of GCI, IAC, IPC evolution on one side and SII on the other side, with refference to Romania and the selected member states, we propose to identify the correlations between the performance indicators present in the RDI (SII, IAI) and the competitiveness indicators (GCI, IAC), studying their evolution for the selected member states.
To facilitate the comparison of the value evolution of both of the indicators, we will graphically present the relative values, reporting to the refference year (2007). The relative values are calculated as follows **(Felea, 2013):**

$$GCI_i^r = \frac{GCI_i}{GCI_{2007}} \quad (4)$$

$$SII_i^r = \frac{SII_i}{SII_{2007}} \quad (5),$$

Where i= is the year of chosen for calculation (2008-2012).

3. Synthesis of the obtained results:

3.1. Romania's position reported to the selected member states considering the WEF reports:

Our country's position is graphicaly presented and based on the global indicator (Figure 1) and on three aggregated indicators (Figure 2 – 4).

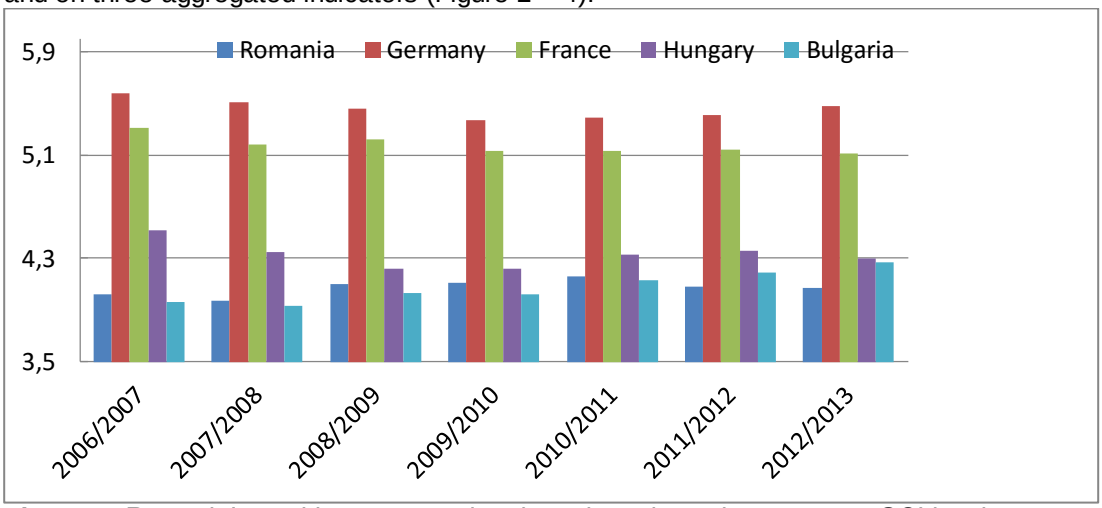


Figura 1: Romania's position compared to the selected member states at GCI level
Source: Authors calculation based on the data and information published by WEF, GCR [2006/2007÷2012/2013]

First of all, we may notice the strog gap between Romania and the other two analysed member states, Germany and France. On the other hand we may also notice our country's negative evolution compared to Bulgaria.

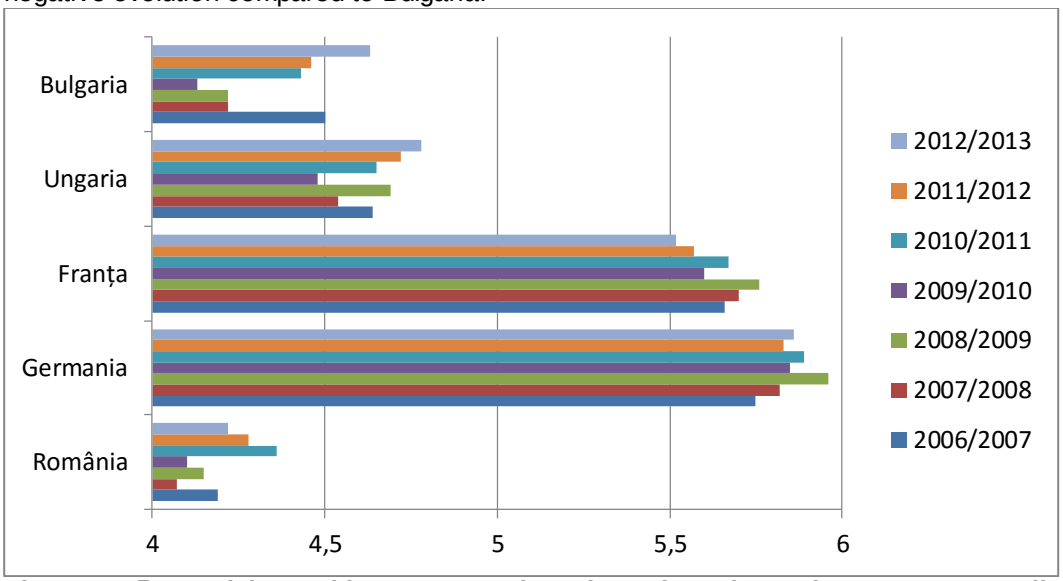


Figure 2: Romania's position compared to the selected member states regarding IAC_1
Source: Authors calculations based on data published by WEF GCR[2006/2007÷2012/2013]

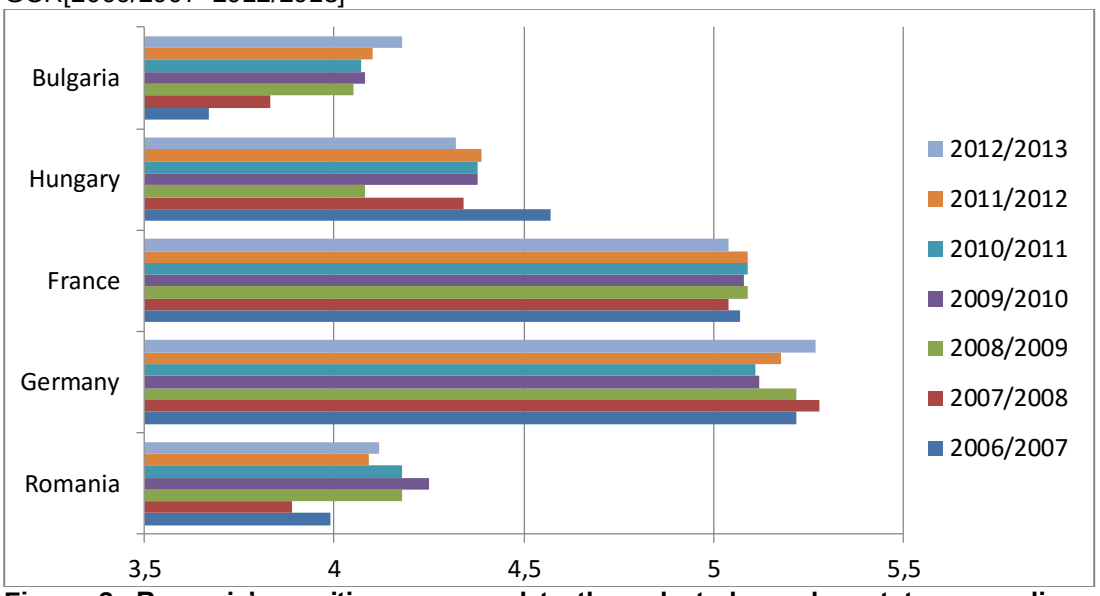


Figura 3: Romania's position compared to the selected member states regarding IAC_2
Source: Authors calculation based on data published by WEF, GCR[2006/2007÷2012/2013]

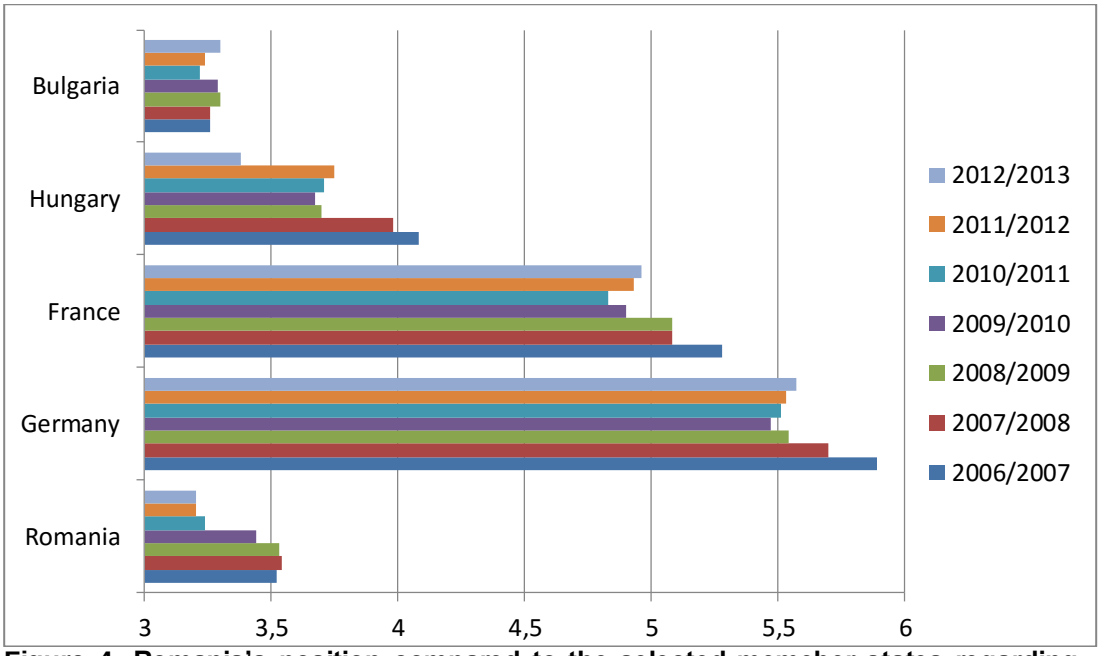


Figure 4: Romania's position compared to the selected memeber states regarding IAC_3

Source: Authors calculation based on data published by WEF, GCR[2006/2007÷2012/2013]

Analysing the evolutions registered by the observed countries for the selected indicators, may conduct to the following statements:

In the case of IAC_1 Romania occupies the last position, registering a low evolution compared to the other member states.

In the case of IAC_2 our country's evolution is osciallating, registering similar values to Bulgaria but an important gap in comparison with France, Germany and a small difference compared to Hungary.

In the case of IAC_3 we may notice a sharp contradiction for the last three analysed intervals, that places our country on the last position compared to the other member states analysed.

Another important aspect is that our country's evolution in negative for IAC_1 and IAC_3 regarding the last two intervald analysed, while for IAC_2 we may notice a decrease starting with the period 2009/2010, but a reccurance for the last period of 2012 / 2013.

3.2. Romanian level of competitiveness according to IUS reports

The absolute values of the indicators (GCI, SII) are presented in Table 1.

Table 1: Evolution of GCI and SII indicators

Year	UE27		Romania		Germany		France		Hungary		Bulgaria	
	GCI	SII	GCI	SII	GCI	SII	GCI	SII	GCI	SII	GCI	SII
2007	4,74	0,517	3,97	0,226	5,51	0,66	5,18	0,505	4,35	0,314	3,93	0,173

2008	4,74	0,504	4,10	0,234	5,46	0,677	5,22	0,519	4,22	0,301	4,03	0,187
2009	4,69	0,516	4,11	0,250	5,37	0,694	5,13	0,531	4,22	0,301	4,02	0,198
2010	4,69	0,532	4,16	0,233	5,39	0,71	5,13	0,558	4,33	0,329	4,13	0,231
2011	4,71	0,531	4,08	0,252	5,41	0,705	5,14	0,56	4,36	0,335	4,19	0,234
2012	4,73	0,544	4,07	0,221	5,48	0,72	5,11	0,568	4,30	0,323	4,27	0,188

Source: Authors calculations based on data published by The Global Competitiveness Report and Innovation Union Scoreboard

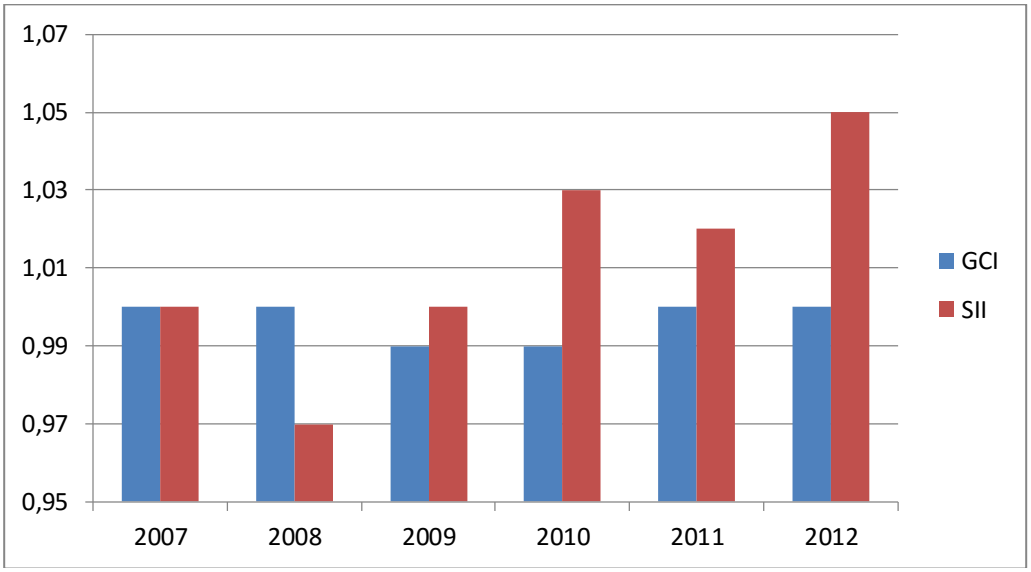


Figure 5: The comparative evolution of the relative values registred by GCI and SII for EU27

Source: Authors calculations based on data published by The Global Competitiveness Report and Innovation Union Scoreboard

Analysing Figure 5, we may state that the two indicators have an independent evolution and we could not determine any correlation between them. Therefor, if the indicator GCI has a decreasing trend in the first four years and a registred increase for the last two years, than IUS has an oscillating trend, increasing and decreasing on the whole period analysed.

Figure 6 presents the compared evolution of GCI and SII indicators for France. Similar studies have been also conducted for the other selected member states.

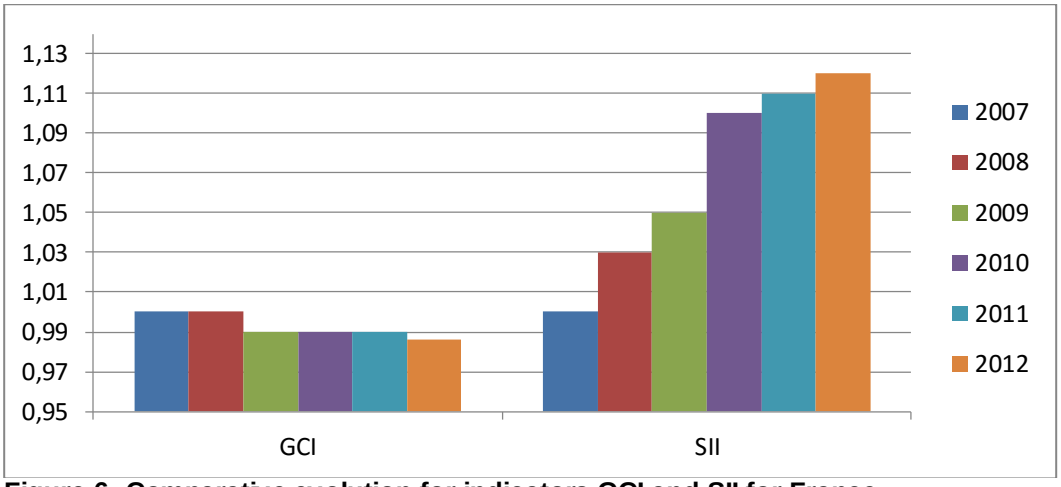


Figure 6: Comparative evolution for indicators GCI and SII for France
Source: Author's calculations based on data and information published by The Global Competitiveness Report și Innovation Union Scoreboard.

Figure 7 presents the SII comparative evolution for Romania and the selected member states and Figure 8 presents the indicators value for 4 out of the 8 SII pillars (IPI_1, IPI_3, IPI_7, IPI_8) that we consider the most important and relevant for describing the national competitiveness.

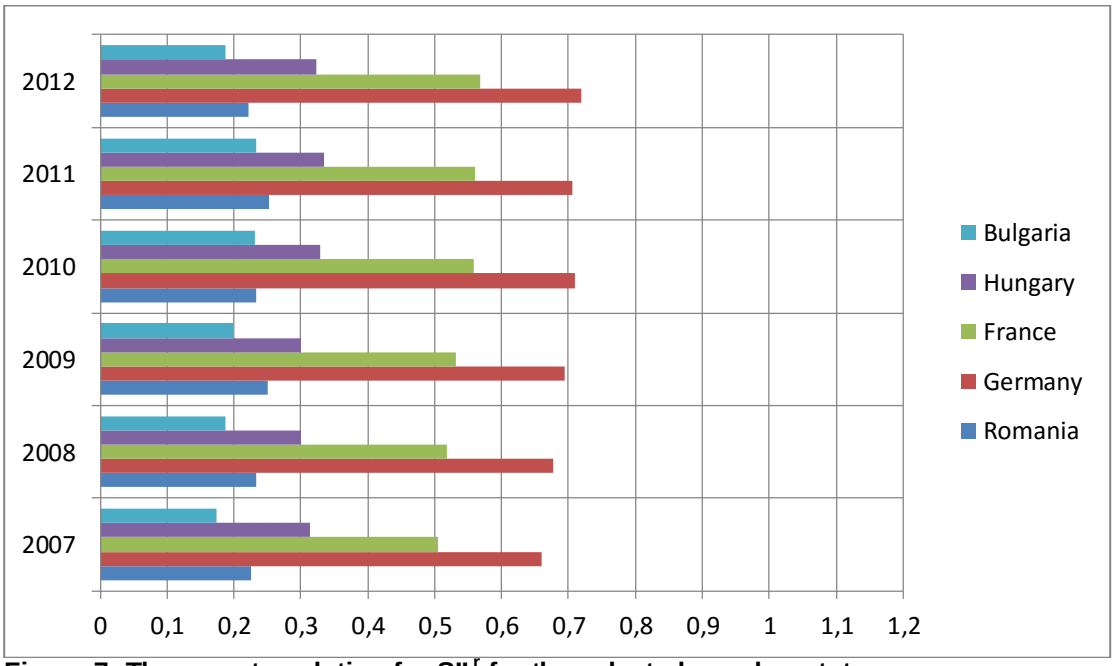
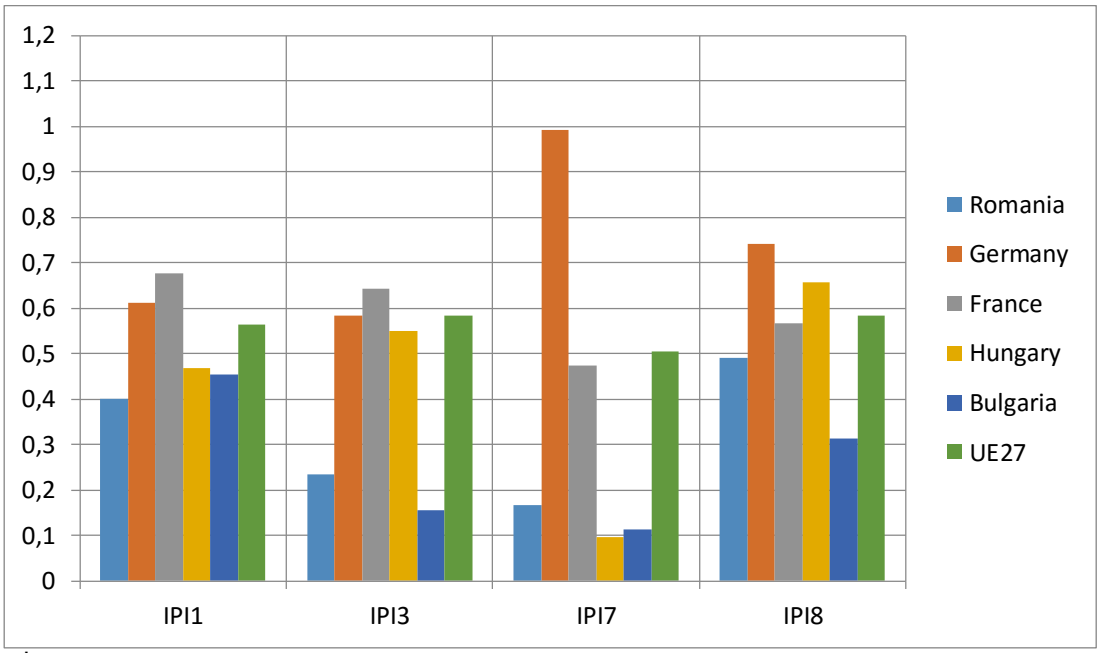


Figure 7: The recent evolution for SII_i^r for the selected member states
Source: Authors calculations based on data published by Innovation Union Scoreboard**.**

Ranking the selected member states according to SII values is very clear: Germany, France, Hungary, Romania and Bulgaria. Between the „model" countries (Germany and France) and the other selected countries there is a strong gap, but we can also notice that

this difference is present between the two countries as well, favouring the first one.
There is a small difference between Hungary, Romania and Bulgaria. There is a slight tendency to increase for SII, excepting Romania and Bulgaria that registred a decreasing trend on the end of the analysed period.



where,
IPI_1- Human Resources Pillar
IPI_3- Financing RDI Pillar
IPI_7- Innovation factors Pillar
IPI_8- Economic Effects Pillar

Figure 8: IPI value for EU27and the selected countries in 2011
Source: Authors calculation based on data published by Innovation Union Scoreboard 2011

Analysing Figure 8 we may notice that overall Romania is outran by the EU27, Germany and France, while for IPI7 Romania is ahead of Hungary and Bulgaria and for IPI3 and regarding IPI8 Romania is ahead of Bulgaria.

4. Conclusions
According to the Global Competitiveness Report for the analysed period, [2006/2007÷2012/2013]:

- Romania oscillates between [64÷78] Out of the 135 (average) countries present in the GCI, mentioning that Romania's position worsened.
- Romania is ranked as part of group „2" – „Efficiency driven" with a GDP per capita between 3000 and 9000 USD;
- Comparing Romania to the group of selected member states, we may notice that in refference to GCI and the three IA (IAC_1, IAC_2, IAC_3), Romania is placed after Germany, France and Hungary.
- In relation to Bulgaria, Romania is oscillating, so in the first part of the analysed

period [2006/2007÷2010/2011], Romania is ahead Bulgaria, and in the last two reports [2011/2012, 2012/2013], Romania is outran by Bulgaria, meaning that Romania experiences a period of decline, from the national competitiveness point of view.

The global competitiveness indicators (GCI) and RDI performance indicators (SII) study reveals that EU27 level we couldn't fiind any correlation between the two indicators, their evolution is divergent in the period analysed, and in our country's case we may notice a positive correlation between the two global indicators, first following an increasing trend and secondly following a decreasing trend. This type of evolution is also present in Bulgaria's case. Hungary's case presents a strong correlation between the two indicators.
Refering to the other analysed countries having a higher competitiveness level than our country (Germany and France) we couldn't fiind any correlation between GCI and SII, meaning that while SII is increasing GCI is oscillating.
SII indicator follows an increasing trend in the analysed period of time for all the five selected countries, the only exception being the least competitive countries (Romania, Bulgaria and Hungary),registering a decreasing SII in the last year (2012).
This evolution reflects EUmember state efforts for trying to recover the competitive disadvantage for RDI, according to the EU strategies.
The type of correlation existent between GCI and SII (low and sporadic) mentioned above, is also found between SII and the three IA that form the GCI.

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REGIONAL ECONOMIC RESILIENCE IN ROMANIA. THE DURATION AND SPEED OF GDP DECLINE RECOVERY AT COUNTY LEVEL

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Abstract. *The national and regional economic resilience have, on the one hand, their distinct particularities, and, on the other hand, a number of similar features arising especially from common vision and strategic goals, on different time horizons, and from the need for coordination, compatibility, de-concentration and decentralization, subordinated to endogenous sustainable development. The paper approaches the territorial economic resilience in the case of Romania, taking the county as territorial unit of observation and analysis in the context of the national economy and the related endogenous growth. Several aspects of regional economic resilience in Romania are discussed, taking into consideration a new approach of the duration and speed of GDP decline following the recession caused by the international economic and financial crisis. The endogenous development of all counties of Romania can be boosted by promoting knowledge-based re-industrialization strategies and policies for smart specialization, according to the industrial profile and vocation at the county and local levels. Triggering the endogenous potential for sustainable growth in developing regions, counties and municipalities represents a factor of strengthening the economic resilience of a country lato sensu, of increasing its resilience and recovery capacity to internal and external shocks which, in the context of globalization, can bring about speeds and intensities of contagion and spreading at the international scale.*

Key words: global crisis; endogenous development; regional economic resilience; Romania; economic decline recovery; knowledge-based re-industrialization.

JEL classification: G01; I28; O18; R10; R12; R58

1. Introduction

The economics has recently added a new component, namely the *economic resilience*, which means identifying ways of solving the problems of increasing resistance i.e. the ability to stop or recover the negative effects of external and internal shocks with severe consequences for the economic and social situation of a country (Zaman, 2012, Zaman and Vasile, 2014).

The term resilience comes from the Latin "*resiliere*" which means "return" (bounce back or rebound) and, in economics, refers to the ability of an economic activity to rapid recover following a shock, to resist against adverse shock effects, namely the capacity to avoid shocks in general (immunity, separation firewall or shock-absorption).

In economics, the resilience involves a complex of measures on short-, medium- and long term aimed, in a convergent manner, at both shock prevention, based on an effective system of early warning indicators and the absorption and recovery, in the sense of returning to the previous state of normality, with complementary features up-gradation, update, adjustment and flexibility.

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Within the conceptual area of resilience, in addition to the ability of returning to the previous state of equilibrium and/or stabilizing toward a new equilibrium level (Pendall, Foster and Cowell, 2009), the vector of conversion, transformation, revamping and restoration capacity, which is, the capability to use the old and obsolete anthropic capital, for a new, more efficient, reconfiguration of the economy should also be included.

Strengthening the economic resilience as a complex process with a long term vision and strategic connotations should be a quasi-permanent concern, integrated into reform objectives upgrading and implementing of knowledge latest achievements, in the broad sense.

Increasing resilience is crucial for the economy, given that its evolution is based on a dynamic relationship between internal and external factors, including environmental and socio-human factors, marked by accelerating the globalization processes, but also those of rapid contagion effects following crises, recessions or disasters. In our opinion, the issue of economic resilience arises not only at the level of countries, but also within their territorial units (regions, provinces, counties, rural and urban areas, etc.).

In this regard, we mention the work of some few authors who, if not in terms of endogenous development, distinguished between the economic resilience at national level and regional level (Blanchard and Katz, 1992, Briguglio et al. 2004, Feyrer, Sacerdote and Stern, 2007) or between large and small and medium countries (Crowards, 2000, Atkins et al, 2000, Cordina, 2004a,b). The evolution of economic thought trends regarding the new concept of economic resilience, occurred from the need to capture and underlie policies, tools and mechanisms in order to prevent, improve, offset, reduce and combat the negative effects of different types of environmental and / or economic and financial shocks was accompanied simultaneously by refining the concept of *economic vulnerability.*

All in all, the economic vulnerability of a country / region is understood as a set of (inherent) features having a permanent or temporary nature on which decision makers can not exercise a direct and decisive control and, therefore, can not be associated to governance errors (Zaman, 2012, Zaman and Vasile, 2014).

Vulnerabilities are a kind of *datum* of an economy existence and functioning that can not be directly invoked as a factor of the governance underperformance. This does not mean that obvious and demonstrable governance errors are automatically included in the whole vulnerability especially as negative effects (sometimes shocks!) of these errors grow exponentially to the extent of higher hierarchical decision levels.

2. The recovery following crisis: a matter of time or of pattern?

Generally speaking, the economic theory, methodological approaches and development policies were concerned more with the study of growth and the analysis of its fundamentals and drivers. Fewer researches focused on the issue of recessions caused by crisis impacts and on the related economic decline recovery. For the time being there is not a clear perception of differences between recovering and returning to pre-crisis levels, also because of the presence, more difficult to detect, of some economic flexibilities against rigidities that may hide the real impact localization. Some problems of clear-cut delimitation are also arising when is going more in-debt, in order to reveal differences between economic crisis, downturn and recession.

In the case of deep financial crises, Reinhart and Rogoff (2009) have shown that an economy usually needs more than four years to reach the pre-crisis GDP per capita. Some authors (Papell and Prodan, 2011) showed that in emerging countries, although suffering from a greater magnitude of decline, the duration of returning to potential GDP is lower compared to advanced countries in the case of financial crises, such as the one triggered in 2007.

Most often, expectations regarding the decline recovery duration are not met. In this regard, referring to the economic recession following the last financial crisis, Bernanke (2013) argued that a stronger rebound has been hindered by a variety of headwinds (decreasing investments, credit conditions tightening, increasing risk aversion and uncertainty) which reduced the potential growth rate.

Questioning about the impact of severe downturns on GDP trend, Martin et al. (2014) found that recessions tend to depress the level of output on long run because of entrenching the crisis effects on demand, instead of returning to pre-crisis trend being more likely a sustained deviation from it. Otherwise, the experts of IMF (2014) have recently warned that the global economy may never return to the pace of pre-crisis growth.

In this context, arise a basic idea related to the required velocity rate i.e. an economy growth rate sufficiently fast for escaping recession or a sluggish recovery, similar to the speed needed to break from the gravitational attraction in physics.

Obviously, the economic recovery following a crisis depends mainly on the resilience to external or internal shocks, the magnitude of the recession, the development level, the stage of the business cycle, which is specific to each country. Moreover, the shock of a crisis impact spreads asymmetrically in the territory, with different contagion effects.

A study under EPSON Programme published in 2014 regarding the territorial dynamics following the financial crisis highlighted a series of factors associated with a higher resilience of EU regions, among them a more diversified exports, the presence of MNC, innovative and higher skill labor force. According to EPSON classification, not resilient regions in terms of GDP and employment has been defined those regions that have begun their recovery but not having achieved the pre-crisis levels and/or remained in decline. Across European territory, the peripheral regions of Southern Europe were affected by longer lasting and deeper seated crisis effects, including Romania.

The intention of this paper is not to design a typology of GDP decline by counties nor to point out the recovery ways, but mainly to draw attention that, for reasons of growth sustainability, of high importance is not only the expansion period of an economy but also the decline duration following crisis, from the viewpoints of development pattern and of influence factors under the circumstances of external and internal shocks.

The economic decline recovery can be assessed, from a statistical viewpoint, as returning to pre-crisis levels, but this recover take place in new circumstances that suppose, to a lesser or greater extent, the occurrence of new seeds of growth and innovation, qualitatively upper.

As we shall further, in the case of Romania, relatively more developed counties as GDP per capita have not always proved also a higher resilience and recovery capacity against the crisis impact. As regards the counties registering a very long recovery delay, a specific attention should be paid to investments rebound, their efficiency increase and better local corporate and public governance.

All in all, the duration and amplitude of recovering process depend on several interconnected factors in a complex ”melting pot” of creative destruction activities.

3. The economic decline in Romania’s territory caused by the crisis

The territorial development of the national economy represents a major goal of any strategy of sustainable growth process, under nominal and real convergence objectives, in order to reduce the gaps between regions.

The recent international economic and financial crisis has had a severe regional impact in Romania, resulted in GDP decreases at county level, in a greater or lesser extent, which has undoubtedly weakened the resistance capacity, the economic resilience

of the country and its territorial units.

The main objective of the research lies in highlighting the influence of the crisis on the GDP of Romania's 42 counties, during peak periods 2009-2010. The evolution of GDP has been analyzed throughout the 2008-2014 period, based on the idea that, for a national economy, it is important to understand how the crisis affects the economic downturn, which may be higher or lower for longer or shorter time periods. In this sense, a special importance of the regional economic resilience to crisis shocks and their ability to return to pre-crisis levels by implementing adequate recovery policies was considered, analyzed through the capacity of GDP decline recovery in the aftermath of the crisis.

As it is known, in Romania, the crisis has had one of the strongest adverse effects, in terms of the intensity and the duration of recovery time. Understanding the regional issues in this regard may provide essential guidelines for economic and social decision making policies in general and at territorial level in particular.

Our research tried to identify certain features of counties, depending on the size of annual and total economic decline during 2008-2014 and the recovery / non-recovery of that decline during different periods of time (1 to more than 6 years). To this end, we used the real GDP indexes at county level, taking as base the year 2008 = 100, which was the pre-crisis year with an increase of 7.3% of GDP compared with 2007.

4. The intensity of GDP decline in 2008-2014 at county level

The analysis of data in Annex 1 enables the defining of some issues, aspects and conclusions, useful for understanding the impact of the crisis spread in Romania's territory, directly and indirectly related to the promotion of regional endogenous growth model.

The GDP pre-crisis decline in 2008 in 15 counties

Even if, in 2008, at the macroeconomic level, a GDP increase of 7.3% has been registered, in a number of 15 counties, the GDP has declined, among them: Valcea (-6,5%); Cluj (-3,8%); Arad (-3,3%); Satu Mare (-1,3%); Botosani (-0,5%); Mures (-0,3%). This economic decline (between -6.5% and -0.3%) can be considered as preceding the crisis that would follow to include a larger number in the years that were to come.

The year 2009 - peak of the crisis affecting adversely 39 counties

The year 2009 witnessed a GDP decline of -6.6% at macroeconomic level, which meant for Romania a crisis peak, 39 counties registering a magnitude of the economic shock, between -12.2% and -1.1% compared to 2008. In 2009, modest GDP increases were recorded only in Arges (+0.5%), Caras Severin (+0.6%) and Gorj (+4.7%), leading thus to the conclusion of their relative resilience to external shock of the crisis. It is worth mentioning that counties with higher development levels recorded larger GDP decline (Bucharest, Galati, Timis, Ilfov, Iaşi).

The year 2010 - crisis effects continuing in 25 counties

Both at macroeconomic level and in 25 counties, in 2010 a further decline in GDP has been recorded in a range between -14.3% and -1.0%, which highlights the extension of the crisis effects in Romania, while in other EU countries the economic recovery had started at that time. The other 17 counties registered GDP increases in 2010 compared to 2009, which were mostly in the range of 7% - 0.2%, which means rather a slight recovery of economic growth after large decreases compared to the previous year.

The year 2011 - beginning of recovery

With a GDP growth of 2.2% at the national level, the year 2011 witnessed a beginning of the economic recovery, sustained by higher or lower GDP increases (between 7.9% in

Buzau county and 0.3% in Bucharest) in 40 counties. Overall, the weak upturn of the economic growth in most counties revealed by relatively modest GDP increases has not been a strong economic recovery factor after the decline in post-crisis years. Only two counties recorded a rather high decrease in GDP in 2011 compared to 2010, respectively Cluj (-5.4%) and Mehedinti (-2%), which continued their prolonged economic downturn.

The year 2012 - a modest GDP growth

Whereas at national level the GDP stalled (a slight increase of 0.6%), in 25 counties the economic growth turned negative, only 17 counties have continued their upswing. Even if Bucharest Municipality witnessed a GDP increase of 3.3%, the prevalence of counties registering an economic decline in 2012, showed the prolonged nature of the crisis in most of the country's territory.

The year 2013 – re-launching growth in almost all counties

At macroeconomic level, GDP grew by 3.5%. Increases above the national average recorded the following counties (more important): Dolj (22.2%); Sibiu (8.4%); Arges (8.4%); Timis (6.8%); Prahova (4.4%); Brasov (4.2%); Arges (3.9%).

Counties that recorded a GDP decrease were Gorj (-6.8%), Valcea (-1.2%) and Bacau (-0.8%).

The year 2014 –continued recovery projected

The GDP growth macroeconomic level in Romania is forecasted to 2.6%, sustained by relatively modest increases in all counties between 0.8% (Tulcea) and 5.1% (Dolj). Most counties are foreseen to record GDP increases in the range of 2-3%. Only two counties are likely to register a slight GDP decrease, respectively Harghita (-0.5%) and Mehedinti (-1.0%).

5. The duration and speed of economic decline recovery

The analysis of GDP decline recovery at the county level, following the effects of the financial and economic crisis in 2009 and 2010, based on a set of relevant indicators, provides a series of benchmarks in terms of territorial economic resilience.

In order to assess the restoring capacity at county level we used *the indicator of the recovery duration*[9] *of GDP decline* between 2009-2014 compared to the base year 2008, on the following categories of duration: between 0 years (counties without crisis impact) and 5 years (counties without full recovering the GDP decline up to 2014):

a) without crisis: Gorj (1 county);

b) recovery in 2010: Brasov; Calarasi; Giurgiu (3 counties);

c) recovery in 2011: Alba; Caras Severin; Constanta; Dambovița; Iasi; Olt; Timis (7 counties);

d) recovery in 2012: Dolj (1 county);

e) recovery in 2013: Arad; Arges; Ialomita; Maramures; Sibiu; Suceava (6 counties);

f) recovery in 2014 (forecast): Mures (one county);

g) without total recovering up to 2014 (forecast): Bacau; Bihor; Bistrita Nasaud; Botosani; Braila; Buzau; Cluj; Covasna; Galati; Harghita; Hunedoara; Neamt; Prahova; Salaj; Satu Mare; Teleorman; Tulcea; Vaslui; Valcea; Vrancea; Bucuresti; Ilfov (23 counties).

As results from Table 1 data, *a number of 23 counties had not recovered from the*

[9] By the recovery period of GDP decline we understand the duration in years needed to the county to reach the level of the indicator recorded in 2008. This calculation can be done also for other outcome indicators such as exports, turnover, productivity or respectively effort indicators such as investment, employment etc.

crisis by 2014, which means that their GDP is still below the level of 2008.

Table 1 The recovery duration of GDP decline between 2009-2014, by counties

Recovery duration	0 years	1 year	2 years	3 years	4 years	5 years	Over 6 years
Number of counties	1	3	7	1	6	1	23

Source: authors calculations based on National Institute of Statistics and National Commission for Prognosis data

This is why the crisis impact have not yet been fully removed in territory i.e. the economy is suffering from fragility and lack of resilience.

The size of the gap in percentage points (pp) that counties have to recover in order to achieve the GDP level of 2008 is very important to support the programs and policies for sustainable territorial development, including the activating of endogenous factors.

In Table 2, the size of the gap for the 23 counties without total recovering the GDP decline up to 2014, grouped on 3 tiers is presented, in descending order.

Table 2 The GDP gap to be recovered after 2014 to achieve the level of 2008, by counties

Gap to be recovered	Counties
Tier I Low gap: up to 5 pp	Tulcea (0,6 pp); Vrancea (0,6 pp); Bihor (0,8 pp); Galati (0,9 pp); Botosani (1,2 pp); Salaj (1,4 pp); Bacău (2,1 pp); Satu Mare (2,4 pp); Buzau (2,6 pp); Hunedoara (2,7 pp); Bucuresti (4,2 pp) *11 counties*
Tier II Medium gap: between 5-10 pp	Bistrita Nasaud (5,8 pp); Ilfov (5,4 pp); Prahova (5,7 pp); Neamt (7,4 pp); Harghita (8,2 pp); Teleorman (8,4 pp) *6 counties*
Tier III High gap: over 10 pp	Vaslui (10,5 pp); Covasna (12,5 pp); Mehedinti (13,6 pp); Cluj (14,8 pp); Braila (16,2 pp); Valcea (16,7 pp) *6 counties*

Source: authors calculations based on National Institute of Statistics and National Commission for Prognosis data

Hence, the economic recovery imposes urgent measures for all three categories of counties, mainly for those in tiers II and III, which were most affected by the negative impact of the crisis.

The data in Table 2 also highlights, in descending order, respectively the counties with low, medium and very low resilience in Romania, which requires the development strategies specific to every region / county, aimed at strengthening the resilience to external shocks and at re-launching the sustainable endogenous growth.

The complex concept of economic resilience involves not only the resistance to external/internal shocks but also the recovery of social and economic damages, prejudices and losses caused by these shocks, in a certain period which implicitly leads to the characterization of the process by the indicator *speed of the decline recovery (SDR)*, calculated by using the average annual GDP growth (Table 3).

Thus, in Romania, positive values of SDR mean a total decline recovery, exceeding in 2014 the GDP by counties compared to 2008 (Category I - high economic resilience). The higher these values, the faster the recovery and higher levels recorded exceeding GDP in 2014 compared to 2008.

On the contrary, negative values (Category II - lower economic resilience) mean

an insufficient speed of the decline recovery for GDP to return in 2014 to its size recorded in 2008. The lower is the SDR, the larger decline to be recovered.

The counties from Category I, although different as regards the level of socio-economic development, showed a full recovery of the decline, having as common feature the higher economic resilience.

Category II, comprising a large number of counties, compared to Category I shows a slower and insufficient speed of the decline recovery. This category also includes counties with different levels of economic and social development, among these Bucuresti, Cluj, Ilfov, Prahova which had failed to match in 2014 the GDP level of 2008.

Table 3 Classification of counties depending on speed of the decline recovery (%)

County	Category I higher resilience	County	Category II lower resilience
	Annual average rate 2008-2014		Annual average rate 2008-2014
Giurgiu	4.57	Valcea	-3.01
Dolj	4.43	Braila	-2.91
Brasov	2.40	Cluj	-2.64
Timiş	1.91	Mehedinti	-2.41
Constanta	1.78	Covasna	-2.21
Caras Severin	1.76	Vaslui	-1.84
Calarasi	1.74	Teleorman	-1.46
Alba	1.56	Harghita	-1.42
Iasi	1.42	Neamt	-1.28
Suceava	1.38	Bistrita Nasaud	-0.99
Gorj	1.33	Prahova	-0.98
Arad	1.28	Ilfov	-0.93
Maramures	1.19	Bucuresti	-0.72
Sibiu	1.10	Hunedoara	-0.46
Olt	0.84	Buzau	-0.45
Dambovita	0.55	Satu Mare	-0.40
Mures	0.31	Bacau	-0.36
Arges	0.20	Salaj	-0.24
Ialomita	0.12	Botosani	-0.21
		Galati	-0.16
		Bihor	-0.14
		Vrancea	-0.11
ROMANIA	0.14	Tulcea	-0.10

Source: authors calculations based on National Institute of Statistics and National Commission for Prognosis data

At the macroeconomic level, the counties of Category I had the largest contribution to the recovery after the downturn caused by the crisis effects, with relatively high rates of recovery and high resilience, unlike the counties of Category II, with an insufficient speed recovery.

In Romania, the recovery of the economic decline caused by the crisis in the 2008-2014 period has been slow, fragile and sluggish (a number of 23 counties having still gaps to be recovered i.e. more than half of them), requiring focused analysis in each county, related to main factors of GDP decline, higher or lower, as well as to potential opportunities

to strengthen resilience in the future.

6. Concluding remarks

The global economic and financial crisis has had a negative impact on the Romanian economy, especially as concerns the severe GDP decline at macroeconomic and at county levels, and the longer duration of the economic downturn recovery.

The main conclusions from our analysis focuses on stressing that the decline generated by the crisis effects since 2008 has been recovered only in 2014 at the national economy level, i.e. after a period of 6 years, which shows a low recovery and resilience capacity of Romania.

In other words, Romania currently has just managed to recover the GDP level achieved in 2008, after a period of economic decline for two years, followed by a recovery period of 4 years, which basically means a longer recovery period compared to that of other countries.

The research highlights the differentiated recovery duration of the economic decline in 42 counties, a number of 23 counties, Bucharest Municipality included, failing to achieve by 2014 the GDP level recorded in 2008. Thus, after 2014, a number of 11 counties have to recover GDP gaps between 0-5 pp, other 6 counties within 5-10 pp and 6 counties over 10 pp.

Among counties with GDP gaps to be recovered in the following years, there are some counties of systemic importance such as Bucharest Municipality, which have to recover more than 4.2 percentage points, Prahova - 5.7 pp, Cluj - 14.8 pp.

One of the factors to be considered for catching the calculated gaps is related to the increase of total factor productivity in the implementation of endogenous regional growth strategies, based on internal economic and natural potential, efficiently combined with external factors of economic growth.

Enhancing regional economic resiliencies is an extremely complex task which depends on a multitude of economic, social, technological factors, both external and internal.

Among these factors, the local capacity to effectively absorb R&D results from abroad or inside the country under the circumstances of rapid changes of scientific and technological activities. The external economic openness regions, their well defined specialization strategies, environmental investments represent important factors supporting the resilience and re-launching sustainable regional economic development.

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Annex 1 The GDP growth rate during the period 2008-2014, by counties (%)
*Forecast

County	GDP growth rate (% compared to previous year)							Average 2008-2014
	2008	2009	2010	2011	2012	2013	2014*	
Alba	100.0	92.5	104.6	104.0	99.7	105.3	103.9	1.56
Arad	100.0	93.3	101.4	101.2	104.0	103.9	104.3	1.28
Arges	100.0	100.5	89.5	103.9	98.6	108.4	101.3	0.2
Bacau	100.0	94.5	97.4	103.7	102.1	99.2	101.2	-0.36
Bihor	100.0	91.2	99.0	101.7	102.5	102.6	102.7	-0.14
Bistrita Nasaud	100.0	97.2	88.6	101.6	101.1	104.7	101.7	-0.99
Botosani	100.0	95.5	93.5	103.4	99.3	104.8	102.8	-0.21
Brasov	100.0	98.6	102.1	104.4	101.7	104.2	103.5	2.40
Braila	100.0	98.3	85.7	105.0	89.9	104.1	101.2	-2.91
Buzau	100.0	90.3	101.4	107.9	95.9	101.4	101.3	-0.45
Caras Severin	100.0	100.6	98.3	103.0	101.2	105.0	102.6	1.76
Calarasi	100.0	87.8	119.6	102.9	95.4	105.8	101.7	1.74
Cluj	100.0	95.6	98.5	94.6	90.4	103.0	102.7	-2.64
Constanta	100.0	97.5	102.5	103.0	100.9	102.5	104.4	1.78
Covasna	100.0	95.7	90.1	101.8	94.9	102.0	102.9	-2.21
Dambovita	100.0	94.3	105.9	103.4	96.9	100.4	102.9	0.55
Dolj	100.0	95.6	95.5	101.0	109.5	122.2	105.1	4.43
Galati	100.0	88.6	107.1	101.6	97.6	103.4	101.8	-0.16
Giurgiu	100.0	97.1	127.7	102.2	98.7	102.4	102.1	4.57
Gorj	100.0	104.7	105.0	103.7	99.9	93.2	102.0	1.33
Harghita	100.0	95.5	92.7	103.9	99.9	100.4	99.5	-1.42
Hunedoara	100.0	92.2	95.6	102.5	100.7	104.2	102.6	-0.46
Ialomita	100.0	93.6	100.2	103.9	99.0	103.7	100.7	0.12
Iaşi	100.0	94.3	103.0	105.7	101.7	101.6	102.6	1.42
Maramures	100.0	96.9	97.6	102.5	102.2	105.4	102.8	1.19
Mehedinti	100.0	95.2	93.0	98.0	98.4	102.2	99.0	-2.41
Mures	100.0	92.3	94.7	104.6	103.0	104.6	103.4	0.31
Neamţ	100.0	93.3	91.9	103.9	99.1	102.4	102.4	-1.28
Olt	100.0	87.9	110.0	105.6	97.9	103.3	101.8	0.84
Prahova	100.0	97.6	85.8	102.5	100.4	104.4	104.8	-0.98
Salaj	100.0	95.4	96.2	103.5	97.7	103.7	102.4	-0.24
Satu Mare	100.0	94.0	94.7	102.3	99.8	105.3	102.0	-0.40
Sibiu	100.0	97.1	95.8	101.0	102.7	108.4	102.1	1.10
Suceava	100.0	98.9	93.6	103.2	103.2	107.0	102.9	1.38
Teleorman	100.0	93.9	93.2	102.5	96.3	104.2	101.7	-1.46
Timis	100.0	92.7	105.7	102.9	101.3	106.8	102.7	1.91
Tulcea	100.0	91.6	106.2	105.0	93.2	103.6	100.8	-0.10
Vaslui	100.0	91.4	94.2	102.6	98.7	100.7	101.9	-1.84
Valcea	100.0	90.2	94.3	104.7	93.7	98.8	101.0	-3.01
Vrancea	100.0	93.1	101.1	102.7	98.5	103.0	101.3	-0.11
Bucuresti	100.0	88.3	100.8	100.3	103.3	101.4	102.4	-0.72
Ilfov	100.0	94.3	94.2	102.0	100.3	101.4	102.6	-0.93
ROMANIA	100.0	93.4	98.9	102.2	100.6	103.5	102.6	0.14

Source: Calculations based on National Institute of Statistics and National Commission for Prognosis data

SOCIO-ECONOMIC COST OF INACTIVE YOUNG DISABLED PEOPLE IN SOME EU COUNTRIES.

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Abstract: *In 2015, we are presenting for the first time overall estimates of annual costs for inactive young disabled people in some European countries including Bulgaria. This new report presents updated statistic data and analysis, more accurate, and comprehensive estimates for 5 European countries. Any type of severe disability puts a heavy burden on individuals, families and society. Their prevalence will increase dramatically with population aging. In developed countries, the two major strategies to tackle the problem are integration and employability. The most successful way of integration is sport and exercises. The economic consequences of any kind of impairment are considerable, but have rarely been documented, apart from some 'top-down' estimates based on national statistics. We estimated the medical costs related to "disability" in five European countries: France, Italy, Germany, Bulgaria and the UK. Total medical costs associated with disability are considerable. The present analysis demonstrates that the significant economic consequences of disability lie beyond healthcare systems, and that disability has a considerable negative impact on the public image and its understanding of active lifestyle. Considering the medical and non-medical social dimensions of disability related to the consequent incapacity and dependency should encourage governments to finance sports and exercise health programmes that aim to preserve health and good physical condition. The burden of physical inactivity on the economy and healthcare cost has become an increasingly prevalent issue. In 2006/2007, the estimated cost of physical inactivity to the NHSs was ranged as follow: treating patients with stroke, heart disease, colorectal cancers, breast cancer, type 2 diabetes. Example of potential savings to a single country The British Physical Activity Task Force estimated that if physical inactivity in UK decreased by 1% each year for the next five years: • the economic benefit associated with the number of life years saved due to preventing these deaths is estimated to be £85.2 million • yearly hospital admissions for coronary heart disease, colon cancer and stroke would fall by around 2,231 cases • NHS Scotland could have a possible yearly cost saving of £3.5 million.*

Keywords: *health, quality of life, economic cost, disability, young, sport, inactive*
JEL classification: I140

Over the past 20 years, the EU has striven, with increasing vigour, to promote fuller inclusion of disabled people into all aspects of public life, with special emphasis on the active lifestyle. Long-standing policies, such as "*Promoting Sport and Enhancing health in EU countries*" as well as "*Active Inclusion of young people with disabilities"* and "*Start active, Stay active*", that support young disabled people who are excluded from any kind of social life. An important component of this effort has been the *Disability Discrimination Act 1995 (DDA)*, which aims to end discrimination not just in a big main issue such as employment, but also in other areas, such as access to sports, facilities and services.
There is global evidence for the health benefits people can achieve by participating in regular physical activity throughout their lives. Regular physical activity can reduce the risk of many chronic conditions including coronary heart disease, stroke, type 2 diabetes, cancer, obesity, mental health problems and musculoskeletal conditions. Even relatively small increases in physical activity are leading to some protection against chronic diseases

and an improved quality of life. These benefits can deliver cost savings for health and social care services. However, the benefits of physical activity extend further to improve the chance of employability, productivity in the workplace, reduced congestion and pollution through active travel, and healthy development of children and young people.
Physical activity can be broadly defined as body movement that is produced by skeletal muscles and expends energy. It is easy to distinguish two categories of activity. Baseline activity is activity, which refers to light intensity physical actions of daily life. Health-enhancing activity is Activity that, when added to baseline activity, produces health benefits. Inactivity defined as not meeting any of the following criteria:
(a) 5 x 30 minutes of moderate-intensity activity per week;
(b) 3 x 20 minutes of vigorous-intensity activity per week;
(c) an equivalent combination achieving 600 metabolic equivalent-min per week.
The economic consequences of all type impairments are considerable, but have rarely been documented, apart from some 'top-down' estimates based on national statistics. We estimated the non-medical costs related to disabilities in four European countries: France, Italy, Germany, Bulgaria and UK.
In recent national surveys that track domestic, leisure-time and transportation physical activity using questionnaires show that in Bulgaria less than 5% of adults meet the recommended physical activity (2,5 hours a day or 30 min each day) and 26.8% are inactive aged under 45, Italy – less than 16% of adults meet the recommendation and 54.7% are inactive under 45 years, France – less than17.5% of adults meet the recommendation and 32.5% are under 45 years, Germany – less than 26% are active for at least 30 min a day and 28% of people aged under 45 are inactive, UK – less than 11% meet the recommendation and 63% are inactive under age 45.
METHODS:
Prevalence rates of all type impairment, defined according to local regulations, were taken from online registers national published and, for France, from two recent nationwide surveys conducted by the *French Institute for National Statistics and Economic Studies (Institut National de la Statistique et des Etudes Economiques [INSEE])*. Estimates of the number of non-registered persons with disabilities were obtained from the literature and expert opinion from the nationally recognised associations for people with disabilities. I derived estimates of the medical costs on treated patience with chronic diseases from annually published hospital's reports.
RESULTS:
The numbers of young impaired persons were 1.97 million in France, 1.43 million in Germany, 1.93 million in Italy and 2.71 million in the UK, including, respectively, 56%, 11%, 80% and 72% non-registered persons. The frequency of hospitalised disabled persons was, respectively, 7.8%, 9.6%, 10.9% and 10%. Total annual costs for hospitalisation of impaired persons were estimated at 10,749 million euro in France, 9,214 million in Germany, 12,069 million euros in Italy and 15,180 million euros in the UK. This translated into average annual costs per affected individual of 8434 euro, 12,662, euro 11,701 and 13,674, respectively.
We would like to show more detailed date for the different reasons causing the disabilities in Bulgaria and the economic cost to the country.
The number of people with disabilities in Bulgaria according to data of the National Social Security Institute for 2008 is 850 959 (according to the number of disability pensions paid). Among the medical reasons for disability in the first place are the illnesses of blood circulation nature (37 per cent); secondly, are those of a neurological system disorder (11 per cent); and thirdly, of psychological disorders (10.5 per cent).
The social reasons for invalidity, are to a large part due to biological or environmental causes (32 per cent); working or social conditions (26 per cent); socio-psychological

problems (19 per cent); nutrition and bad habits (22 per cent). These causes have different roots. Part of them result from the cultural traditions of the society, others are matters of government and social policy/environmental care, housing policy, technological level of production and ect.
In comparison with other EU countries, Bulgaria is at the lower end of the statistics of evaluation of disabled persons in relation to education and employment, poverty and social exclusion. Bulgaria occupies the first place with highest share of disabled people who drop-out from education – 45% (data from Eurostat). The average share in EU is 22% average). Children and young people with disabilities, orphans and those with special needs who are institutionalised are not included in the above-mentioned statistics and they are left out from the official reports. Logical sequence is the low level of employment of people with disabilities – only 33% (in comparison of 45% average in the EU). 55% of them face economic hardships leading to abject/severe poverty in Bulgaria.
Conclusion:
Our cost model found that inactive young disabled people overall are much more costly than previously estimated sports budgets imply, constituting a major health economic challenge for Europe. Our estimate sounds conservative because many disabilities could not be included because of lack of data.

In comparison between financing positive and active attitude for the young disabled people is significantly advantages to the purely immediate therapeutic medical investment.
This positive approach enhances the public image of disabled people's sports and creates a link between the disabled sportsmen and the general public.
The very effort to participate in sports has far reaching positive impact on the person's life. It is more cost effective for the National Health Budget and the National Insurance arrangements.
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SHORT OVERVIEW OF EUROPEAN ROADS AND THEIR FINANCING

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Abstract: *It can be stated that serious amounts of money have been invested in the European countries roads infrastructure, but it is necessary to make a realistic difference between the source of investments: Western European countries preferred to spend a consistent part of their national resources, while Southern and Central European countries focused on implementing projects which were co-financed by the Instrument for Structural Policies for Pre-Accesion, European Regional Development Fund or the Cohesion Fund. Even then, there was still a lack of necessary funding and the Member States appealed to bank loans. In this context, Trans European Transport Network projects became from optimistic mapping objectives to time-delayed schedules in terms of payments, constructions and materialisation of cross-border cooperation. It is noteworthy to say that the general situation of roads infrastructure affects the general economy as a whole, because of the inputs and outputs generated through day by day traffic: better roads, less maintenance expenditures; worse roads, more car accidents. The article focuses on the 2000-2006 and 2007-2013 programming periods, among the Member States, in order to seek sources of financing and evidences of these investments, in numbers. The paradox of using European funds, together with national resources and bank loans is generated by the fact that these investments need to be paid back over the economic lifetime of the project: or, the impact of such investments materialise in the form of user charges. With an approximately total amount of EUR 65 billion invested only by the European Union in road projects in all Member States, an obvious question arises: is it worth implementing a road project following EU's financing bureaucracy or is it easier to put the action at national level? The answer is driven by statistics. The same mentality could stand for rail, seaport, airport and other types of transport infrastructure.*

Keywords: roads; transport; projects; funds; European Union; Member States.

JEL classification: R40; R42; O18; O52.

1. The evolution of strategic roads in EU countries

There is quite a big difference between strategic roads and other roads in all countries; strategic roads connect capital city with main cities of a country, while (if it is not in island) they provide in the same time connection with neighbouring countries.
There is not possible to have a modern society when there a modern road infrastructure is missing, or is in a precarious state. Furthermore, a good road brings not only economic benefits, but environmental, social, and medical, too. Bad roads means higher number of road accidents, resulting in greater number of injured and death persons. And the state and dimension of motorways and expressways is both an index of economic development, and a prerequisite of future development. Social mobility demanded by modern society is unconceivable if there is missing an expanded strategic roads network. United States of

America built an expanded road network, which provided its infrastructural base for economic development and social mobility; in fact its infrastructure provides American society with the greatest social mobility in the world (both, vertical and horizontal). American infrastructure facilitates deep *integration* for the whole American society.
Contrary, in Europe, an old continent which knew repeatedly conflicts, road infrastructure was built having a national perspective as a guideline and the time when the construction of modern strategic roads took place differed from country to country.

Table 1 – Motorways and car ownership by country, in 2011

Country	Motorways (km) 2011	Car ownership (passenger cars/1000 inhabitants) 2011
Austria	1700	535
France	11400	500
Germany	13000	525
Ireland	1190	417
Italy	6700	610
Lithuania	310	570
Poland	1000	470
Portugal	2700	447
Romania	550	225
Spain	15000	482
Great Britain	3700	466

Source: European Comission, 2014b

When a society is confronted by bad roads it adversely impacts manufacturing, health and environment. There are rising operational costs for producers as roads are registering sub-optimal quality.
With rising surfaces covered by motorways and expressways, there comes another advantage, which concerns safety on roads; in Europe it has been improving over the last two decades. For example, in EU-27 in 2010 there were almost 31500 fatalities registered, while in 2001 the figure was almost 55000. The most positive evolution has been registered commencing in 2008. And it is noteworthy to mention that this number should be seen in the context of a general growth in road transport (European Parliament, 2014a). But Southern and Eastern countries of the EU-27 mark the worst positions: in 2012 *Romania* is situated on the worst position, with 102 fatalities/1 mill inhabitants, while Malta hits the best place, with 26 deaths/1 mill inhabitants. The absolute number is 2042 for Romania, and for Malta is 11 (European Comission, 2014b: 103).
While in a country with quite good position – The Netherlands – the costs associated with road accidents hit the level of EUR 12,5 bill (2011), or 2.2% of that country's GDP. The share of costs is this: medical costs EUR 352 mill (2.8%), property damage EUR 3,866 mill (31%), settlement costs EUR 1,293 mill (10.2%), costs generated by the production's loss EUR 924 mill (7.4%), congestion costs EUR 300 mill (2.4%), and human costs EUR 5,761 mill (46.2%).
It is important to point that in case of reduction in road maintenance spending would negatively impact the economy in the range of 100-250%. For example, assessment made on Scotland transport shows that for every Pound reduced in road maintenance, there is a cost of Pounds 1.5 to the wider economy. In this framework, rising expenditures for road maintenance and construction brings net benefits to wider economy through: *cutting vehicle operating costs* (repairs, fuel, physical depreciation, insurance); *rising safety* (lower number of accidents, fatalities, and injuries, expenditures on medical and healthcare);

environment (lower fuel consumption, lower CO2 emissions, lower pollution due to road works); *rising the wider economy's efficiency* (time saving, higher productivity and competitiveness, development, rising asset value of road infrastructures).
As for the countries mentioned above, there can be said the following things.
Austria. Over the period 2001-2013 the expenditures for strategic road network's maintenance has been steady rising between 2001 and 2010 (from EUR 130 mill to EUR 355 mill), dropped in 2011 (EUR 300 mill) registering after that a modest uprising.
France. It dedicated significant amount of money to road infrastructure EUR 15,200 mill (2005), EUR 17,500 mill (2010), EUR 15,950 mill (2011), and EUR 17,600 mill in 2012. Over 60% of those expenditures were dedicated to main French roads (European Parliament, 2014a: 125).
Germany. It has one of the largest and densest national road networks in Europe. In 2001 Germany paid for national roads and motorways over EUR 1,500 mill, while in 2010 they were more than EUR 3,000 mill. For 2016 there is planned to spend on federal roads network EUR 2.8 bn. As for local roads, Germany has registered a lowering spending starting with 1980.
Ireland. It paid attention to national road's construction, while maintenance fall on secondary place; but Ireland didn't have so many roads to maintain. The peak expenditure was made in 2006 (EUR 1,500 mill), and since then it has been steady falling (in 2012 it was EUR 425 mill).
Italy reduced its current and capital expenditures for its main roads since 2009, when they were EUR 3,047 mill, to EUR 1,742 mill in 2012 (European Parliament, 2014a: 150).
In *Lithuania*, the share of road network administrated directly by the state is almost 25%. And in 2008 road maintenance expenditures in this country were EUR 105 mill, and since then it has been reducing; in 2013 they were EUR 77 mill, a level met in 2001 (European Parliament, 2014a: 162).
In *Poland*, there can be seen a steady increase of expenditures dedicated to national road and motorways construction, from EUR 1,2 bn (2004) to EUR 6.35 bn (2011) (European Parliament, 2014a: 172), while for maintenance it registered quite the same figure over six years EUR 0,6 bn/yearly.
Portugal is in a quite unique situation; in 2000 there were spent EUR 113 mill, rising to EUR 200 mill in 2003. But since then Portuguese expenditure on road infrastructure has been steady decreasing; in 2013 it was spent the same amount as in the year 2000 (European Parliament, 2014a: 181).
Romania spent on road infrastructure small amounts of money taking account of its population and surface. Only 1% GDP was directed to rehabilitation or new construction (2004), in 2005 the figure was 0.43%, 0.66% in 2006 (European Parliament, 2014a: 191).
Spain spent at national level for its main roads EUR 4 bn (2004), the highest figure being hit in 2008 with EUR 6 bn; since then a downturn characterized Spain evolution, with only EUR 250 mil in 2010 (European Parliament, 2014a: 197).
In *Great Britain*, it was dedicated quite half of total expenditures for its main roads infrastructure which totally hits quite the same figure over the period 2001-2012, Pounds 4 bn yearly, respectively (European Parliament, 2014a: 207).

2. EU financing sources for roads during 2000-2013 period: TEN-T projects

From the statistics above mentioned, it is obvious that Western European countries had the initiative to develop mostly by themselves their road infrastructure. Instead, in many countries of the Central and South-Eastern Europe there were rising efforts of developing their road infrastructure in order to meet the European Union standards, not just for issues concerning safety, but also on technical requirements regarding surface condition and load bearing capacity. Another objective, which at the time of EU enlargements was not such a

clear engagement for the accession countries, was the ambition to strenghten each Member State national road system with the Trans European Transport Network (TEN-T) (Aecom, 2012: 70). The aim for these countries during 2000-2013 period was, therefore, to reduce the transport infrastructure gap to the western Member States.



Figure 1 – TEN-T Network
Source: European Comission, 2014d:17

As shown in Figure 1, TEN-T network is based on a major transport infrastructure, which is divided into smaller transport projects, consisting mostly of road and rail connections, but also on airport and seaport improvements, which require considerable investment. In the case of TEN-T in general and the larger projects of the core network in particular, this means a great load on the budgets of individual Member States. Therefore, usually there is the general tendence of seeking other investors who are willing to share the financial costs of such projects. These other financing sources for TEN-T include: „EU funding (e.g. from the TEN-T programme, European Regional Development Fund (ERDF) or Cohesion Fund (CF)); Loans from banks such as the European Investments Bank and European Bank for Reconstruction and Development or commercial banks; Private sector investments" (European Parliament, 2012b:25).

The paradox of using EU funding, loans from banks or private investments lays in the fact that such investments generate the need of public administrations or, in some cases, of private entrepreneurs, to claim back the money invested over the economic lifetime of the project, through additional road taxes which apply to the majority of population or usually by user charges which apply to the road, rail, seaport or airport project concerned.

According to the European Court of Auditors (2013), „for the period from 2000 to 2013 the EU has allocated around 65 billion euro from the ERDF and Cohesion Fund to co-financing the construction and renovation of roads", which means an average amount of 4,9 billion euro per year, including TEN-T projects.

Even if this total amount of money can be justified and it can be accepted as credible, there must be clarified that road infrastructure investments in the Member States were mainly financed from their national funds. In defending this statement stands the

Organisation for Economic Cooperation and Development (OECD), which calculated that „the EU Member States spent some 66 billion euro on road investments in 2010 alone" (European Court of Auditors, 2013:9).
An evaluation of the European Court of Auditors (2013) revealed that „the ERDF and Cohesion Fund allocated during the 2000–2006 programming period co-financed almost 8 000 projects, which constructed around 75 000 km of roads, of which 12 744 km were newly built and 62 256 km renovated roads".
The data shown in Table 2 reflects the above statement in terms of amounts of money invested in those projects, along a brief comparison with the 2007-2013 period. If summed up the totals of the two programming periods, it can be observed that it reflects the 65 billion estimated by the European Court of Auditors.

Table 2 – Planned roads expenditure through cohesion policy funds (million euro)

2000-2006		2007-2013	
Cohesion fund	4629	Cohesion policy funds	
ERDF	19288		
Of which:		Of which:	
Motorways	4416	Motorways	4577
National roads	2405	Motorways (TEN-T)	18565
Regional/local roads	2908	National roads	7041
Roads (other)	9558	Regional/local roads	10581
Total	23917	Total	40764

Source: European Court of Auditors, 2013:10
As presented in Table 2, the 2000-2006 programming period had a positive impact on the 2007-2013 programming period in terms of financial allocations: it almost doubled the total amount of money, taking in consideration the development needs of the 2004 and 2007 EU accession countries. Figure 2 shows a better image of these financial allocations, on each EU country, with Poland, Greece and Spain in remarkable positions. In this point it is essential to mention that planning does not necessary stands for spending: the article focuses in seeking financing sources for road infrastructure. Measuring the impact of such infrastructure expenditures is a matter of individual road projects comparison and it is a question of each country capacity to absorb its allocated funds. The relevance of such financial allocations determines the mechanism of regional development in the EU.

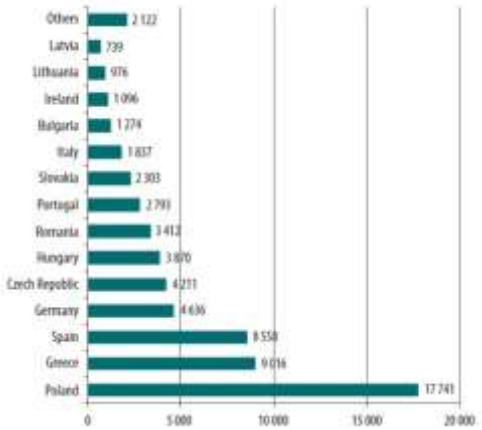


Figure 2 – Planned Cohesion policy funds co-financing for roads between 2000-2013, by country (million euro)
Source: European Court of Auditors, 2013:11

In order to better understand the premises of financing road infrastructures in the EU, it is necessary to look over the 2000-2006 programming period, which represented a period of enlargement of the EU with 10 Member States in 2004 and a period of further negotiations with another 2 candidate countries (Romania and Bulgaria). This means that EU funds co-financed road projects in the older Member States, as well as in the new Member States and candidate countries.

According to a study of Aecom (2012), during this period, „a number of 99 approved road projects provided 4,214 km of new or rehabilitated road on TEN-T network, contributing approximately 10% towards its total length", distributed as follows: Poland 15, Lithuania 12, Greece 10, Portugal and Romania 9, Spain and Latvia 8, Czech Republic 7, Estonia 6, Ireland 4, Hungary 3, Bulgaria, Slovakia and Slovenia 2, Cyprus and Malta 1. Also Aecom (2012) estimated that, „61 of these projects were intended for construction projects, with a length of 1282 km, 38 projects were intended for reconstruction projects, with a length of 3179 km".

85% of reconstructed route kilometres took place in five countries (Estonia, Hungary, Lithuania, Poland and Romania). New construction was not evenly distributed either; two countries (Poland and Greece) accounted for 46% of newly constructed route kilometres. (Aecom, 2012:17)

It is important to aknowledge that the Instrument for Structural Policies for pre-Accesion (ISPA) and the Cohesion Fund financed only interventions such as city bypasses located on the TEN-T, which had urban dimensions and implications (Aecom, 2012:4). The urban transport network was in charge of European Regional Development Fund. Within this context, the Cohesion Fund was tasked with supporting the development of the TEN-T itself, while ISPA interventions focusing on access to the TEN-T (Aecom, 2012:11).

After the 2000-2006 programming period, the European Commission (Aecom, 2012) concluded that many of the most important TEN-T projects (Priority Projects) were behind schedule, the insufficient project funding being a main cause.

According to the European Parliament (2012), „at the end of 2000-2006 programming period, TEN-T policy has delivered a patchwork of badly connected national projects rather than a fully interconnected pan-European network". As a consequence, the European Comission changed its financing strategy, focusing on making the cross-border connections for the ongoing TEN-T projects, taking in consideration intermodal ways of transport which could be interoperable.

Table 3 – Financing of TEN-T network during 2000-2013 period, EUR billion

	Total		Priority projects		Non-priority projects	
	2000-2006	2007-2013	2000-2006	2007-2013	2000-2006	2007-2013
Total cost	302	390	94	154	208	236
Of which						
National funds	231	285	63	107	168	178
EU contribution	71	105	31	47	40	58
Of which						
TEN-T	4	8	3	5	2	3
CF+ERDF	26	44	12	17	13	27
EIB loans	41	53	16	25	25	28

Source: European Parliament, 2012b:26

As presented in Table 3, in 2007-2013, total investment in TEN-T was planned to the

amount of EUR 390 billion, of which other (national) resources accounted for the largest share, namely 73% (EUR 285 billion). The remaining 27% (EUR 105 billion) was financed by EU funds and the European Investments Bank (European Parliament, 2012b:13).

3. Conclusions

Road infrastructure was a subject of different European countries perceptions since the mid-1990s: Spain, Italy, Germany, France, United Kingdom, Netherlands, have started investing earlier in their road infrastructure, provided that they assumed the role of developed economies. Their image of road infrastructure became model for the other less developed European countries, which, in terms of regional development and cohesion policy, became the beneficiaries of a decent transport integrated vision and a fair prediction of road freight and passenger traffic: the well known and widely accepted EU persons, goods, capital and services freedoms of movement had an impact on increasing the growth in road traffic.

These positive developments reflect the catching up of the new Member States, revealed also by the fact that their road network has expanded since 2001 in the context of EU financing. Obviously, weaker road networks are found in Croatia, the newest Member State, but also in Romania, because the investment in roads has not yet resulted in a network of the same degree of development as in the other new Member States.

According to the European Comission (2014a), a country's road network density appears to have some relation to its population density and degree and geographical pattern of urbanisation.

A common paradox lays in the fact that the road network density is relatively low for a number of densely populated old Member States (including Germany, the United Kingdom and the Netherlands) and the motorway network density is more developed in the older Member States than in the newer Member States.

Similar as for the total road network, a country's motorways network density appears to be related to population and urbanization. From the European Comission point of view (2014a), in the case of motorways there also is a relation with the centrality of its geographical location, which is a determinant factor of the relative importance of transit traffic flows.

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TELECOM SECTOR REGULATORY EFFECTS OVER COMPETITION

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Abstract: *In this article are highlighted major regulations of telecommunications sector in Romania since market liberalization. I focused mainly on mobile telecommunications because in this sector evolution of competition is more obvious, appearing and disappearing restructured from one month to another. It is interesting to watch the reaction of market participants with the implementation of European standards or the relaxation of certain barriers to entry respectively the output from the market by new entrants appearing even companies with low incomes who still manage to destabilize the market calm that senior players were used.*
I consider that the main regulatory measures that shocked the entire market is the possibility of number portability. Through implementation has suffered market leader, its market share has surpassed what companies are in the second echelon, it is not even any company that has received several telephone numbers by porting.
Although the leader managed to maintain a constant position for many years, it may have problems at the end of the year if it fails to differentiate itself from the rest of the participants. Another important measure that facilitated the entry of new market participants is enabled companies to use another communications networks. These regulatory measures are for the benefit of consumers, who benefit from lower prices and personalized offers.
The telecommunications market is considered to be one of oligopolistic competition is manifested far more pronounced and the companies disputing its clients, and are becoming more attentive to address new technologies, even if the numbers say it is not necessary to implement the technology of the latest generation because there is no need to be supported from the population to justify the incurred costs.

Keywords:competition; market;regulations;companies

JEL classification: A11;D4

1.Introduction

The political changes that took place in Romania, the fall of communism and the transition to a market economy has led to the need for change and telecommunications. This sector has gone from one in which the state was the only participant in a competitive sector. The European Union has played an important role in the liberalization of the sector. The authority, presently, called Ancom, issued the first regulations in preparation for the full liberalization of the Romanian market profile, which occurred on 1 January 2003. It introduced the principle of supply networks and electronic communications services under a general authorization regime, which allows any person natural or legal persons to become a supplier of electronic communications networks or services by sending a simple notification to Ancom, which led to a significant reduction of bureaucratic barriers and increase the efficiency and transparency of licensing.

2. The transition to a competitive environment

The transition to the general authorization regime was an extremely important step towards

a free market competition. By the end of December 2003 ANCOM received 1809 notifications and has authorized 1560 companies. It have been issued type certificates for 1,125 suppliers. The average response time was 5.97 days. (Report Ancom 2003).
Once liberalized the telecommunications market was beset by a large number of permit applications. So, at the end of 2003, there were 1,125 telecom markets of telecom service providers. It achieved its goal of having a strong competitive environment, only able to produce development, innovation, better quality services at the best price for every citizen. The state should intervene only if the rules laid down are not met, the rest of the companies were free to find the best ways to earn customers.
Following the liberalization of several operators have launched their own international call services also announcing lower rates than those charged by Romtelecom. The operator responded very hard on this phenomenon and announced a similar measure only in the second half of the year. Breaking the monopoly of Romtelecom only brought benefits to players in the field, but also for consumers. Romania had 10.5 million telephone users (fixed and mobile) and there are over 1,800 companies interested in this market. In 2003, 1,560 companies received operating licenses in the communications industry, of which 900 are public communications companies (cable and telephone). Most were firms that provide international communications services.[10] For 2003, the year of liberalization, was forecasted a growth trend in all segments of the electronic communications market. EITO report estimated Romanian electronic communications market reached the end value of 3.6 billion, the increase transmission to all sectors. In the liberalization of market, 4 telecom service operators were authorized: Connex, Orange, Zapp and Cosmorom. Coverage of Mobifon and Orange exceeded 70% and 90% of the total population.
Due to general economic conditions, mobile telephony penetration was lowest among the candidate countries (24% at the end of 2002), growth potential remains extremely high. At the end of 2002, the number of mobile users surpassed that of fixed telephony users.Mobifon SA operate under the name Connex GSM is the first GSM network in Romania. After a transition period of six months, initiated in November 2005, the company was named Connex-Vodafone, on 27 April 2006, the operator became Vodafone Romania.Orange Romania S.A. is the largest GSM operator in Romania. Until April 2002, Orange has operated under the brand name Dialog mark is managed by the company Mobil Rom.Cosmorom had in the national operator of Romtelecom shareholding structure, a state owned company. This latest telecom operator has been closed from his 3rd anniversary. Each of the parent companies of mobile operators in Romania built a replicate of his own image. Thus, to build competitive organizations, were brought foreign experience in telecommunications and competitive markets, who occupied positions of authority. There have been hired also Romanians, taking their place as necessary knowledge accumulation and by the passage of time. Moreover, GSM900 operators has been a change at the top after the first two or three years, brought new managers for the new stage when the service began to become one of the table. The role of foreigners has been decisive in implementing parent company culture. Those who built CosmoRom, came from Romtelecom. CosmoRom thereby became a clone of Romtelecom operator, thus taking parent company and culture.The commercial launch of services was done very quickly if GSM900 operators. After both operators licensed in December 1996 Connex services launched after four months (April 15, 1997) and Orange (Dialog) two months later (June 6, 1997). The same thing happened to CosmoRom: license was obtained in December 1998 and the commercial launch services in May 2000, ie after 16 months. During this time the two operators were able doubling GSM900 mobile phone users from 0.64 million at the end of 1998 to about 1.5 million in the first half of 2000.The first steps

taken by ANCOM in 2003 were aimed on the one hand facilitating market entry of new operators by removing legal and structural barriers on the other hand balancing competitive position by regulating markets. By identifying the operators with significant market power on the relevant markets and the imposition of obligations such as transparency, non-discrimination and cost orientation of tariffs aimed at providing access to all operators' access to essential facilities and the final user.The effect of these measures was the reduction in the tariffs for calls international expansion, diversification and better offers services that benefit clients business. With the implementation of alternative measures appeared and fixed telephone operators who had their subscribers and offer best packages for integrated electronic communications. The prices of new entrants were up to 60% lower than those of the national operator.
In 2006 according to Vice President the Ancom Alexandrina Hirtan then states that it appears the intensification and its competition was facilitated by the regulations of Ancom so in the first month of 2006 were signed 51 interconnection agreements with Romtelecom.

3. The main telecom market regulatory measures

In 2008 ANCOM completed the project portability of telephone numbers, a project that has contributed to increased competition in the phone market and consists in the possibility of keeping the phone number in the case of switching mobile telephony. Moreover, the Authority launched www.portabilitate.ro website where users can find out about portability and what to do in order to port number, and where provide a search engine to determine if a number is ported and in which network.
The appearance interconnect that allows communication between users of different networks and their access to services, users can have access not only to services provided by the network operator to which they are connected to and the services offered by other providers. This measure was ammunition by ANCOM key competitors because it offers operators the possibility of new entrants to compete with existing ones.
As shown in Figure 1, the number of mobile phones has been increased considerably since 2003 and reaching the maximum in 2010. After this year, amid difficult economic conditions, the number of mobile services users began to fall 3%. Regarding the penetration rate of mobile services in 2010 it reached 113% (Figure 2).
In 2010-2011 there is a decrease in both the number of mobile telephony and a decrease in its penetration rate. This is due to the decision by ANCOM maximum tariff reduction for call termination on fixed networks and mobile operators with more than 30% in two stages. Thus, the six mobile operators identified with SMP - SC Cosmote Romanian Mobile Telecommunications SA, SC Orange Romania S. A., SC RCS & RDS S. A., SC Romtelecom S. A., SC Telemobil S.A. and SC Vodafone Romania S.A. - Have been established since 1 March 2012, a maximum price for call termination services of their own mobile networks 4.05 cents / minute.
The second stage to reduce termination charges mobile networks took place from 1 September 2012, the date from which the maximum charge that they could perceive these providers decreased to 3.07 cents / minute. (ANCOM Annual Report 2012). In 2014, was held the entry into force of new frequency licenses that allow large operators (Orange, Vodafone and Cosmote) provide networks and services based on LTE technology in the new bands of 800 and 2600 MHz, but there has been entering the market of the operator RCS & RDS in the 900 MHz band, which is particularly important for the competition. With this type of band RCS & RDS reach a competitive national coverage becoming a formidable competitor for the first three operators. (ANCOM Annual Report 2014)

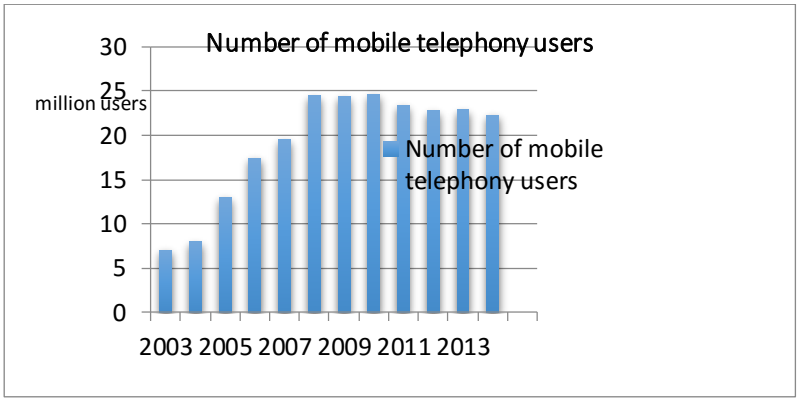


Figure1: The number of mobile telephony users in Romania
Source: Own creation with information taken from reports by ANCOM

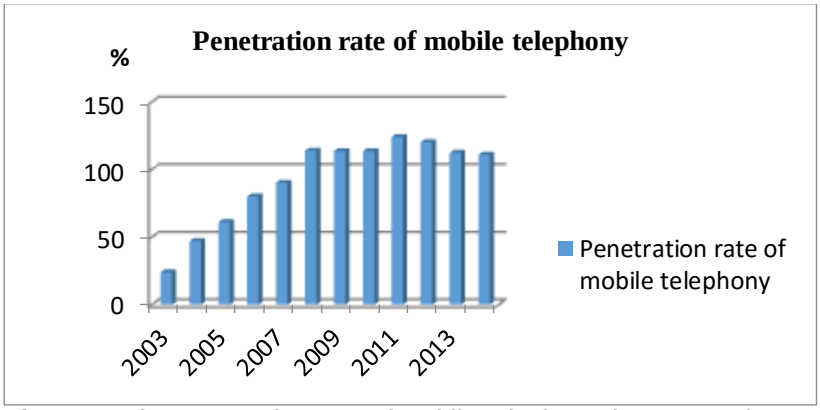


Figure 2: The penetration rate of mobile telephony (2003-2014)
Source: Own creation with information taken from reports by ANCOM

4. The effects of regulation and competition

Currently, the mobile telecommunications market there are four companies that share a number of 22.9 million individual and legal persons users of pre pay cards. Mobile market meets oligopolistic market conditions. This type of market is distinguished by several features found in the telecom market in Romania. One of the goals was the campaigns always oligopolistic price stability, so they do not resort to policies such as dumping or unilateral reduction of price. This applies in our case, Orange, Vodafone and Telekom resorting to various techniques to gain better positions in areas of interest such as: maintaining good relations with customers and their continuous information.

To gain market share, Rcs Rds relies on pricing in the competition, but at the same time signing a roaming agreement with one of the giants of international mobile telephony, Vodafone. This strategy seems one of dumping is similar to that used by Cosmote few years ago. As we talk about oligopolistic market, other participants were introduced to current offers packages similar to the Rds.

The introduction of number portability service in October 2008 brought a number of benefits to mobile market. For example, the bargaining power of consumers has increased, as favorable factor intensifying market competition. With this, the existing operators were forced to offer packages becoming more favorable, so to maintain or even increase their customer base. Between 2009-2013, the number of annual ported mobile market

increased by about 73%, reaching 1,565,031 total number of porters at the end of 2014. (Report of Ancom 2014). According Ancom, most porters were towards Vodafone, which received 361,282 phone numbers, followed by Orange with numbers 339 590 the 3rd is occupied by Telekom 305,219 ported numbers, and the last is Rcs&Rds with 115,736 numbers. Although the market leader, Orange does not take a leading position in terms of numbers received by porting, being surpassed by Vodafone. Number portability is the key by which the newly company launched on the market Rcs&Rds won customers, according to Ancom most of those who passed in the network turned to port their numbers from other networks. In order not to lose customers, Vodafone and Orange have turned to complex deals that include related services in the case efficient or tablets Orange of subscriptions offered at the end in the case Vodafone. But I must mention that, RCS & RDS has a national roaming agreement with Vodafone first of its kind in the history of the telecommunications market in Romania, which consists in the possibility of using Vodafone networks in localities where RCS & RDS has no coverage. Thanks to this agreement Rcs occupy a credible mobile market in Romania although the company's revenues are only 50 million euros compared to Vodafone who has an income of 800 million euros.

However mobile telephony service plans launched by Rds with an extremely low price caused some inconvenience customers, accusing the Rds company of concealing certain clauses of the contracts, namely failing voice of subscriptions from the beginning that the internet is not unlimited under certain conditions, following in autumn the calls are made through Vodafone network to be chargeable. However, current legislation does not consider amending a contract during the development telecom unfair terms so that any company mentioned such an issue in a contract with a client can change the services, changing tariffs.

The main change due to the possibility of number portability is empowering alternative operators appointed by the Competition Council "other competitors," which in recent years held a market share of 35%, now managed to surpass the market leader Orange. This effect can be both account of number portability but also on account of aggressive policies of competitors in the second echelon, for example Rcs&Rds.

In 2011 there was a lack of competition in the market for international roaming. So the EU has proposed some measures that would reduce roaming call charges carried out. Until 2015 they wanted to eliminate the difference between the national calls and the charges for calls carried out in roaming. This regulatory wanted easy access to market and alternative operators offering consumers a wider range of options. So his do gradual reduction of tariffs, from 1 July 2014, and this year, when the competition of mobile communications markets will allow consumers his quickly and easily opt for a roaming service at a price comparable to or close to the national rate, the roaming tariff differences between international and national will approach zero. (DAE).

Mobile operators need to be aware of developments in telecommunications systems and new technologies that can replace existing ones. Technological trends in the mobile telecommunications industry in Romania, should be seen as a result of research in the field of telecom. According to the European Commission there is a substitution scenario of 4G network type, called 5G.

We must take into account the investment that mobile operators do in these types of networks because of their financial effort is still unreasonably real and solid consumer demand. Much of these investments are made for the adoption of such new technology “looks good”, but the result can be disastrous. A feasible alternative to the adoption of such technologies is the implementation when there is an increase in demand for this type of product. In Romania, Orange was the first company that has adopted the latter type of emerging technology, 4G and 5G technologies continue to adopt intermittent. %. In 2014, with the advent of 4G technology, Orange was the first operator to introduce this type of

technology in the country, and now has a coverage of 45% of the population and 73% in urban areas. According to Richard Moat CEO of Orange, the company is distinguished by innovative communication solutions tailored to customer needs.
The second largest player in the market is Vodafone SA which has a market share of 29.2%. Being the main competitor of Orange, he put a differentiation of services focusing on roaming and internet, where customers are benefiting from lower prices. The third mobile service operator is Telekom. Newly entrants Telekom has arisen from the merger between Romtelecom and Cosmote. Ovidiu Ghiman, Commercial Director at Telekom of Romania on the business segment argues that the main strategy of differentiation addressed by Telekom is the personalization of services and prompt resolution of technical issues that arise. After Orange, Telekom is the second mobile operator that offers service packages, which consists in cable TV, phone and mobile. The fourth participant in the mobile telecommunications market is RDS RCS, which has a 5% market share on the segment of mobile telephony. This latest operator entered the market with offers subscriptions at the lowest price in the market. The focus of this operator roaming occurs with an agreement with Vodafone network which allows to use both national and international roaming.

Conclusions

Telecom sector is one of our country's social and economic priorities. It has seen a rapid development over the last 10 years suffering same reorganization process in privatization and liberalization, however in spectacular terms of technological developments.
Romania has made an impressive progress in telecommunications lately, being the first country in Europe that the harmonization with the new Community provisions in the field. On 8 November 2002 in Brussels, Romania has closed negotiating Chapter 19 relates to telecommunications and information technology for accession to the European Union.
Year 2003 is marked by dramatic changes due to the liberalization of the telecommunications market. This process has been extensively trained by creating a coherent legislative card, modern, transparent, which allowed easy access to the market for new entrants.
Currently, competition really exists, manifests itself more strongly, disputed its clients, and this is a fight that users have only to gain. It achieved its goal of having a strong competitive environment that produces innovation, quality service at an appropriate price. Market players adapt to consumer needs by providing both basic services and integrated services, thus trying to differentiate themselves from the competition. Most companies present on the market have managed to adapt the PAPR legislative changes over time, and those who have not adapted turned mergers su rebranding to be and remain on the market under another name. The emergence of small companies in the market suggests that barriers to entry were more relaxed, which can only ease the competition and end consumers that have to won.
Although the number of mobile operators from Romania and 4 correspond to the EU average, telecom market shows a high degree of concentration, countries where there is a greater number of mobile operators are Poland, with six operators, Denmark and Sweden, with many five operators. However, a Herfindahl-Hirschman Index analysis shows that the concentration of mobile services market in Romania is high, exceeding the threshold of 2,000 units commonly used by the competition authorities. (Competition Council).

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INNOVATION AS ONE OF THE WAYS OF COMPETITIVENESS OF THE EU AND SLOVAKIA

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Abstract: *One of the strategic interests of the company is to find a way to survive in the midst of the pressure of competition from other companies in the domestic and foreign markets. The article compares the development and the current state of competitiveness of Slovakia with the selected V4 countries. For comparison there was used an aspect of competitiveness through innovation. The comparison is described in two levels where the first plane is the macroeconomic view on the development and current state of competitiveness of Slovakia with selected V4 countries based on the results of several international indicators. Another level to compare the competitiveness are the outputs from the internal research of the international research team from the Slovak and Polish universities. The research was conducted in 2013 among medium-sized enterprises selected from regions of Poland and Slovakia. In Slovakia, the research was participated by firms in the Prešov region, the eastern part of the Slovak Republic and in Poland, the sub-region firms from Krosno-Przemysl in the Carpathian region in the south of Poland. The subject of the research was the issue of competitiveness of medium-sized enterprises in both countries from those regions which lag behind in export. Many companies are involved in international trade, not only in the markets of the EU but also outside the Union. Since the Slovak Republic, open economy is the issue of enforcement is a key issue in the middle of the competition. Export of successful Slovak companies is supported by the growth of innovation that distinguish the products or services of one undertaking from those of another. Upgrading is one way to increase competitiveness. It represents not only new products, services, tools and methods but also a path that can contribute significantly to the prosperity and fulfillment of the objectives of company's owner for long-term growth and existence of the company in the market. Innovation cannot be construed as a new product or service in its own. In the world there are many companies that are trying to produce new products, respectively provide new services, but there is not interest in them. Customers ignore them. Not every activity represents progress. The real innovation is always reflected in the financial recovery and customers are willing to pay well for another new value, which comes to the market and brings them greater benefits. Innovations therefore were and are the driving force behind the growth of the economies. They open new markets, represent the use of new materials, products, processes and new sales methods.*

Key words: Competitiveness; GCI; Innovations; Science and Research

JEL: D49

Introduction

In economics there is already know for more than a hundred years a concept of innovation. It was first noted by economist Schumpeter. Innovation was defined not only as inventing but mainly as promoting new combination of production factors by entrepreneurs. "Schumpeter, himself a follower of the tradition of Austrian school of economic thought, came with an alternative to the tradition of the said school. First of all, he was not a

supporter of the idea that economic theory should not be quantified. Schumpeter believed that the driving force behind economic growth is a creative entrepreneur who breaks stereotypes by permanent innovations". Ambrozy (2010).
Innovation is a new service, corporate and business processes. If an enterprise wants to survive in the competitive struggle there should always be the way forward to its upgrading. As Kislingerová et al. (2008) note that large amounts of money spent on innovation processes in the enterprise and the national economy, inevitably raise the question of the effectiveness and efficiency of the use of these funds. From the inventive level of the innovation process it is about whether there is a shift of knowledge, or if their newfound knowledge allows to develop new technologies, products successful in the market or whether they contribute to a reduction in costs.
According to the authors Košturiak and Chál'a (2008) reproduction of a company does not lie only in the restoration of concrete and iron, but especially in the development of knowledge and transfer of corporate DNA. And this process takes place among people in action. Enterprise cannot by driven like a machine, it is a living organism.

1. The competitiveness of the EU countries

If a result of increasing competitiveness of the country's is its economic growth, then a result of successful innovation of an enterprise is to strengthen the competitiveness of the enterprise. Today there are several dozens of definitions of what competitiveness is. In general, it is a particular ability to successfully compete in the marketplace. The winner of that competition in the market environment in that space time is highly competitive and losers are uncompetitive. The European Union already realized (before 2000), its lagging behind the developed world economies before 2000, especially the US and Japan. Among the negatives, which reduce Europe's competitiveness against other developed countries belonged by Baldwin and Wyplosz (2008) high unemployment of the former Member States of the EU, critically low volume of investment in R & D, low innovation and weaknesses in services in the internal market. Currently, according to the evaluation of the World Economic Forum, the braking elements of improved competitiveness of Europe compared to other continents include bureaucracy, tax rates, tax legislation, labour laws and access to finance. "Tax(levy) system affects the activity of a number of businesses in this area as well, but its impact is differentiated. It depends on the resources, capabilities, opportunities and links to the outside world Mokrišová (2013). Also, despite ambitious plans formulated by the European Council in Lisbon strategy Europe did not become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth by 2010. The strategy contained conflicting goals and priorities, which, moreover, were formulated in very general terms without specific timeframe performance and simple method of evaluation. When in 2005 it was found that this objective was simply unrealistic for Europe, then according to the authors Kováčová et al. (2008) in the EU-27 was changed not a strategy, approach and attitude to competitiveness as might be expected, but only administrative definition of competitiveness. Boston Consulting Group (BCG) in partnership with Business week select each year the most innovative companies in the world. When selecting there decide developments of shares, profits and patents in the last five years. In 2007, in the top twenty of the world's most innovative companies from Europe there were placed only three firms- Nokia, BMW and Virgin Group, in the first fifty were IKEA, Daimler Chrysler, BP, Royal Philips Electronics and Volkswagen. Despite the potential of what Europe has it cannot significantly promote among the countries of the world and prevent a brain drain. Unsatisfactory results of the implementation of the previous strategy led, therefore, the

European Council in 2010 to approve the new strategy Europe 2020 . There are included therein various initiatives and sector strategies of the several EU policies, especially research, education, employment and social affairs, information society, business, industry, energy and the environment. Key priorities are smart and sustainable growth and growth-promoting inclusion. One of the main objectives to support the competitiveness of the EU is to allocate from the budget of each member country 3% of GDP on the field of science and research by 2020.

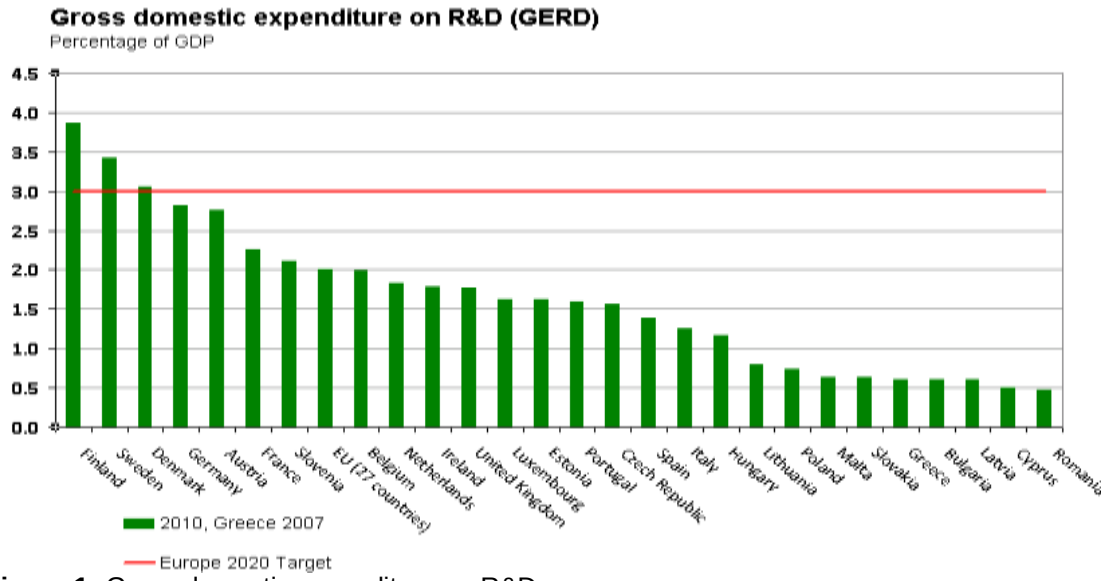


Figure 1: Gross domestic expenditure on R&D
Source:*Eurostat* http://ec.europa.eu/eurostat/documents/54557/4314418/gdp_large.png

Expenditure on research and development in 2010 (Figure 1) include all expenditure on R & D performed in the business, government sector and higher education in the territory of the country in a given period of time, regardless of the source of funding. They are expressed as a percentage of GDP. From the graph it is evident that before the base period, only a few of the EU Member States approached so far to fulfill the ambitious target. The World Bank in 2005 introduced the project KAM- Knowledge Assessment Matrix (World Bank from 2006 to 2007), or the International Institute for Management Development in Lausanne, which have evaluated 55 countries since 2007. 323 criteria are compare according to four aspects such as economic performance, government efficiency, effectiveness of company, and infrastructure. From a global perspective since 1979, an annual report on the competitiveness of countries has been published by the World Economic Forum. It carries out a survey among various countries of the world focused on the competitiveness of their economies. Benchmarking compares on the national level of each country assessed 90 indicators, of which 23 are statistical and 67 audit, when the evaluator determines the degree of the competitiveness of the country with a range of the criterion. Competitiveness is defined as a set of institutions, policies and factors that determine the level of productivity of the country, also sets the level of prosperity that can be obtained through the economy.

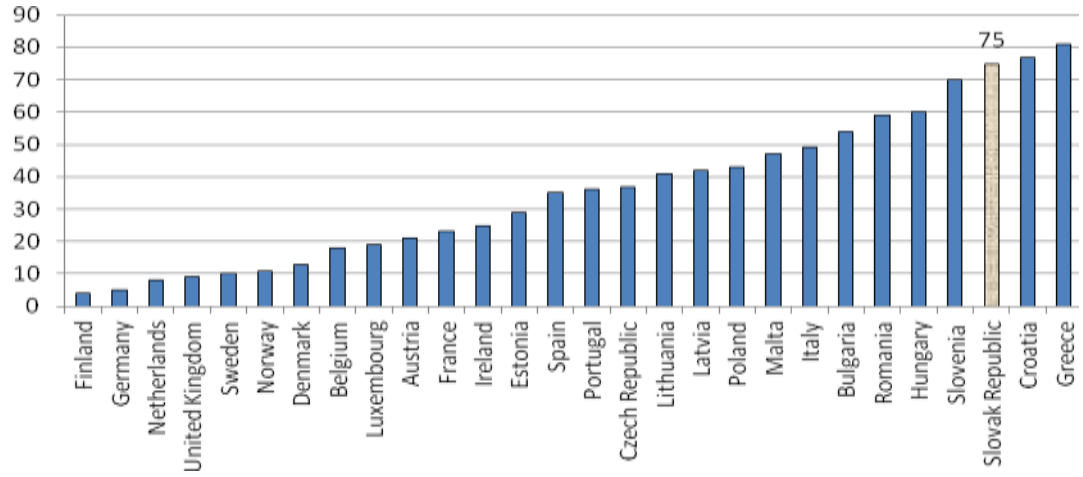


Figure 2: Competitiveness Rankings of the EU member states
Source: own processing according to World Economic Forum http://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/

The outcome of that review is the Global Competitiveness Index (GCI), consisting of 12 reviewed pillars which are the competitiveness of the institution, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market developments, technological readiness, market size, sophisticated enterprising and innovation. Although the Slovak Republic is stable for several years in the middle of all evaluated countries of the world (Table 1), its role in the competitiveness of the EU countries is not satisfactory.

Table 1: GCI and theSlovak Republic

	Rank	Score(1–7)
GCI 2014–2015 (out of 144)	75	4.1
GCI 2013–2014 (out of 148)	78	4.1
GCI 2012–2013 (out of 144)	71	4.1
GCI 2011–2012 (out of 142)	69	4.2

Source: own processing according to World Economic Forum *[http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf11.03.2015]*

Among the 144 countries covered by the World Economic Forum in 2014, Switzerland ranks as the country with the highest competitiveness, and as non-EU country. The top ten countries include 5 EU member states. The Slovak Republic (Figure 2) with the penultimate Croatia and last Greece closes peloton of the EU member countries in the competitiveness ranking by the World Economic Forum.

2.Comparison of the competitiveness of Slovakia with V4 countries

Despite the fact that Slovakia has managed to fulfill the objectives of the Europe 2020 in areas of climate and energy as well as training, it failed to meet the targets in employment, research and development and the fight against poverty. The Slovak Republic in terms of EU spending on R & D as a percentage of GDP ranks at the end of the scale, among the

member countries with the lowest expenses. Expenditure on research and science are broken down by sectors, which then went i.e. to the business sector, government sector and higher education. In the period 2003-2013 it was just the business sector in Slovakia, which from the highest percentage of expenditure was given on R & D as in the case of Slovakia it has its logical justification, because it is a small and open economy mainly focused on the industrial sector.
If we compare Slovakia and other V4 countries, which from a historical perspective had a similar political and economic development ,in the development trend of R & D spending (Figure 3) calculated in Euros per capita.

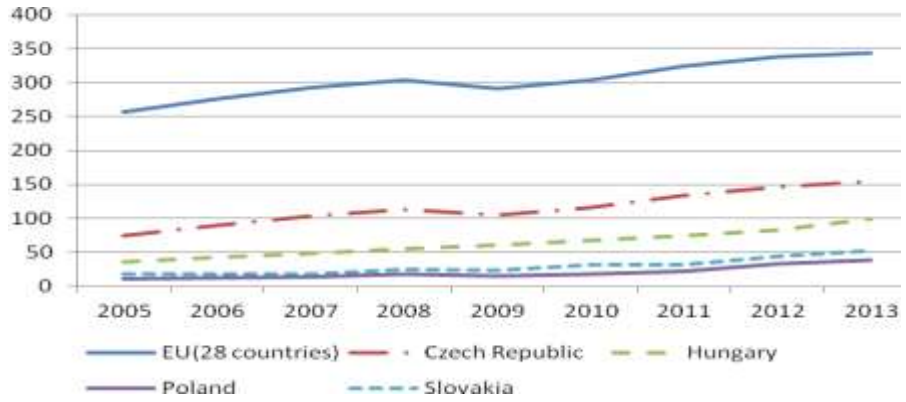


Figure 3: Business enterprise R&D expenditure (BERD) total –all NACE activities
Source: own processing according to Eurostat **http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=rd_e_berdindr2&lang=en**

If the Slovak Republic is subsequently assessed with the same countries and in terms of competitiveness by GCI, its position is lagging (Table 2), as R & D expenditures are just one of several dozen indicators of competitiveness of the country.

Table 2: GCI and the Slovak Republic

	Rank 2014-2015	**The index value**	**Rank 2013-2014**	**Rank 2012-2013**
Czech Republic	**37**	**4,5**	**46**	**39**
Poland	**43**	**4,5**	**42**	**41**
Hungary	**60**	**4,3**	**63**	**60**
Slovak Republic	**75**	**4,1**	**78**	**71**

Source: own processing according to GCI*http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf[11.03.2015]*

The best position among the four countries holds the Czech Republic, where Czech companies are positively assessed as relatively sophisticated and innovative, supported by a strong introduction of new technologies. The second country of V4 competitiveness is Poland, where are positively assessed the ongoing structural reforms aimed at strengthening the innovation and knowledge-based economy. The Slovak Republic has large reserves towards increasing its competitiveness and aiding the growth of the

business sector. One of the many places that need to by improved is the innovation .

3. Medium-sized enterprises in Slovakia and Poland in terms of innovation

In 2013 there was implemented project focused on the analysis of international export potential of medium-sized enterprises in the two neighbouring regions of Poland and the Slovak Republic, sub-region Krosno-Przemysl in Carpathian region and Prešov in Slovakia by authors Kaszuba, K., Madzinová, R. Sedláková, I. and Cierpel-Wolan. Both regions are located in the eastern, less developed parts of the country and represent the boundaries of the European Union and also the Schengen area in the eastern part of the Union. The project was co-financed by the European Regional Development Fund. Part of the project was the analysis of enquiry research, which was participated by 100 medium-sized enterprises of the Republic of Poland and 91 medium-sized enterprises from Slovakia. Many of companies are involved in international trade, not only in the markets of the EU. The questionnaire consisted of 22 questions. In order for companies to succeed in international competition, not only domestically but also in foreign markets, it is necessary to introduce innovations into production. Therefore, one of the questions in the questionnaire was also to detect whether the last three years the company has introduced new technology in the core business

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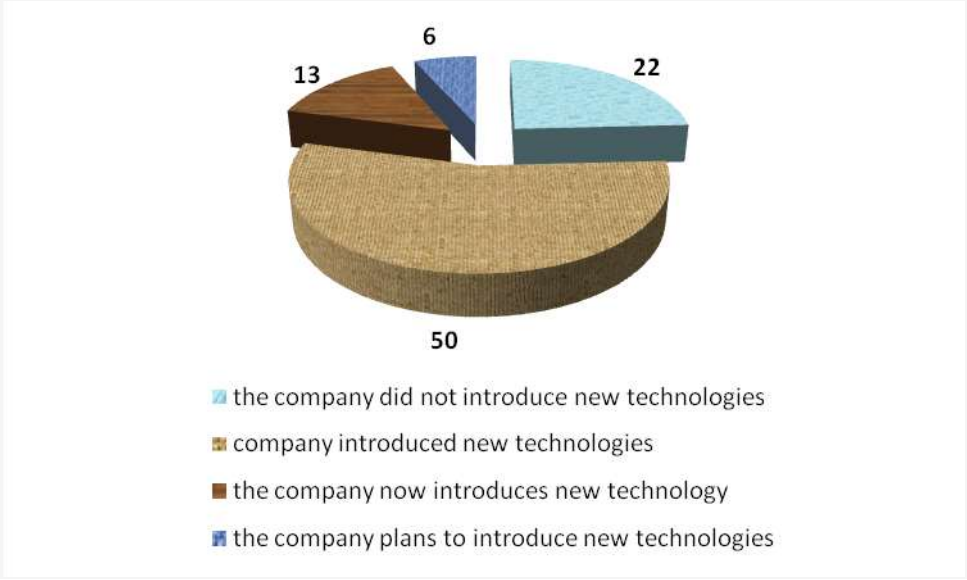


Figure 4: Proportion of companies in the Prešov Region in Slovakia according to the introduction of new technologies in the years 2010-2013
Source: Comparative analysis of export potential of the medium sized companies in east Slovakia and the sub-region Krosno-Przemysl

A positive finding was that increased attention is put on upgrading technologies addressed by the medium-sized enterprises in the Prešov region in eastern Slovakia. More than 63% of companies have for the last three years modernized their technologies or and 6% introduced new technologies. Only 22% of companies do not have implemented the new technology in the production process(Figure4) .

In Poland of the surveyed enterprises the question was positively expressed by 45% of

respondents from which 35% of companies in the previous period has invested in new solutions whit impact of the implementation of new technologies and 10% of responding entities currently introduce new technologies and 5% plan to introduce them. But 50% of respondents from medium-sized companies of the region Krosno-Przemysl Podkarpacie has not introduced any new technology, which is a worse situation than in the neighbouring region of eastern Slovakia. However, it can be assumed that the companies had previously introduced new technologies and do not feel the need to introduce additional.

Conclusion

For assessing the current gap in research and development in Slovakia there was established strategy on research and innovation for smart specialization of the Slovak Republic . The aim is to assist Slovakia in the growth of competitiveness in several ways, but also to increase to the contribution of research leading to economic growth through global excellence and local significance. Innovation, however, cannot be planned in parliament or in the offices by officials who are often trying to decide on it or people who have never created an innovation. Innovation is risky business.
The innovation should by therefore decide not by officials but entrepreneurs despite the irreplaceable role of public aid. If Slovak operators do not finance the innovation process, they will to extinction run in the market environment . From internal sources within the self-financing it can lead to the profits of the enterprise from which the innovation process will by financed. At high corporate taxation there is declining interest of companies to invest in innovation. Changing the tax burden would help many companies in their efforts to the innovation process. While the Slovak Republic has so far acted as an "assembly hall" of Europe and relied on a strategy of low costs, especially low labour costs, in the future it will not be enough. Business success is not in the optimization of existing processes, but in innovation and the new and groundbreaking solutions. Many companies in Slovakia have relied on a strategy of low cost, whether material or labour, then it is time to abandon this strategy. Other countries are already and still cheaper for investors. Long-term success of not only Slovak businesses cannot be found just in the optimization of existing processes , but especially in innovation. There are some companies which are satisfied with imitating others. Their journey will run for others and stay average on this road. It is sufficient for them in a learning phase and in the acquisition of a small sector of the market. However, there are companies that find satisfaction and profit in upgrading .There path will run at the forefront of peloton. The difference between innovation and imitation is then included in the price time. The time spent by undertaking on the research and its successful application can provide them a competitive edge. Time is cash lost as well as gained!

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THE CONSUMPTION OF ANTIBIOTICS, AN INDICATOR OF THE LEVEL OF ECONOMIC DEVELOPMENT. PROPHYLAXIS OF POSTOPERATIVE INFECTIONS

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Abstract: *The inappropriate use of antibiotics is a problem that needs a global solution. The World Health Organization issued a strategy and related guidelines to help countries in setting up systems to monitor the antibiotic usage and to implement efficient actions, such as insuring that antibiotics can only be purchased with prescription. While people still die in developing countries because they lack the correct antibiotic treatment, antibiotic overuse in other countries concern as much. In a study conducted in 2012 in 10 hospitals in Romania, resulted an excessive use of antibiotic prophylaxis (about half the time using perioperative antibiotic prophylaxis) and inadequate prophylaxis (over 70% of all antibiotic prophylaxis recorded in the same study indicates a duration of at least 3 days to a maximum recommended duration of 24 hours; sometimes the usage of an inappropriate antibiotic develops a resistance profile to the microbial flora present). We analysed the consumption of antibiotics in sections of adults of surgical departments of Emergency County Hospital Oradea (general surgery, neurosurgery, orthopaedics, urology, ophthalmology, obstetrics and gynaecology, microsurgery, maxillofacial surgery, thoracic surgery, vascular surgery and otorhinolaryngology), during 2014. The results indicate that about 91% of surgical patients were treated with antibiotics, in 26% of cases the type of antibiotics being changed and the costs of antibiotics represented about 73% of total costs of drugs. The infection prevalence was nearly 16%, and the average length of administration was 5.21 days. The antibiotic prophylaxis guidelines are a good tool to reduce the incidence of postoperative infections and medication costs.*

Keywords: *consumption of antibiotics, economic development, antibiotic prophylaxis, postoperative infections*

JEL Codes: H51, I11, I12, I15, P36

Introduction

Inappropriate use of antibiotics is a problem that needs a global solution. The World Health Organization issued a strategy and related guidelines to help countries in setting up systems to monitor antibiotic use and to implement efficient actions, such as insuring that antibiotics can only be purchased with prescription. While people still die in developing countries because they lack the correct antibiotic treatment, antibiotic overuse in other countries concern as much.

In a study conducted in 2012 in 10 hospitals in Romania, resulting in excessive use of antibiotic prophylaxis (about half the time using perioperative antibiotic prophylaxis) and inadequate prophylaxis (over 70% of all antibiotic prophylaxis recorded in the same study indicates a duration of at least 3 days to a maximum recommended duration of 24 hours;

sometimes the usage of an inappropriate antibiotic develops a resistance profile to the microbial flora present) (*Ghidul de profilaxie antibiotică în chirurgie*, 2013).
Perioperative antibiotic prophylaxis has proven effective with a significant measure in terms of preventing wound operated infections, but it is only one component of the combination of measures to reduce the incidence of postoperative infections that can't replace the other prevention measures (Holzheimer, 2001).
The surgical infections are defined as being the infections that occur in or near the surgical incision, within 30 days or within 90 days after the intervention, when surgically material is implanted, (CDC/NHSN, 2013).
The surgical site infections are the third most common type of hospital-acquired infections and, on average, account for 17% of their total (based on data from point prevalence surveys performed in industrialised countries in recent years) (Anderson, 2008).
Surgical wound infection is associated with a significant increase in morbidity, hospitalization period and hence the costs of medical care to patients. According to the results of some studies (Boyce 1990; Poulsen 1994; Bowater, 2013) in 75% of cases of patients dying in the post operative, death is directly related to surgical wound infection, and total costs for patients with post-operative infections increased by over 300% (Whitehouse, 2002).
The appropriate use of antibiotics along with the right approach to other preventive measures leads to a reduction of the number of surgical infections (Dellinger, 2005; Stulberg, 2010).
As it is recommended by the clinical guidelines for preventing surgical infections, prophylactically is administered a single dose of antibiotic, 30-60 minutes prior to surgery *(Ghidul de profilaxie antibiotică în chirurgie, 2013*; Anderson, 2014; Bratzler, 2013).
When is correctly performed, antimicrobial prophylaxis with a single dose of antibiotic, prevents infection of surgical wounds. The results of several studies (Kriaras, 2000) have demonstrated that extending the prophylaxis with antibiotics after the surgical procedure does not offer supplimentare benefits, but on the contrary – the excess of antimicobial therapy can cause an increased risk of infection with *Clostridium difficile* and antimicrobial resistance.
In Romanian medical system, it persisted the growth of the prophylaxis period (minimum 72 hours), this being the cause of an undue increasing in consumption of antibiotics (*Ghidul de profilaxie antibiotică în chirurgie*, 2013).
For this reason, in this study we analyzed the manner of antibiotics usage in surgery wards of the Emergency County Hospital Oradea and the costs involved because of their use.

Material and methods
We analysed the consumption of antibiotics in sections of adult beds of surgical departments of Emergency County Hospital Oradea (general surgery, neurosurgery, orthopaedics, ophthalmology, obstetrics and gynaecology, microsurgery, maxillofacial surgery, thoracic surgery, vascular surgery and otorhinolaryngology), during 2014.
Of the 38526 patients discharged in 2014, 25921 were surgical cases (67.28%) and 12605 were medical cases (32.72%).

Results
Of the 25921 surgical cases were given antibiotics to 23477 patients (90.57%), of which 19726 injections to patients (84.02%) and 3751 patients (15.98%) received oral antibiotics, as it can be seen in figure 1 and 2.

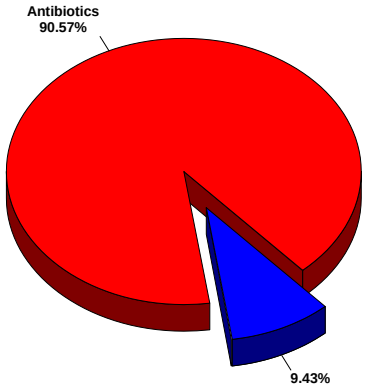


Figure 1: The percentage of surgical patients receiving antibiotics

In 6124 cases (26.09%), the type of antibiotic was modified during the period of hospitalization.

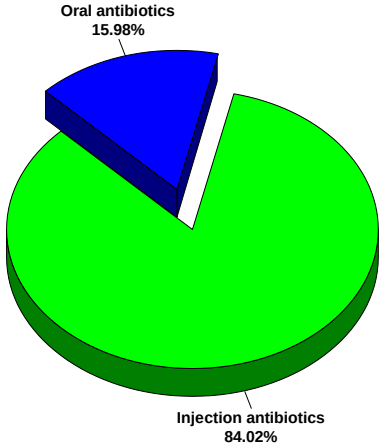


Figure 2: The percentage of patients according to the type of antibiotic administrated

The most commonly used antibiotics were cephalosporin and carbapenems (79.02%) and penicillin (12.64%). The results of the study are presented in table 1 and figure 3.

Table 1: The distribution by classes of antibiotics/number of cases

Classes of antibiotics	No. of cases
Penicillins	2967
Other Betalactamine (cephalosporins and carbapenems)	18552
Quinolones	848
Macrolides	519
Other antibiotics	591

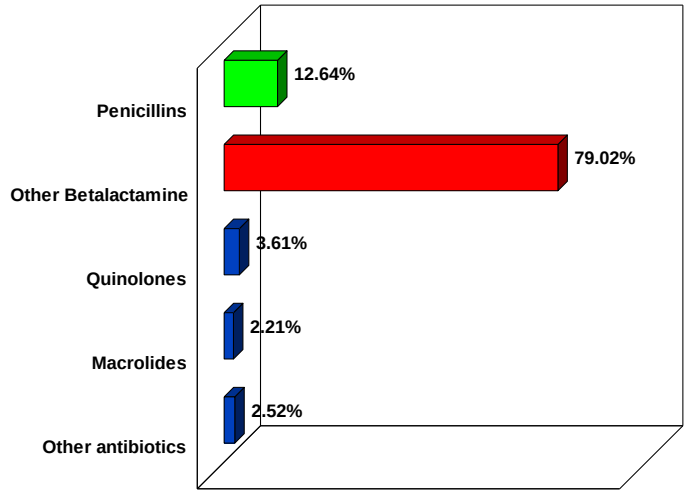


Figure 3. The distribution by classes of antibiotics

Of all patients with antibiotic injection, in 4408 cases (17.01%) was performed DST (Drug Susceptibility Testing).
The average length of hospitalization was 6.27 days, and the average length of antibiotics administration was 5.21 days.
Infections were present in 3738 patients, being observed a prevalence of 15.92%.
The cost of antibiotic treatment represented 72.8% of total drug costs for surgical patients.
The use of inadequate perioperative antibiotic prophylaxis contributes considerably to the total amount of antibiotics used in hospitals and has been shown to be associated with the increases in antibiotic resistance and healthcare costs (Bowater, 2013).

Conclusions

The results indicate that nearly 91% of patients were treated with antibiotics, in 26% of cases the type of antibiotics has been changed and the most commonly used antibiotics were cephalosporins and carbapenems.
The costs of antibiotics represented about 73% of total costs of drugs administrated to every patient.
The infection prevalence was nearly 16% and the average length of administration was 5.21 days.
A standardized approach for rational, safe and effective antimicrobial agents, for the prevention of surgical wound infections, would substantially reduce the costs in the healthcare system and the risks involved due to the inappropriate usage of them.
The antibiotic prophylaxis guidelines are a good tool to reduce the incidence of postoperative infections and medication costs.

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

CASE STUDY IN BUSINESS ENGLISH CLASSES

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Abstract: *For Business English teachers, case study is a relatively new and innovative method in language teaching. The present paper reflects on the advantages of using case study as a method in Business English courses, as well as the basic characteristics and principles of this new tool of developing learners' linguistic and non-linguistic competence. In other words, the aim of this paper is to show what the case study is, why it is successful in the Business English class, how it works and how can it be used in language teaching. Case study plays an important role in teaching and learning Business English, having a huge potential to consolidate the already acquired knowledge, as it is very rich in content and providing the students the opportunity to train specific language and different managerial skills. By using this method, the teaching process will certainly become more effective and student-centered.*

Keywords: *case study; Business English; specific language; managerial skills.*

JEL classification*: Y90*

Teaching Business English always represent for us, teachers of English, a real challenge, since we have to capture students' attention and we have to maximize students' talking time in the language classroom. Its effectiveness depends, among other factors, on the teaching materials since they can improve the process of students' knowledge acquisition. In order to develop the productive language skills such as speaking and writing, teachers have to use attractive and innovative materials, as opposed to the receptive skills of reading and listening comprehension which require more time and practice, these being more difficult to acquire. But, what do we do if we have to deal with an advanced group of language learners who may have certain pronunciation, lexical or grammatical problems but for the most part are at ease in their upper intermediate level?

This problem is faced by every teacher of Business English and we have come to the conclusion that the answer to the above dilemma is the *case study.* It has proven to be an effective approach in teaching Business English. We are talking about a relatively new type of task-based activity for Business English students, these being in the position of discussing the advantages and disadvantages of a certain decision, thus being in the position of using the language. Language is a tool to solving a problem in the case study method, representing a means of communicating in typical business situations. As S. Donna stresses in her book on Business English teaching: *"if students believe that in a language course they do tasks relevant to their future professional communication, they are more motivated to learn."*[11]

But where do we find case studies which are suitable for Business English classes, that do not require an in-depth knowledge of a specific purpose and which are not too content-led? Since our purpose of language teachers is not to teach specific contents but rather to improve the communicative competence and the oral proficiency of our students. We have come to the conclusion that case studies that are adapted to the language course, being written by language teachers, are more appropriate than the ones

[11] Donna, Sylvie – Teach Business English. Cambridge University Press, 2000

written by business lecturers, since these ones could be extremely rich in content. For Business English learners, case study is motivating as they are in the role of a manager who has to take decisions and solve real business-life problems.

Case studies have been used in law for the first time, in order to evidence the verdicts given by judges, in the '70s they were introduced in business schools and in the '80s they were introduced in psychiatry. Since the mid of the 20th century Harvard Business School has been using this method intensively to teach future managers how to solve real-life problems.

Case study – basic characteristics

Case studies, in general, describe a real-life situation, usually a problem or several problems that need to be solved, having a short corporate profile. According to A.E.Witte in his *Interactive Cases for Business English,* there are two different types of case study: "*those that provide the learner with targeted content input to practise a specific skill such as negotiating, interviewing, problem-solving or decision-making, and those which are freer to interpretation and call on the teacher to choose the preferred methodology and classroom strategy*"[12]. Business case studies offer the students relevant background information about the company, its decision-makers, a short corporate profile, they present the problem which needs to be solved and they also offer some additional information, in the form of charts, tables and graphs, which may be helpful when looking for the best solution of the problem. Thus, students are encouraged to put together the information they are given, to deduct, to analyze, to interpret and to suggest various hypothetical solutions. Cases representing problems that have recently appeared are preferred by the students since they know the economic reality very well. For, as Gragg C. from Harvard Business School states *"no method is foolproof. A badly handled case system cannot be but an academic horror. Improperly handled, a case is merely an elaborate means for confusing and boring students. Properly handled, however, cases provide an interactive technique, ..., it provides students the opportunity to prepare themselves to be constructive."* [13]

Case study in language teaching

A case study session can last one and a half hour, the class time being divided into three half hours slots. There are some certain steps that one must follow when approaching this teaching method:

1. The teacher deals with the preparation of the case study, the introduction of a problem solving analysis;
2. The teacher presents the students the relevant background information of the company;
3. Both groups of students analyse and discuss the quantitative data; brainstorm and diagnose problem areas;
4. The students fill up information gaps and present further hypotheses;
5. The groups discuss weak points and threats;
6. The groups present some of the company's goals;
7. Both groups make some brainstorming in order to find some alternative solutions to the problem;
8. The groups make a comparison between the solutions and choose the best one;

[12]Witte A. E. (1999), *Interactive Cases for Business English*, ed. Ellipses, Paris,

[13] Gragg, Charles I., (1940) *Because Wisdom Can't be Told*, HBS case , reprinted from Harvard Alumni Bulletin, October

9. The groups present an action plan, assigning tasks and setting deadlines;
10. Evaluation of alternatives: evaluating each proposed solution discussing the advantages and disadvantages, the limitations of the internal and external factors, the constraints;
11. The teacher gives a feedback on language mistakes, managerial skills and the documents and support materials used.

A vital part of this method is the proper presentation of the case study so that each student knows what his role is, as it is not enough to give the case study to the students and hope that they will understand it. The teacher must provide the students with some input on how they should analyse the case study.

As you have seen in the steps mentioned above, at first students are supposed to read the given material, after that they continue developing their speaking skills, by presenting their opinions, criticise, present their point of view and negotiate. Probably one of the best ways to convince students to speak is to divide them into work teams and each of them is trying to present the solution to the problem. The teacher is not allowed to tell them what to say, as the teacher is just an observer, a mediator and a facilitator.

Besides improving the students' speaking skills, the case study method provides an opportunity to develop their writing competence. In this respect, one group of students may be asked to write the agenda of the meeting or to take the minutes of the meeting. The teacher must provide the students a written form where they are asked to use the obtained information. This could be in the form of a business writing which best suits the situation, such as an action plan, a report, an e-mail, a list of points, a memorandum, a mind map.

But there are some things that the teacher must take care of, in order for this method to be successful. the first suggestion is to give the students ample time to think about the case and to read and understand the given information. Another suggestion is that the teacher should provide the students some guidelines for how to approach the case and give exact ideas for analyzing the case. The teacher should also be clear about the students' approach to the case and the points to be focused on. Another suggestion is about involvement: make sure everybody is involved in the activity. In this respect, the teacher should create groups and monitor them. In order to move the discussion to another level, the teacher should synthesize the issues raised and clarify all of them.

Using this method, in comparison with the traditional method, the role of the participants differs considerably. In the traditional way, the students represent the receivers of the teacher's experience and knowledge, while in the business case studies, the students are given the raw matiral and the teacher sets some guidelines and provides the necessary information. Thus, the teacher is a consultant, playing the role of a guide and the students are the active participants who have to take decisions, communicate them and interact with the others.

Our intention is not to prove that this case study method is the best teaching tool. But, the increasing number of books having this topic prove that this is an effective new approach in

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LA TRADUCTION DES DOCUMENTS D'ENTREPRISE. LE CAS DES MANUELS DE MISE EN SERVICE ET D'ENTRETIEN

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Abstract: *The multicultural and multilingual environment of the enterprise requires that documents produced in and for the enterprise (articles of incorporation, contracts, proxies, statements, records, minutes, reports, business plans, manuals and instructions for cars, safety data sheets, brochures, correspondence etc.) are translated. Italian investors are among the major foreign investors in Romania. They produce and transmit an extremely large number of documents, mainly written in Italian, but also in English and other languages – depending on their business partners. In this paper we intend to examine several issues raised by the translation of documents from Italian into Romanian, namely the features of the specialized language, the diversity of texts, choosing the most suitable person to perform the translation, the quality of the translation, the difficulty of translating a text that is to be read by people with different cultural background, etc. We shall illustrate by analysing the particular case of the instruction manuals for using machines in the footwear industry. This type of documents contains difficulties related mainly to the specialized vocabulary. Any translation error can have important consequences: from the inability of using the respective document to damaging the machine in question, obtaining defective products or endangering the operators. The translated documents are as important for the image and success of the enterprise as the documents produced in the original language of the firm. If well made, they are a true value for the enterprise. The staff and the collaborators of the company should have access to the information they need in order to perform their duties. It is therefore crucial that the translation should be given due importance and a reasonable time to perform, and the documents to be entrusted to experienced translators with appropriate training and experience, who effectively collaborate with experts in the enterprise. Otherwise, the documentation may not be well understood, sometimes may even be unusable, damaging the business objectives.*

Keywords: *traductologie, terminologie, langue de spécialité, sens, différences culturelles*

JEL classification: Z1

1. Introduction

De nos jours, la plupart des entreprises déroulent leurs activités sur le marché international. De nombreuses entreprises ont délocalisé leur production, d'autres ont ouvert des filiales à l'étranger ou bien collaborent avec des entreprises étrangères. Si dans les multinationales la langue de travail est principalement l'anglais, les petites et moyennes entreprises utilisent l'allemand, l'italien, l'espagnol ou le français, en fonction de la nationalité de la société qui détient la majorité des participations.

Parmi les principaux pays investisseurs en Roumanie, nous pouvons mentionner l'Allemagne, la France, l'Autriche, les Pays-Bas, l'Italie. Dans le nord-ouest du pays, les entreprises italiennes sont les plus nombreuses, attirées par la main d'œuvre qualifiée et bon marché. Ces entreprises déroulent surtout des activités de production et de commercialisation (textiles, chaussures, accessoires, machines-outils, appareils

électroménagers).

En entreprise on élabore un très grand nombre de documents (actes constitutifs, statuts, contrats, factures, convocations, déclarations, demandes, certifications, rapports, plans d'affaires, comptes rendus, procès-verbaux, pouvoirs, lettres, courriels, manuels et notices d'utilisation des machines, fiches de données de sécurité, dépliants) que l'on doit lire, analyser, signer, transmettre ou échanger. Ces documents feront l'objet de la traduction, non seulement pour qu'ils soient compris par des employés ou des dirigeants étrangers, mais aussi pour qu'ils soient ensuite traités par des collaborateurs (avocats, experts comptables, syndics de faillite, ingénieurs) ou déposés auprès des autorités étrangères ou locales.

En général, on alloue beaucoup de temps au processus de conception, de rédaction, d'impression et de transmission d'un document, et on ne prévoit pas ou bien on néglige l'étape de la traduction. Comme remarque Daniel Gouadec (1989 : 8), « on ne traduit le plus souvent qu'à contrecœur et au dernier moment ». Ainsi, au moment où l'on se rend compte qu'il est impérieusement nécessaire de faire traduire le document, pour le processus de traduction il reste un intervalle qui est le plus souvent trop court, car la somme de travail et de recherches qu'implique une bonne traduction est considérable.

2. Les « traducteurs »

Quand il s'agit de documents émanant d'une entreprise, beaucoup de personnes sont susceptibles de se voir allouer la tâche de traduire : d'abord, la secrétaire, qui est capable de soutenir une conversation en langue étrangère, mais qui n'a probablement jamais suivi une formation dans le domaine de la traduction, ensuite les stagiaires qui ne peuvent pas refuser d'effectuer les tâches qui leur sont confiées, un ingénieur ou un économiste, qui connaît la terminologie de spécialité dans les deux langues, mais qui n'a pas de connaissances de morphologie, de syntaxe ou de stylistique.

L'entreprise peut confier les documents à un traducteur indépendant (externe), qui a une solide formation linguistique, mais dans ce cas également peuvent surgir plusieurs problèmes. Comment choisir le traducteur qui saura gérer les aspects qui tiennent à la traduction de documents les plus divers, car traduire un contrat ou un manuel d'utilisation d'une machine industrielle ce n'est pas la même chose. En prenant en compte le critère du degré de spécialisation des textes, Gouadec (1989 : 12) distingue le traducteur généraliste, le traducteur spécialisé, le traducteur technique, le traducteur juridique, le traducteur commercial, le traducteur littéraire et ainsi de suite. Il est rare qu'une entreprise fasse ce choix et travaille avec plusieurs traducteurs. Dans ce cas, elle devrait avoir un employé qui alloue beaucoup de son temps au tri des documents et à la sélection des traducteurs.

Même si l'entreprise trouve la personne adéquate, qui ait une bonne formation linguistique, qui ait suivi des cours de traductologie, qui manie très bien les langues de spécialité, qui sache utiliser les bases de données terminologiques les plus actuelles, on ne peut pas dire que le problème de la traduction des documents soit résolu.

Parfois, le volume de travail que le traducteur doit effectuer dépasse ses capacités. Quand il s'agit de documents ayant plusieurs centaines de pages, le choix le plus raisonnable à faire est de diviser le document en plusieurs parties et de recourir à la sous-traitance.

C'est ce qui peut arriver quand l'entreprise travaille avec une agence de traduction. Pour raccourcir les délais du processus de traduction, l'agence découpe le document en chapitres. Chaque chapitre est traduit pas un autre traducteur. Certes, le service est plus rapide, mais il n'est pas le meilleur. Le risque le plus évident est qu'il n'y ait pas d'unité du style, qu'un certain terme soit traduit différemment d'un chapitre à l'autre, que certaines parties soient moins bien traduites que d'autres, etc.

Gouadec (1989 : 27) décrit les avantages des services internes de traduction, auxquels les grandes entreprises peuvent recourir pour définir une « politique linguistique

cohérente » et pour rentabiliser leurs coûts. Pourtant, il montre qu'au sein de ces services la traduction occupe une place secondaire, car ils ont de multiples attributions: étudier et mettre au point la terminologie, s'occuper de la gestion des vocabulaires spécifiques (gestion informatisée), donner des conseils linguistiques, développer des aides à la traduction (dictionnaires en ligne).

En règle générale, les principaux critères selon lesquels l'entreprise choisit son traducteur sont: le meilleur rapport qualité-prix et le respect des délais. Il ne faut pas négliger non plus le rapport de confiance qui s'instaure entre le traducteur et son donneur de travail.

3. La traduction

La traduction n'est pas une simple transposition des structures linguistiques du texte de départ. L'exigence fondamentale est que le texte traduit ait la forme, le sens, la cohésion et les qualités du document original et qu'il puisse être reçu comme s'il avait été écrit par une personne de même culture. C'est difficile, parce qu'en dehors d'une bonne connaissance de la langue et de la terminologie de spécialité, le traducteur doit tenir compte des modes de pensée différents du rédacteur du document original et du public.

Comme disait Robert Ellrodt, la « fidélité » d'une traduction ne réside pas uniquement dans l'effort de « dire à peu près la même chose », mais aussi dans l'effort de « faire surgir en l'esprit les mêmes images, communiquer les mêmes sensations et les même émotions » (Mathis, 2005 : 101).

Dans le cas de la traduction littéraire, le traducteur doit « faire œuvre » (Berman, cité par Ellrodt, 2005 : 101), en recréant le texte original. Quand il s'agit de traduire dans un contexte particulier, dans notre cas le contexte des échanges commerciaux, il faut rester le plus près du texte, sans pour autant traduire littéralement (le document que l'on traduit peut constituer une preuve en justice) ; il faut penser aux destinataires de l'acte et à l'utilisation de celui-ci. Le traducteur entreprend des démarches de clarification, d'explication, d'analyse, en essayant de comprendre à fond le document, de chercher et de vérifier la terminologie à l'aide des outils informatiques les plus récents ou bien à l'aide des spécialistes, de verbaliser tout par le filtre de la langue du texte d'arrivée. Les choix qu'il fait varient également en fonction du type de document. Le but de toutes ces démarches est que le document traduit soit utilisable tout comme d'autres documents produits par les locuteurs natifs.

Lorsqu'un document original produit par l'entreprise manque, est de mauvaise qualité ou est incomplet, toute l'activité de l'entreprise et de ses partenaires est affectée. (Jagou, J.M., Novel, F., Romeu, D., 2011). La même chose s'applique aux documents traduits.

Selon Gouadec (1989 : 21), il y a trois types d'objectifs de la traduction en entreprise : 1. les objectifs à court terme, à savoir l'élargissement de la diffusion des produits ou des idées ; 2. les objectifs à moyen terme, qui visent la protection et la promotion de l'image de marque de l'entreprise ; 3. les objectifs à long terme, plus précisément la défense économique-culturelle-linguistique des groupes d'intérêt auxquels appartient l'entreprise. Ces objectifs peuvent être atteints si l'on réussit à obtenir des traductions de qualité, conformes aux intérêts linguistiques et économiques des partenaires.

4. Les manuels de mise en service et d'entretien

Nous allons illustrer ces aspects en examinant les manuels d'utilisation des machines (notices d'instructions et conditions d'utilisation, notices de mode d'emploi et d'entretien, livrets d'emploi et d'entretien) rédigés en italien.

Ce sont des ouvrages plus ou moins étendus dont le but est de faire connaître aux

destinataires le produit en question, son mode d'utilisation et les consignes de sécurité. Ils ont principalement une visée informative et sont écrits dans un style plutôt neutre, l'émetteur s'effaçant derrière son discours. Ils émanent de l'entreprise et ne portent pas de signature ; on y trouve seulement les données de l'entreprise qui a fabriqué le produit.

Il ne s'agit pas d'un texte scientifique, mais d'un texte à caractère applicatif et pratique. Les auteurs des manuels d'utilisation des machines sont des spécialistes du fabricant alors que les destinataires sont d'abord des ingénieurs et des techniciens qui s'occupent de l'installation, de la mise en marche, de la réparation, de la maintenance et de l'emmagasinage des machines. Ensuite, les manuels sont utiles aux ouvriers qui vont les utiliser, c'est pourquoi ils doivent rester tous le temps à la disposition de ceux-ci.

Le mode de hiérarchisation de l'information est le plan accumulatif ou séquentiel. Dans l'en-tête on donne des informations concernant le fabricant. Le document est titré. Après le titre on indique d'habitude le nom de la machine à laquelle se réfère le document. Suit un sommaire plus ou moins ample. Chaque chapitre et sous-chapitre apporte une nouvelle information. Le plan est d'habitude le suivant : les conditions de garantie, la description de la machine industrielle, les caractéristiques techniques, le respect des normes de sécurité, l'installation, le mode l'emploi, le réglage et l'entretien, les inconvénients et les solutions, le démantèlement et la mise au rebut de la machine.

Le texte est accompagné de photographies, dessins, vues éclatées, tableaux contenant la dénomination et le code des pièces de rechange, qui constituent un support aussi bien pour les utilisateurs que pour le traducteur.

Ce document a un aspect contractuel, il engage le constructeur ou fabricant, auquel l'utilisateur peut réclamer des dédommagements en cas d'informations erronées.

5. Quelques difficultés de traduction

a) Le lexique spécialisé

La première difficulté consiste dans la transposition du nom de la machine et de ses composantes ; il faut comprendre ensuite l'étape de fabrication à laquelle sert cet outillage, pour décrire correctement son mode d'utilisation.

Il n'est pas suffisant de confier la traduction à un traducteur assermenté, il faut prendre en compte son expérience dans le domaine de la traduction technique. Le manque d'expérience pourrait être compensé par de longues recherches sur Internet.

Le traducteur se sert généralement de dictionnaires et de glossaires. Malheureusement, les dictionnaires techniques multilingues (anglais, français, allemand, italien, espagnol, roumain) ont été publiés plus de quarante ans auparavant, ils sont en nombre très restreint et peu sont encore disponibles. Étant donné que la technique a beaucoup avancé, les termes dont on devrait chercher l'explication ne se retrouvent pas dans ces dictionnaires.

En outre, il n'y a pas de dictionnaire technique italien-roumain, donc le traducteur est mis dans la situation de faire des recherches sur Internet, en essayant d'identifier des glossaires techniques et d'accéder aux termes italiens par l'intermédiaire d'autres langues, telles que l'anglais, le français ou l'allemand. Sur Internet on trouve quelques lexiques et glossaires spécialisés (*Glossario tecnico delle calzature IT-EN, Lexique chaussure FR-EN-ESP-IT*), mais leur nombre est restreint et ils ne contiennent pas tous les termes inclus dans le texte de départ, à savoir les noms des machines, des pièces de rechange etc. Un glossaire qui semble être plus ample, *Dizionario Tecnico delle calzature e dei componenti macchinari e lavorazioni*, contenant de la terminologie en italien, anglais, français et espagnol, est disponible seulement pour les membres de l'Assocalzaturifici (l'association représentant les entreprises qui déroulent leur activité dans le secteur de la production des chaussures).

Si des termes comme *macchina da cucire* (machine à coudre, maşină de cusut), *spazzolatrice* (brosseuse, maşină de periat) ne posent pas de problèmes, les

dénominations *ribattitrice* (machine à rabattre, mașină de ciocănit), garbasperoni (machine pour galber les contreforts, maşină de preformat ştaif) ne sont pas si évidentes. La *ribattitrice* est une machine adaptée pour le rabat du fond des chaussures à l'aide d'un large rouleau central. Un traducteur qui ne connaît pas les procédés de fabrication des chaussures a du mal à choisir entre les équivalents que les dictionnaires donnent pour le verbe *battere*: *a bate, a lovi, a izbi, a ciocăni*. Le plus probablement, il n'arrivera pas non plus à traduire correctement la dernière dénomination, car pour le verbe *garbare* le dictionnaire italien-roumain offre les variantes *a finisa, a contura* et pour le terme *sperone* il n'y a aucun terme équivalent pour le domaine en question ; *garbasperoni* est une machine qui sert à pré-façonner le matériau avec lequel est fait le contrefort.

Si l'on cherche dans le dictionnaire le verbe *spaccare*, afin d'essayer de trouver un équivalent pour la *macchina spaccatrice*, il y a plusieurs variantes, à savoir *a sparge, a crăpa, a despica.* Or, il s'agit d'une machine à fendre en cuir, qui sert à réduire et à uniformiser l'épaisseur de la peau, par conséquent le correspondant correct serait *mașină de egalizat piele.*

On pourrait consulter également les sites des entreprises qui produisent ces machines, mais la plupart sont en italien, ou, dans le meilleur des cas, en italien et en anglais.

En cas de doute, la meilleure solution est de demander conseil au client, au cas où celui-ci n'a pas fourni des indications ou bien des glossaires rédigés en entreprise.

Certains mots „sonnent" très bien en roumain, mais ils ne s'utilisent pas dans ces contextes ou bien ils n'existent pas en roumain. Par exemple, on pourrait traduire *fustellatrice oleodinamica* (presse huile-dynamique à découper) par *ştanţă oleodinamică*, mais on utilise le syntagme *ştanţă hidraulică,* c'est-à-dire une poinçonneuse actionnée par de l'huile sous pression.

La polysémie est un autre facteur qui crée des difficultés. Nous pouvons donner l'exemple du mot *rullo* (rouleau) qui peut être traduit par *rolă* ou par *cilindru*. La dernière variante semble être la plus fréquente, mais dans le cas de la *ribattitrice*, *il rullo ribattitore* doit être traduit par *rolă de ciocănire*.

Il y a ensuite des termes qui semblent être des synonymes, par exemple *manopola* (poignée, bouton)*, pomello* (pommeau), et que l'on peut traduire soit par *buton rotativ*, soit par *manetă* ou *mâner*. Les images et les photographies qui souvent accompagnent le texte à traduire peuvent jouer un rôle important dans le choix du terme le plus approprié.

En ce qui concerne le fonctionnement de ces machines ou les étapes de la réparation ou du remplacement des pièces, si le traducteur ne les connaît pas parfaitement, il vaut mieux qu'il s'adresse à des sources fiables (ingénieurs, techniciens) qui puissent le renseigner. Avant de traduire en roumain, il faut comprendre à fond les processus et procédés de fabrication. Une seule erreur de traduction peut avoir des conséquences graves. L'opérateur risque de se blesser ou de détériorer la machine.

b) Les structures grammaticales

En ce qui concerne les aspects de grammaire, nous avons affaire principalement à la transposition. Ce procédé de traduction consiste à remplacer une catégorie grammaticale par une autre, sans changer le sens de l'énoncé. Le verbe *premere* au gérondif est rendu en roumain par un substantif précédé d'une préposition :

> Premendo il tasto centrale B e il tasto sinistro A, il carrello si deve spostare verso sinistra. / La apăsarea tastei centrale B și a tastei din stânga A, căruciorul trebuie să se deplaseze spre stânga.

Les manuels d'utilisation sont des textes qui contiennent beaucoup de séquences injonctives. Le locuteur donne des consignes, des instructions, des conseils pour que

l'utilisateur agisse d'une certaine manière, en suivant plusieurs étapes bien définies. En italien on utilise des verbes à l'infinitif, en roumain on les traduit par l'impératif:

> Segnalare subito al responsabile di reparto eventuali funzionamenti anormali. / Semnalați imediat responsabilului departamentului eventuala funcționare anormală.
> Prima di alimentare la macchina verificare che la tensione di rete corrisponda a quella specificata sulla targhetta presente sulla macchina. / Înainte de a conecta maşina la curent, verificați ca tensiunea de rețea să corespundă cu cea indicată pe plăcuța de pe mașină.

Malgré leur caractère applicatif, les notices et les livrets d'utilisation sont écrits dans un style soutenu. Le texte est parsemé de termes abstraits (*praticità* – caractère fonctionnel), de termes rares (*leverismo* – mécanisme à lévier). Du point de vue grammatical nous remarquons l'emploi fréquent du participe présent ou l'antéposition de l'adjectif ou de l'adverbe.

Le participe présent est rendu en roumain par une subordonnée relative :

> Durante la lavorazione non usare indumenti o oggetti pendenti. / În timpul prelucrării nu utilizați haine sau obiecte care atârnă.
> sostanza imbrattante / substanță care murdărește

Le participe présent suivi d'un complément est lui aussi traduit par une subordonnée relative :

> la società *esercente* l'attività di produzione / societatea care exercită activitatea de producție

On a rarement une construction similaire en roumain :

> un documento *comprovante* la data di installazione / copia unui document doveditor al datei instalării / copia unui document care atestă data instalării

Quand il fait partie d'un prédicat nominal, le participe acquiert une valeur adjectivale. On traduit en roumain par le verbe dont il provient:

> La garanzia è *assorbente* e sostitutiva delle garanzie e responsabilità previste per legge. / Garanția include și înlocuiește garanțiile și responsabilitățile prevăzute de lege.

En italien, l'antéposition de l'adjectif indique une subjectivité accrue de l'énonciateur ou un goût pour la préciosité du style (Serianni, 1997 : 142) ; parfois, elle intensifie le concept ou l'image exprimée par le nom. Dans notre cas, il s'agit de l'intensification du concept et d'un indice du style soutenu :

> danni derivanti da un *non corretto* trasporto / daune care derivă din transportul incorect

> Non impiegare mai lame od utensili incrinati o deformati. Assicurarsi della *perfetta* equilibratura di tutti gli organi rotanti, della *efficiente* affilatura e del loro serraggio. / Nu folosiți niciodată lame sau ustensile deteriorate sau

deformate. Verificați echilibrarea perfectă a tuturor organelor rotative, ascuțirea eficientă și strângerea lor (Asigurați-vă că toate organele rotative sunt perfect echilibrate, bine ascuțite și strânse).

Même s'il y a deux ou plusieurs adjectifs coordonnés, en italien ils peuvent être antéposés au nom :

> Le principali caratteristiche riguardano il *basso* livello di rumorosità e le *ridotte* dimensioni dei trucioli. Il profilo elicoidale permette, infatti, un *ridotto e graduale* impatto dei taglienti singoli sulla superficie del pezzo in lavorazione. / Principalele caracteristici sunt nivelul scăzut de zgomot și dimensiunile reduse ale așchiilor. Profilul elicoidal permite un impact redus și gradual al tăișurilor asupra suprafeței piesei de prelucrat.

c) La syntaxe

L'italien manifeste une prédilection pour la cadence et le rythme des phrases. Un texte rédigé en italien aura le plus probablement beaucoup de phrases complexes. Parfois, pour des exigences de clarté et de lisibilité, le traducteur préfère découper une phrase ample :

> [...] S.r.l. vanta un'esperienza più che decennale nella fabbricazione di Automatismi per uso industriale, ed è proprio il Know-how tecnologico acquisito, creatosi in anni di ricerche a stretto contatto con la produzione e la commercializzazione a livello internazionale, a rappresentare la migliore garanzia che la [...] S.r.l. può offrire.
> [...] SRL are o experiență de peste 10 ani în fabricarea Automatizărilor industriale. Know-how-ul dobândit, format în ani de cercetări în strâns contact cu producția și comercializarea la nivel internațional, reprezintă cea mai bună garanție pe care [...] SRL o poate oferi.

6. Conclusion

Les documents techniques doivent être confiés à un traducteur expérimenté, qui ait non seulement une compétence linguistique, mais aussi une compétence technique. Pour cela, en dehors de la bonne connaissance des deux langues, le traducteur devrait lire des ouvrages techniques, faire des recherches documentaires, se procurer des dictionnaires techniques, se renseigner auprès des sources fiables ou auprès de ses clients, se constituer progressivement une base de données terminologique. Il serait utile qu'il connaisse même plusieurs langues étrangères, pour pouvoir consulter des glossaires multilingues.

Il est nécessaire que les textes traduits soient soumis à une révision pour la correction des éventuelles fautes d'orthographe ou de grammaire. L'étape suivante devrait être la relecture par un expert, lequel vérifie la correction et la cohérence de la terminologie utilisée.

N'oublions pas que les documents ont un caractère pratique, il faut qu'on puisse les consulter avec aisance, c'est pourquoi il est indispensable de soigner la mise en page.

Une seule erreur de traduction ou une omission peut entraîner des conséquences graves sur la sécurité du personnel et des biens.

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AVANTAGES ET INCONVÉNIENTS D'UN DISPOSITIF CLIC/EMILE DANS L'ENSEIGNEMENT DES MATIÈRES ÉCONOMIQUES EN CONTEXTE ROUMAIN

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Abstract: *The preoccupation for an entrepreneurial university today moves the focus to partnerships with foreign universities and / or socio-economic environment. The academic and professional mobility not only requires harmonization of subject content, but also a better mastery of foreign languages; they turn out to be more than just general communication tools, becoming factors of competitive advantage. In this context, teaching by methods type CLIL (Content and language integrated learning) / EMILE (Enseignement d'une matière intégré à une langue étrangère) is a way for a university that can provide a lot of benefits. A research conducted as part of the Toulouse higher education institutions around the functional CLIL in Economics, was the starting point for our research within the Faculty of Economics of the University of Oradea Romania. If the french study examines "the logic [...] of excellence with open borders" (Taillefer, 2004) of this teaching system that already has a tradition in the French university, we will observe several issues of his early life in the Romanian universities. Through the statements of teachers involved since 2015 in the teaching and learning of international business in English, we will see the benefits, obstacles, challenges, and openings in this educational opportunity. We will put particular emphasis on the role of foreign languages in teaching of subjects and their effect on plural repertoires of the learners (Beacco et al., 2012).*

Keywords*: EMILE / CLIL, economics, plurilingualism, questionnaire, international business.*

Cod JEL*: Y8*

1. L'université entrepreneuriale

La dynamique sociale produit une confrontation entre la demande de la société et l'offre de l'université en retour. L'université cherche à pallier ce déséquilibre en fournissant des spécialistes compétents aux entreprises fondées sur la connaissance ; pour ce faire, elle se voit obliger de modifier ses programmes d'études, de restructurer son personnel (Clark, 2000) et de s'ouvrir à l'international.

La préoccupation pour une université entrepreneuriale éveille aujourd'hui l'intérêt pour les partenariats avec le milieu socio-économique et / ou avec des universités étrangères. La mobilité universitaire et professionnelle exige non seulement une harmonisation des contenus disciplinaires, mais également une meilleure maîtrise des langues étrangères, dont le statut change radicalement : de simples outils de communication générale, elles deviennent des facteurs certifiés d'avantage compétitif et concurrentiel. Selon les concepteurs du rapport Eurydice, commandité par la Commission Européenne et rendu public en 2006, « disciplines et langues s'allient pour mieux préparer les élèves dans une Europe où la mobilité devient une réalité croissante et devrait devenir une opportunité pour tous » (Eurydice, 2006 : 3). Soumises constamment à la pression exercée par les nouvelles demandes, les universités proposent des formations qui rendent compte de l'importance des langues étrangères, dont l'enseignement séparé semble vu, ironiquement, comme « quelque chose qui prend trop de place » (Isani et Andréolle, 2001, apud Taillefer, 2004 : en ligne) dans les formations universitaires non philologiques.

5.1 CLIL / EMILE

L'option d'une université pour les filières en langue étrangère devrait être le résultat d'une analyse stratégique au niveau d'un conseil académique responsable, entre autres, des politiques de développement à long terme. Or, l'initiative appartient souvent à une équipe ayant des responsabilités institutionnelles au niveau d'une faculté ou d'un département ; sans ignorer la complexité du dispositif proposé, les initiateurs agissent dans une logique additionnelle (en ajoutant une langue étrangère à l'enseignement d'une discipline), plutôt que dans une perspective synergique qui valoriserait leur jumelage. La mise en place d' « un EMILE de qualité » ne devrait pas se passer de la maîtrise des *ressorts théoriques et pratiques* décrits dans des recherches telles que le *Cadre européen pour la formation des enseignants à l'EMILE (2011), qui reste pratiquement quasi inconnu malgré sa diffusion en ligne.*

2.1. Définitions et particularités

Ce type d'enseignement dont on s'accorde à souligner les avantages, se fonde sur une pédagogie spéciale, dont on devrait bien connaître au préalable les obstacles et les inconvénients, afin de les anticiper et d'agir de manière préventive. On utilise plusieurs acronymes pour nommer ce type de processus d'enseignement-apprentissage : dans les pays de langues romanes, on rencontre EMILE pour *l'Enseignement d'une matière intégré à une langue étrangère* ou ECI pour *l'Enseignement à contenu intégré* (dans des contextes francophones), *Aprendizaje Integrado de Contenidos y Lenguas Extranjeras* ou *Aprendizaje Integrado de Conocimientos Curriculares y Lengua Extranjera* (AICLE, en Espagne), respectivement *Apprendimento Linguistico Integrato* (ALI, en Italie). En Angleterre, les acronymes utilisés sont CLIL pour *Content and language integrated learning* et TTFL pour *Teaching through a foreign langage*. En Allemagne c'est *Bilingualer Sachfachunterricht* ou *Integriertes Fremdsprachen und Sachfachlernen* et en Suède on parle de *Språk-och innehållintegrerad inlärning och undervisning* (SPRINT).

Cette diversité nominale, centrée cependant sur le concept d'intégration, est harmonisée par l'utilisation presque généralisée du tandem CLIL/EMILE ou EMILE/CLIL dont les lignes directrices ont été tracées par le rapport Eurydice. Conformément à ce document, l'Enseignement d'une matière Intégré à une Langue Étrangère s'affirme depuis la dernière décennie du XXe siècle comme une approche méthodologique innovante ; tout comme son nom l'indique, elle intègre - idéalement « sans qu'il n'y ait de préséance de l'une par rapport à l'autre » - deux objets d'enseignement traditionnellement distincts : la langue étrangère et la matière non linguistique (Eurydice, 2006 : 7). Plusieurs discussions ont porté sur les différences entre les deux acronymes : selon Beacco *et al.* (2012 : 193), malgré le fait qu'ils renvoient « à quelques différences près – aux mêmes types de démarches [...] L'EMILE porterait une attention majeure à l'acquisition des contenus disciplinaires que CLIL ». Conformément au Cadre *européen pour la formation des enseignants à l'EMILE (2011),* EMILE vise l'enseignement « de deux matières en une », à savoir une discipline « de contenu » et une langue, alors que généralement les disciplines de contenu […] et les langues sont enseignées séparément » *(version en ligne : section Introduction / Défis)*.

Cette modalité qui, selon les spécialistes, va bien au-delà de l'enseignement des langues, va également bien au-delà de l'enseignement des disciplines de spécialité. On peut compléter la perspective disciplinaire conformément à laquelle « l'apprentissage de la matière non linguistique se fait non pas dans une langue étrangère, mais avec et à travers une langue étrangère » (Eurydice, 2006 : 6) avec la perspective linguistique, disant que l'apprentissage de la matière linguistique se fait non pas dans une discipline de spécialité, mais avec et à travers une discipline de spécialité. Même si la langue et le contenu disciplinaire sont toujours intégrés, le poids de chaque facteur varie. Soit on privilégie le contenu et la langue acquiert un rôle secondaire, strictement utilitaire, alors « qu'elle est utilisée comme vecteur occasionnel ou régulier d'enseignement d'une discipline autre »

(CECRL, 2001 : 131) ; soit on suit un double objectif disciplinaire et linguistique à la fois, en mettant un double accent, sur la langue et le contenu.
Pour résumer, « l'acronyme EMILE est utilisé comme un terme générique pour designer tous les types d'enseignement où une deuxième langue (langue étrangère, régionale ou minoritaire et/ou autre langue officielle d'État) est utilisée pour enseigner certaines matières du programme d'études en dehors des cours de langues eux-mêmes » (Eurydice, 2006 : 7).
On assiste aujourd'hui à une multiplication d'initiatives de type EMILE/CLIL, sur tous les continents, à tous les niveaux, dans plusieurs langues (voir http://www.emilangues.education.fr). On parle par exemple de « l'éveil grandissant en France à la question de la pédagogie de l'EMILE » du fait que « la question de l'EMILE n'a pas cessé d'émouvoir le monde de l'enseignement supérieur en France » (Taillefer, 2013 : en ligne). Cette prolifération laisse soupçonner une certaine accessibilité, entravée éventuellement par la maîtrise de la langue étrangère. Or, EMILE/CLIL est un dispositif plus complexe qu'il ne paraît ; c'est une autre pédagogie, qui « possède des spécificités méthodologiques et organisationnelles » (Eurydice, 2006 : 7) et dont la plus-value vient de l' « appropriation approfondie, parallèle et intégrée des langues et des disciplines concernées » (Beacco *et al*. 2012 : 106).
L'école ne dispose cependant pas de toutes les conditions pour développer un enseignement cohérent et performant. D'autres acteurs sociaux interviennent parfois, en apportant leur expérience et leur expertise. C'est bien le cas de British Council qui, en anticipant le problème de la confiance langagière des professeurs impliqués en EMILE, enseignants de disciplines de spécialité en anglais, propose régulièrement et partout dans ses centres nationaux, un cours de *Content and Language Integrated Learning (CLIL) Essentials*. L'objectif déclaré est de former les enseignants à développer leurs compétences pour intégrer le plus efficacement possible la langue anglaise et le contenu de la discipline et à créer des conditions d'apprentissage optimales pour leurs étudiants, en les aidant à « planifier et donner un cours CLIL/EMILE de façon plus efficace » et à développer leurs méthodes d'évaluation. Le cours se propose de renforcer la confiance des professeurs « qui ont une parfaite connaissance de leur discipline mais manquent de confiance et d'expérience lorsqu'il s'agit de l'enseigner en anglais » (cf. https://www.britishcouncil.fr/enseigner/formations-en-ligne/emile).

2.2. EMILE/CLIL à l'Université d'Oradea (Roumanie)
L'Université d'Oradea est une université roumaine d'État, située dans une ville de la frontière hongro-roumaine. Soumise à des tourments, comme d'autres universités du monde, confrontée à des défis et des déséquilibres qui ne lui permettront plus de revenir à l'état de stabilité antérieure, l'Université d'Oradea doit s'ouvrir à l'international et soulever « le risque d'opérer des modifications expérimentales », ce qui est « à préférer au risque de maintenir les formes et les pratiques traditionnelles » (Clark, 2000 : 17). Plusieurs facultés de cette université avaient mis en marche des offres type EMILE/CLIL en langue anglaise, surtout pour des spécialisations humanistes, sociales ou scientifiques. La Faculté de Géographie, de Tourisme, de Sport et de Géographie organise deux formations en anglais : l'une au niveau licence, Géographie du tourisme en anglais et l'autre au niveau master : *Master Tourism management and planning*. La Faculté d'Histoire, Relations Internationales, Sciences Politiques et de la Communication assure une licence de Relations Internationales et Études Européennes en anglais, respectivement un master d'Études Européennes. La Faculté de Médecine et de Pharmacie offre une spécialisation de Médecine en langue anglaise pour des candidats roumains et une formation identique pour les étudiants étrangers. Une seule faculté organise EMILE dans une langue minoritaire : il s'agit de la Faculté des Sciences Socio-Humaines où l'on offre la pédagogie de l'enseignement primaire et préscolaire en hongrois.

2.3. EMILE/CLIL à la Faculté des Sciences Économiques d'Oradea

La Faculté des Sciences Économiques d'Oradea (FSEO) a commencé son activité en 1991. À présent, son offre éducationnelle consiste en 6 programmes d'études de licence accrédités pour l'enseignement universitaire de licence, cours de jour et à distance, dispensés en langue roumaine : Affaires internationales ; Comptabilité et informatique de gestion ; Économie du Commerce, du Tourisme et des Services ; Finances et Banques ; Management et Marketing. Il y a aussi 8 programmes d'études de masters accrédités: Administration des affaires internes et internationales des PME ; Relations économiques européennes ; Administration des affaires régionales ; Comptabilité, audit et gestion des affaires ; Économie et gestion des affaires dans le tourisme et l'industrie de l'hôtellerie ; Finances, banques et assurances ; Management de l'organisation ; Marketing et communication dans les affaires.

Après 25 années d'enseignement continu, la faculté a obtenu l'accréditation et propose depuis l'année universitaire 2014-2015 un programme d'études en anglais, à savoir Affaires internationales en anglais ou International Business. Cette spécialisation est coordonnée par le Département des Affaires Internationales (qui intègre le collectif de langues étrangères sur objectifs spécifiques), les matières étant enseignées par les enseignants provenant de tous les départements de la faculté. Le diplôme délivré à l'issue de cette formation certifiée est reconnu par le ministère roumain de l'enseignement, au même rang que le diplôme de la spécialisation Affaires Internationales dispensée en roumain à la même faculté. L'admission à cette spécialisation est conditionnée par la passation d'un examen de compétence en anglais, consistant dans un test de langue conçu par les enseignants d'anglais des affaires de la faculté. C'est une spécialisation accréditée, qui profite de la politique de subvention institutionnelle au même rang que les autres spécialisations en langue roumaine. Un certain nombre de places, annoncé chaque année par les décideurs ministériels, sont gratuites, les autres sont payantes.

3. Objectifs et méthodologie

La création de cette spécialisation sur le pôle économique de l'université roumaine a représenté pour nous une occasion de questionnement personnel et professionnel quant aux particularités de l'implémentation didactique de cette forme d'enseignement. Avec l'intention de départ de générer une réflexion par rapport au système EMILE et à la reconnaissance institutionnelle des besoins en langues de spécialité, nous avons manifesté un intérêt spécial pour la perspective que les enseignants partagent sur le double objectif, disciplinaire et linguistique, de leur activité.

L'exploration de la littérature de spécialité relative à la tradition française dans ce domaine nous a aidée à connaître le spécifique des démarches similaires et nous a signalé des aspects relatifs aux avantages mais aussi aux désavantages de ce système intéressant, fécond et épineux à la fois. En nous inspirant des études réalisées par G. Taillefer (2004) et J. Napoli et J. Sourisseau (2013), des chercheurs spécialistes de la problématique de l'EMILE, nous avons réalisé une étude empirique, fondée sur un questionnaire appliqué au début du 2015 aux professeurs qui avaient enseigné au cours du premier semestre de la première année d'études à la spécialisation International Business. Sur les douze sollicitations lancées aux enseignants qui figuraient dans les planifications officielles, nous avons recueilli neuf questionnaires complétés, que nous avons soumis à une analyse quantitative et qualitative. Il faut mentionner que le curriculum de la formation comprend des cours et des séminaires de *Microeconomics, Basics of Accounting, Economic Statistics, Economic Informatics, Mathematics Applied in Economics, Macroeconomics, Management, Marketing, Law, Contemporary Economic Doctrines* ; il y a également deux langues étrangères obligatoires, *Business English* et, au choix, *French* ou *German Language for Business.*

3.1. Expérience toulousaine

Une équipe pédagogique du secteur d'enseignement responsable des Langues pour Spécialistes d'Autres Disciplines (LANSAD) a mené une recherche auprès de grandes écoles et facultés de Toulouse, s'orientant sur les masters enseignés entièrement ou en grande partie en anglais dans les domaines du droit, de l'économie et de la gestion, afin de mieux comprendre les enjeux et les dispositifs de ces systèmes d'enseignement.

Plusieurs enseignants français impliqués dans cette étude ont répondu à un questionnaire enquête complexe, comprenant environ soixante-dix questions concernant les caractéristiques administratives de la formation ; le recrutement des étudiants ; l'organisation (concepts bilingues, alternance codique, langue d'évaluation, évaluateurs, caractère obligatoire ou facultatif) ; le financement (frais d'inscription, minimum d'étudiants requis pour la viabilité de la formation) ; le rayonnement et la communication (publicité, présence dans les Catalogues officiels) ; le contenu (aspect culturel, ouverture internationale, culture professionnelle, aspect communicatif et interactivité, primauté de l'anglais ou du contenu) ; les enseignants (simple ou double compétence, collaboration entre l'enseignant de langues et l'enseignant de spécialité, langue maternelle de l'enseignant, évaluation du niveau de langue et ses formes, consultation des étudiants, formation spéciale des enseignants/intervenants, ancienneté, diplôme) ; les conséquences et les effets (question de la plus-value réelle, en lien avec la mobilité à l'international des enseignants et des étudiants, effets sur la motivation des étudiants et des enseignants) (Napoli et Sourisseau, 2013 : en ligne).

Taillefer (2004 : en ligne) parle des réticences initiales des enseignants interrogés dans ce type d'étude ; méfiants au début, ils ont ensuite compris que les interviews ne représentaient « ni une inspection ou un jugement sur la compétence linguistique ou pédagogique des enseignants d'économie, ni une manière déguisée de s'imposer dans le développement des cursus » mais une investigation destinée à identifier les particularités d'un type spécial d'enseignement des matières, par le biais d'une langue étrangère.

3.2. Expérience oradéenne

Leurs études faites sur le terrain français ont représenté le point de départ pour la recherche, plus modeste, que nous avons menée au sein de la Faculté des Sciences Économiques de l'Université d'Oradea, en Roumanie. Tandis que l'étude réalisée par les chercheurs français s'est proposé de faire un état des lieux de l'EMILE qui avait déjà une tradition dans l'enseignement toulousain, nous avons observé les aléas du début de sa mise en place sur le terrain roumain.

Nous présentons ci-dessous le questionnaire appliqué sur le pôle économique oradéen, document qui comprend une vingtaine de questions relatives à la formation des enseignants, au matériel didactique, à la préparation des cours, aux méthodes d'enseignement, à l'évaluation des étudiants, à la collaboration avec les professeurs d'anglais, à la perception des avantages et des inconvénients du système.

1. Avez-vous déjà enseigné des matières économiques en anglais ? Si oui, précisez dans quel contexte, pour quel public et pour quelle période.
2. Pourquoi avez-vous choisi d'enseigner à la spécialisation *International Business* ? Quelle a été votre motivation ?
3. Quelles étaient vos réticences avant de vous impliquer dans l'enseignement d'une matière économique en anglais ?
4. Avez-vous entendu parler de TTFL (*teaching through a foreign language) ou de* CLIL (*content and language integrated learning*) ? Où ?
5. De combien d'heures avez-vous besoin pour préparer un cours d'*International*

Business (par semaine) ?
6. Quels sont les matériels didactiques que vous utilisez ? Matériel personnel traduit en anglais / un autre cours (à préciser).
7. Lequel est le plus efficace ? Pourquoi ?
8. Ressentez-vous le besoin de répéter le cours plus souvent par rapport à la situation de l'enseignement en roumain ?
9. Ressentez-vous le besoin des explications en langue roumaine pendant les cours ? Pouvez-vous donner un exemple de situations qui ont imposé l'utilisation obligatoire de la langue roumaine (langue maternelle) ?
10. Quelles méthodes utilisez-vous dans votre cours ?
11. Avez-vous remarqué des difficultés linguistiques notables chez les étudiants en *International Business* ? À quel niveau ? (compréhension écrite / compréhension orale / expression écrite / expression orale).
12. L'échange questions – réponses, se fait-il en anglais / en roumain / en anglais et en roumain ? (à estimer un pourcentage)
13. Comment caractérisez-vous le groupe d'étudiants de cette spécialisation type EMILE ?
14. Avez-vous un rapport de collaboration avec les collègues qui enseignent l'anglais ?
15. Considérez-vous nécessaire une collaboration plus étroite entre les professeurs d'anglais et les professeurs qui enseignent les matières de spécialité en anglais ?
16. Avez-vous déjà demandé à un collègue professeur d'anglais de vous accompagner pendant votre cours afin de vous aider à améliorer la qualité de votre enseignement ?
17. Quels sont les aspects positifs de cette forme d'enseignement pour vous ? Et pour les étudiants ?
18. Quelles sont pour vous les principales difficultés soulevées par cette forme d'enseignement ? Et pour les étudiants ?
19. D'autres avis ou opinions personnelles.

La soumission du questionnaire accueilli avec une gamme de réactions allant du refus à la réticence et de l'acceptation polie à l'enthousiasme, a permis d'inventorier les opinions des enseignants face aux défis d'une nouvelle forme d'enseignement.

Tous les enseignants roumains interrogés sont *motivés à enseigner en anglais* par les mêmes ressorts d'ordre personnel (la volonté de se perfectionner et d'évoluer professionnellement ou bien l'opportunité de connaître des gens nouveaux et d'autres cultures), d'ordre langagier (l'occasion d'exercer et d'approfondir l'anglais, l'amélioration de la capacité de communiquer et d'enseigner en anglais) et d'ordre professionnel (l'avantage compétitif sur le marché éducationnel, la confiance dans le succès à long terme, l'opportunité de l'avenir en relation avec l'intention d'enseigner dans les stages Erasmus et dans d'autres programmes). Tout comme leurs confrères français, les professeurs roumains se sont portés volontaires pour enseigner en EMILE ; certains ont évoqué cependant des raisons administratives telles que le remplacement des collègues ou le statut de titulaire du même cours en roumain.

En ce qui concerne *l'expérience langagière*, on constate que six enseignants roumains sur neuf étaient au moment de l'interview à leur première expérience d'enseignement en anglais ; une personne a rapporté une expérience d'enseignement de disciplines de spécialité en français et 3 enseignants précisent avoir eu une expérience d'enseignement en anglais dans le cadre des stages Erasmus et des Écoles d'été. Les professeurs français interrogés avaient un parcours linguistique différent : il y avait des professeurs francophones avec ou sans expérience d'enseignement à l'étranger et peu d'anglophones parfaitement bilingues. Les moins expérimentés en anglais ont avoué une charge cognitive

plus lourde (à la recherche de synonymes, d'amorces de phrases et de paraphrases), ce qui générait la fatigue pendant le cours, un certain état de stress et d'anxiété, des sensations rapportées dans des discussions orales, mais non réclamés à l'écrit par les enseignants roumains.

Questionnés par rapport à l'éventuelle *connaissance des abréviations TTFL* ou *CLIL*, huit enseignants ont avoué leur ignorance et un seul avoue avoir lu cet acronyme sur les sites des facultés ayant une spécialisation en langue étrangère. Même s'ils ne connaissaient pas les particularités théoriques de l'EMILE/CLIL, les enseignants ont exprimé, à travers leurs réticences, certaines difficultés de ce système d'enseignement : gestion des insuffisances linguistiques, manque d'expérience et impossibilité d'expliquer exclusivement en anglais des disciplines économiques, dont certaines très théoriques.

Un autre motif d'inquiétude est *l'évaluation* équitable du niveau d'apprentissage de la discipline, compte tenu des variations dans la compréhension et l'expression en anglais des étudiants. Les professeurs rapportent un intérêt prioritaire pour le contenu (surtout dans le cas des mathématiques ou de l'informatique), soulignant leur relatif désintérêt pour les erreurs de langue. La correction des erreurs linguistiques semble un geste acceptable des deux côtés : l'enseignant corrige les étudiants tout comme il se déclare prêt à se faire corriger par les étudiants. Les enseignants français affirment eux-aussi porter en priorité l'évaluation sur les connaissances disciplinaires ; pour certains, le contenu prime sur la qualité de la langue anglaise utilisée, de sorte qu'il n'y a pas de correction systématique de la qualité de l'expression écrite (ni lors des examens, ni pendant l'année universitaire).

La question sur *le matériel didactique* utilisé donne l'occasion d'apprendre que les enseignants de la FSEO concentrent leur effort sur la traduction du matériel personnel, rédigé pour le cours identique en roumain langue maternelle, enseigné pendant de nombreuses années et très bien maîtrisé (7 réponses sur 9). Une deuxième opinion est formulée par deux réponses qui précisent des livres rédigés en anglais et publiés à l'étranger (parmi ceux-ci, un textbook de marketing à la 12e édition, avec des expressions authentiques, plus courantes, plus adaptées au contexte et permettant un meilleur apprentissage des expressions, des mots et des termes en anglais). Les trois non-réponses nous laissent penser qu'après trois mois de pratique nouvelle, les enseignants ne sont pas encore arrivés à faire un choix catégorique. La combinaison des deux types de matériels prouverait cependant un degré élevé d'efficacité et soulèverait aussi la question de l'équité face aux étudiants en Affaires internationales, spécialisation jumelle dispensée en roumain.

Les réponses concernant *les préparatifs* pour le cours en anglais enregistrent des variations : sept personnes ressentent le besoin de répéter le matériel avant l'enseignement proprement dit. Le temps nécessaire par semaine pour préparer un cours oscille entre 1-2 heures (pour 6 personnes) et 3-4 heures (pour 2 personnes), tandis qu'un enseignant avoue en avoir besoin de 6 heures. De l'autre part, les enseignants français précisent que l'écriture des cours en anglais augmente leur temps de préparation de 50% (Napoli et Sourisseau, 2013 : en ligne) ; une chercheuse qui maîtrise assez bien la langue de spécialité et l'anglais général, estime à 30 heures la préparation d'une heure de cours en anglais, ressentant la nécessité de « répéter son cours à plusieurs reprises pour que la langue de la présentation et de l'interaction en cours lui vienne automatiquement » (Taillefer, 2004 : en ligne).

Un aspect sensible, à peine suggéré par les enseignants roumains, tient au besoin d'une *rémunération* différenciée. Les enquêtes révèlent le sentiment de beaucoup de bénévolat de la part des enseignants français « qui ne comptent pas leurs heures soit pour l'accompagnement des étudiants étrangers, soit pour l'accueil des intervenants extérieurs » (Napoli et Sourisseau, 2013 : en ligne).

L'analyse partielle du déroulement du cours révèle une série de *méthodes* que l'on met en place pour varier la leçon et pour pallier les déficits langagiers ; on utilise les explications surtout dans le cas des termes de spécialité (la comptabilité et la statistique véhiculent des

concepts plus compliqués, d'autres matières manient des termes polysémiques), que l'on éclaircit lors des séquences d'explications en roumain ; un professeur institue même un moment distinct, nommé conventionnellement « Romanian break ». Sont énumérées ensuite comme méthodes mises en pratique régulièrement : la présentation libre, la problématisation, les discussions libres (lors des cours et des séminaires), les commentaires de textes, la soutenance de devoirs et de projets, les études de cas, la résolution des problèmes, la présentation (mais non pas la lecture) du diaporama, les explications supplémentaires, les exemples et les parallèles avec la réalité économique. Les enseignants mentionnent des stratégies de dépannage linguistiques : dans le cas des termes polysémiques, on donne des synonymes en anglais, ensuite des explications en roumain. L'inhabileté langagière des étudiants est palliée par la traduction de l'anglais en roumain ; quand l'enseignant ne connaît pas lui-même la traduction d'un certain mot en roumain, il agit dans un esprit collaboratif de sorte que les étudiants puissent chercher sur l'internet ou intervenir directement avec la traduction en roumain.

Les occasions *d'interaction en anglais* semblent assez consistantes puisque le pourcentage avoué des échanges est de 70-90% en faveur de l'anglais. Les enseignants semblent ressentir la question concernant le poids de l'utilisation de la langue maternelle comme un reproche caché ou comme une forme de culpabilisation ; ils avouent l'impossibilité de s'exprimer exclusivement en anglais par des raisons qui tiennent à la difficulté terminologique. Or, des expériences similaires menées dans d'autres contextes prouvent que l'utilisation de la langue maternelle s'impose méthodologiquement : « Doing the lesson directly in English without any reference to their mother tongue is ineffective » (Quartapelle, 2012 : 150).

Le questionnaire essaie de surprendre les *relations interpersonnelles* établies par les enseignants avec les autres acteurs du processus didactique. Un item important dans le questionnaire a été représenté par la perception que les enseignants ont *vis-à-vis des étudiants* qui fréquentent les cours en contexte EMILE. Les enseignants apprécient à l'unanimité que les étudiants de la spécialisation International Business sont sérieux, curieux, coopérants et très sages ; intéressés à l'école et au milieu économique, ils sont consciencieux et ont du bon sens. Dans la perception des enseignants, les étudiants semblent avoir des problèmes linguistiques sérieux lors de la compréhension des concepts plus complexes (par exemple « l'utilité marginale » ou « l'élasticité croisée »). Il y a un enseignant qui observe que pour certains étudiants la spécialisation semble être plutôt une occasion d'apprendre la langue que de l'utiliser. Un autre indicateur du processus d'enseignement-apprentissage vise la possible *collaboration avec les professeurs d'anglais* : même si huit personnes déclarent qu'une collaboration plus étroite devrait s'établir entre les enseignants d'anglais et les enseignants des disciplines économiques – surtout quand le niveau de compréhension et d'expression de ces derniers l'impose – cinq personnes déclarent ne pas se consulter avec les spécialistes des langues ; ils estiment que, par rapport aux philologues, ils connaissent mieux les termes de spécialité mais précisent qu'en principe ils n'ont rien contre la collaboration avec le professeurs d'anglais. Un tiers des enseignants ont mentionné qu'ils avaient une collaboration avec les professeurs d'anglais des affaires de la même faculté des sciences économiques. Un enseignant économiste apprécierait comme utile une formule institutionnalisée, lui permettant de se consulter avec les enseignants d'anglais du collectif de langues étrangères de la FSEO ; cette collaboration serait à même de donner aux économistes un sentiment de sécurité par rapport à la qualité des matériels didactiques utilisés et par rapport à la possibilité des étudiants de mieux les parcourir.

La collaboration interpersonnelle est cependant l'un des indicateurs de l'EMILE, tout comme le soulignent les chercheurs toulousains : « Mettre en place l'EMILE, c'est aussi établir une collaboration forte, comme le *team-teaching,* entre le spécialiste de la discipline ou l'intervenant professionnel et celui de la langue, sous forme de préparation commune d'un diaporama en anglais ou d'assistance linguistique en cours. L'écriture du cours en

binôme avec un professeur d'anglais facilite le travail de l'enseignant disciplinaire pour trouver le mot juste, la bonne expression » (Napoli et Sourisseau, 2013 : en ligne). C'est une expérience qui n'est pas envisagée par les enseignants roumains.

3.3. Avantages, défis et ouvertures d'un système type EMILE

Un système type EMILE présente des avantages et permet des ouvertures qui ne sont pas ignorées par les équipes pédagogiques. Les aspects positifs identifiés en relation avec ce dispositif didactique atypique renvoient à l'amélioration de la formation professionnelle et pédagogique. Et pourtant aucun enseignant n'a mis en évidence le perfectionnement disciplinaire issu de l'étude des livres de spécialité en anglais ; l'accent a été mis dans toutes les réponses sur les progrès langagiers, plus précisément sur le perfectionnement des connaissance d'anglais, en termes de compétence d'expression écrite (par la conception des cours et des éléments didactiques associés - diaporama, guides méthodologiques pour l'élaboration des projets, références bibliographiques, test grille, questions d'évaluation, sélection des textes commentés) et d'expression orale. Tous ces enseignants ont des certifications attestant leur compétence en anglais ; tous ont l'habitude de consulter en anglais des ressources scientifiques recueils, livres, revues, etc. Mais la rythmicité des rencontres hebdomadaires face-à-face avec les étudiants et la pratique systématique de l'anglais renforcent la maîtrise réelle de la langue étrangère. De plus, les bénéfices se capitalisent d'une année à l'autre et déterminent une meilleure « performance » en évolution. La compétence de compréhension de la langue étrangère est vue plutôt comme un bénéfice au profit des étudiants.

Les enseignants perçoivent exactement les avantages des étudiants qui suivent *Business English*. Les étudiants diplômés de cette spécialisation ont plus de chances de trouver des emplois bien rémunérés dans des sociétés de prestige ou dans les multinationales. L'EMILE, qui dépend du soutien des décideurs éducatifs locaux, devient intéressant pour ses bénéficiaires grâce à la certification diplômante : à la fin du parcours universitaire, les étudiants obtiennent un diplôme d'économiste reconnu par le Ministère roumain de l'Enseignement, au même titre que les diplômes des parcours en roumain. Ce statut diplômant, associé au statut de formation non payante, suscitent non seulement l'intérêt des jeunes, mais également l'attention de leurs parents.

3.4. Inconvénients inventoriés à partir du questionnaire

Parmi les obstacles de cette forme d'enseignement identifiés par les professeurs, se détachent les problèmes linguistiques et le manque d'expérience dans l'évaluation linguistique en anglais ; on reproche en général le temps exigé pour la préparation du cours, en association avec le paiement décourageant et le manque de soutien institutionnel.

Le système EMILE se construit progressivement et pour la durée, ce qui engage la responsabilité de l'institution qui doit investir dans ce programme : « si l'université souhaite développer ce type d'enseignement, il faut qu'elle y mette les moyens », affirme un enseignant français (Taillefer, 2004 : en ligne). L'EMILE sollicite plus d'efforts et de concentration de la part des enseignants qui travaillent avec des groupes assez hétérogènes ; même si la maîtrise linguistique est importante, les difficultés ne tiennent pas seulement à la forme d'enseignement, mais à la capacité de chaque étudiant de comprendre des concepts en langue maternelle.

4. Conclusions

Il y a de certes différences entre les recherches empiriques réalisées à l'université française et à l'université roumaine, qui tiennent non seulement à la recherche, mais aussi aux particularités des établissement universitaires, aux stratégies de développement, à la position géographique ou à l'environnement économique des villes.

Les deux enquêtes rendent comptent d'un état des lieux : mais tandis que l'enquête

française vise la gestion des programmes EMILE au niveau master dans plusieurs institutions de prestige universitaire de Toulouse, dans le cas roumain c'est plutôt un diagnostic au départ d'une formation de niveau licence, première année, dans l'université d'Oradea.
Les enseignants français et roumains se rapprochent dans leurs témoignages : ils semblent avoir les mêmes peurs, exigences et mécontentements. Les étudiants français et ceux roumains ont en général un niveau linguistique satisfaisant, mais on constate parfois un écart entre le niveau déclaré et le niveau réel. Quant à la formation continue des professeurs, l'absence de communication avec les enseignants des langues étrangères n'exclut pas le besoin réel d'une collaboration institutionnelle. Une proposition intéressante, similaire à l'immersion langagière des étudiants étrangers dans la langue du pays d'accueil, introduirait une année ou un semestre de langue anglaise pour les affaires/*Business English* dans le programme obligatoire des étudiants EMILE, dans le but de les familiariser avec les concepts économiques contemporains. Ce cours serait à même de remettre à un niveau satisfaisant des étudiants qui ont souvent des déficiences linguistiques sévères, surtout dans l'expression orale et écrite. Excepté les grandes écoles de prestige où la concurrence est importante et la sélection intransigeante, les tests linguistiques éliminatoires n'opèrent pas en général dans les facultés une sélection réelle des candidats. Les étudiants entrent dans le système avec des problèmes linguistiques importants, qui ne sont pas saisis ou – même s'ils sont repérés - ne sont pas systématiquement corrigés pas les enseignants d'autres disciplines. Les étudiants devraient avoir pendant leurs études d'EMILE une surveillance professionnelle permanente et l'occasion de développer correctement leur maîtrise de l'anglais. Les cours hebdomadaires de langue étrangère enseignée comme discipline distincte par des philologues ayant des études dans le domaine économique et dans l'enseignement des langues étrangères sur objectifs spécifiques, restent la seule solution pertinente et fiable. Maîtriser une langue dans le domaine professionnel ne se réduit pas à la débrouillardise ; on doit apprendre en permanence et développer les compétences de compréhension orale et écrite, d'expression orale et écrite et les compétences interculturelles liées à une langue. Les cours de langue étrangère devrait être proposés pendant toute la scolarisation en EMILE, parce qu'ils génèrent la matière fluide qui alimente l'activité de toutes les autres disciplines et conditionnement le progrès professionnel.
Les opportunités de développement du système sont sensiblement différentes : la collaboration avec le milieu des affaires existe des deux côtés, mais elle est beaucoup plus consistante dans l'espace français, où le positionnement géostratégique de la ville permet aux étudiants de prospecter un milieu d'affaires extrêmement offrant. Si les étudiants roumains et français ont la possibilité de valoriser leurs connaissances disciplinaires et langagières lors des stages Erasmus, les étudiants français ont l'obligation de faire des stages dans des entreprises à l'étranger. Par rapport à la Roumanie, qui se fie encore aux subventions ministérielles pour entretenir ce système, il existe en France des responsables au niveau institutionnel qui « gèrent les budgets et participent à la recherche de ressources pour financer ces formations en anglais […]. La réalité de terrain nécessite une prospection pour trouver de nouvelles entreprises partenaires pour les financements des intervenants extérieurs spécialisés, les stages des étudiants et des enseignants » (Napoli et Sourisseau, 2013 : en ligne).
EMILE a un impact à long terme sur les plans personnel, professionnel et sociétal. Les candidats choisissent une spécialisation type EMILE parce qu'ils veulent se former une culture professionnelle assortie d'une compétence linguistique impeccable. Une préoccupation exclusive pour le contenu disciplinaire dirigerait l'étudiant vers une école de prestige en langue maternelle ; or, le fait de choisir les études en anglais, signifie que l'objectif linguistique est tout aussi important que celui disciplinaire. L'expérience du marché du travail prouve que c'est grâce à la langue étrangère / aux langues étrangères que les jeunes accèdent à des emplois intéressants.

Force est alors d'instituer un autre rapport « entre enseignements de langues étrangères comme matières et langues étrangères comme vecteurs de connaissances (EMILE, etc.) » (Beacco *et al.*, 2012 : 33). Il serait plus approprié de réinterpréter les tandems des acronymes, en mettant également l'accent sur la langue étrangère ; cela conduirait à EMILE « *l'Enseignement d'une matière intégré à une langue étrangère* » au même rang qu'à ELEIM « *l'Enseignement d'une langue étrangère intégré à une matière* » respectivement à CLIL pour « *Content and language integrated learning* » et à LCIL « *Language and Content integrated learning* » ; à la place du binôme EMILE/CLIL, on pourrait utiliser, selon l'espace roman ou germanique, EMILE/ELEIM et CLIL/LCIL.

Dans le cas analysé, « le paradigme implique une profonde remise en question stratégique et pédagogique » (Taillefer, 2013 : en ligne), dont les principes, compétences et standards sont détaillés dans le *Cadre européen pour la formation des enseignants à l'EMILE (2011). Dans ce système intégrateur, les enseignants de langues étrangères, surtout ceux spécialisés dans les langues sur objectifs spécifiques, ne devraient plus occuper une place marginale.* Si l'on intègre les conclusions de Taillefer (2013 : en ligne) au compte de l'EMILE roumain, on peut affirmer que « ce sont [...] les collègues enseignants(-chercheurs) en langue de spécialité et didactique, avec leur connaissance des langues et cultures, qui sont les mieux armés pour jouer le rôle de « catalyseurs » (« *advocates* »), pour une collaboration cohérente autour d'un EMILE ». Dans la philosophie de l'EMILE « l'enseignement stricto sensu des langues étrangères inscrit dans le programme d'études comme une matière séparée est par conséquent exclu de cette étude » (Eurydice, 2006 : 10). Ce point de vue est contredit par d'autres spécialistes qui notent que « selon les modèles adoptés, cet emploi peut être plus ou moins étendu et il peut y avoir ou non un enseignement/apprentissage parallèle de la langue seconde ou étrangère “comme matière” » (Beacco *et al*., 2012 : 106). La pratique est pourtant plus parlante que toute opinion théorique : la réalité du terrain impose de ne pas renoncer au cours de langue, à savoir aux cours d'anglais sur objectifs spécifiques, qui s'avèrent extrêmement utiles dans un système classique tout comme dans un système EMILE.

Plus encore, vu les demandes du marché et les directives européennes concernant le besoin de maîtriser au moins deux langues étrangères, il serait nécessaire et utile de ne pas confiner le profil linguistique à l'anglais, mais de garder une deuxième langue étrangère. De nos jours, on ne peut plus ignorer le rôle des langues étrangères dans l'enseignement disciplinaire et leur effet sur les répertoires pluriels des apprenants. Malgré le danger de l'uniformisation linguistique, ce dispositif didactique organisé autour d'une langue étrangère, peut servir à la diversité linguistique s'il permet des prolongements vers d'autres langues de circulation internationale, tout comme le soulignent les auteurs du *Guide pour le développement et la mise en œuvre de curriculums pour une éducation plurilingue et interculturelle* : « le danger de valoriser les approches du style CLIL et EMILE en faveur des seules langues les plus répandues, au détriment du plurilinguisme plus ordinaire représenté par les répertoires pluriels des apprenants dont les langues pourraient tirer grand profit de ce genre d'approches » (*idem* : 73).

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WORD GAME APPROACH TO INTRODUCING BUSINESS CORRESPONDENCE VOCABULARY

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Abstract: *One important aspect to be considered when teaching languages is the introduction of vocabulary. Traditionally, it consisted of several set stages that were widely followed in all classes – neither a big challenge for instructor nor too much fun for learners. When teaching languages for specific purposes (LSP), such as Business English, these negative aspects can even sharpen. Specialised vocabulary or specific lexical units call forth a slightly more attentive consideration of the way of presenting them to the learners, so as to be effectively perceived and properly assimilated. The way of tackling vocabulary introduction with such classes has been a constant preoccupation that, on one side, drove us to search into the matter, and on the other, stimulated us to elaborate and create more interesting activities for the purpose. Meaning assimilation, word acquisition and further usage skill development are the primary objectives of the activity of teaching vocabulary. In our practice these proved to be more effectively achieved when resorting to an 'alternative' approach of introducing the new words, i.e. the non-conventional technique of employing word-games as basic activity during the class. The current article is thus an attempt to bring forward a practical matter, presenting some word games that can be successfully used when teaching specific vocabulary in business correspondence classes. The article discloses the steps followed and the material used within our research along a semester, with an experimental group and a regular group of students, as well as the results obtained. The models and exercises created representing our own design and having been used within the classes taught confer this study not only originality but also practicality as the material provided and the steps considered may prove useful for other educators as well.*

Keywords: Business correspondence in English, non-conventional vocabulary teaching, word games

JEL classification: Y80; Z00; M53; A29

1. Setting

Historically, vocabulary introduction meant following some set stages (text reading, extraction of new word, looking up of meanings, writing new words in an own vocabulary notebook, reinforcement activity of forming sentences with the lexical elements, then repetition and learning by heart). This ultimately did not seem to be much fun nor a challenge. Moreover, in teaching languages for specific purposes, for instance in teaching Business English and, accordingly, Business English vocabulary, such activities tend to become, with time, rather dull and even tiresome at a point.

Learning of best practices and finding methodological tips have always concerned teachers. Others' experience teaches one but even more is achieved from personal endeavour to produce best implementation of theoretical notions. Observing practice combined with permanent search for innovative ideas are landmarks on the road to own development of an inventive spirit that enables creation of practical strategies and elements useful in each individual situation. A material such way produced should be very

useful in teaching because, in our view, it always comes handier to teach the others your own findings and inventions, in your own style, rather than something you yourself had been taught once.
The current work is mostly of a practical nature, presenting class techniques applied and comparing the regular style with the nonconformist approach. The original games implemented can well be a useful material for others interested.

2. Aspects of teaching vocabulary

Several new techniques of introducing vocabulary have lately been discussed in the literature of speciality, to some extent upsetting the original way of implementation, from general to specific, i.e. from whole text to lexical unit.

2.1. Use of updated methods

Methodological research provides several good examples of teaching techniques that prove to successfully keep up with the global trend of a modern spirit that needs to be assertive and up-speaking. These techniques are indicative for an innovative, student-centred education, focused on interactive activities, teaching through discovery, students' self-development and overt self-expression and manifestation.
Applying various games as noted by some researchers (Marazano & Pickering 2005, pp.14-15) and using strategies such as Substitution Tables (*"Great Idea"*) or Vocabulary Cards and Choiceboards as shown by others (Murray Stowe, 2009), come as supplements and alternatives to the classic method that promotes a contextual approach for introduction of vocabulary, as discussed by others (Richards &Rodgers, 1996; Walters, 2006).
Based on their observations in the classes other researchers noted that "games have been shown to have advantages and effectiveness in learning vocabulary in various ways. First, games bring in relaxation and fun for students, thus help them learn and retain new words more easily. Second, games usually involve friendly competition and they keep learners interested. These create the motivation for learners of English to get involved and participate actively in the learning activities. Third, vocabulary games bring real world context into the classroom, and enhance students' use of English in a flexible, communicative way." (Nguyen & Khuat, 2003, p.14)
What most researchers seem to agree on is that incentives always prove effective, and they can be in the form of objective stimuli, as a good grade, or come as interactive class activities that motivate both by entertainment and emulation.

2.2. Particularities of Business English terminology

In what Business English vocabulary is concerned, it is quite obvious that a contextual approach, within authentic and up-to-date materials is necessary in most situations: "The structures that Business English students have to learn are basically the same as general English students. The difference is in context and vocabulary. Vocabulary can be best learnt in context that is why authentic materials can be a choice" (Sim 2011, p.5). Still, other observations are notable: "Inferring meanings of unknown words when reading texts is one of the most important vocabulary learning strategies students of Business English need to master. Learners, however, seem to miss the skills that this strategy provides as they depend heavily on translation" (Benhaoued 2013, p.3). Indeed, a certain laziness of the mind can be noticed in time with this traditional approach, as however performant a technique can be, the process of regularly following the same steps form a routine. This triggers the dangerous side effect of loosening concentration. Lack of focus makes learning more difficult, hence the paradox of a great theory that will return decreasing results in a long time practice. In view of these facts, the classic approach from general to specific is obvious to become more effective if combined with non-conventional activities, as also shown in several other works (Horea, 2015; Horea, 2012). Word puzzles such as

Wodoku ("*Word Sudoku*"), Word-Dominos ("*Correspondence Domino*"), Word-pies and Hangman-type games (Horea, 2015) are unquestionably able to bring to life the uninviting, colourless, language of economic domains, and thus provide the learners with more enthusiasm and willingness to participate.

Our research into the literature on this specific domain, of alternative techniques of teaching Business English vocabulary, has not proven a very successful one, i.e. works that deal with the topic are rather scarce and they cannot provide sufficient models of approach. Both as a result of this and for own comfort at classes, in time we produced several models of practical approaches of teaching Business English vocabulary for diverse areas of the field covered, e.g. finances, banks, stock exchange, international business, business correspondence.

Among the activities considered of greatest interest, the following can be mentioned:

- cross-word puzzles – definition and pattern following;
- odd-man-out – category finding;
- hangman game, missing letters games – gapped words;
- jumbled letters, syllables scramble;
- compound matching / forming – word domino game;
- words in letter box – horizontally and/or vertically and/or diagonally;
- puzzle filling with words on cards – pattern and category following;
- connection games – one letter change at a time – getting from word A to word B in several moves.

3. Research methodology

3.1. Aim of research

This practical study aims at finding to what extent the use of nonconventional means of teaching vocabulary for business correspondence, through games and fun-with-words activities, can bring about considerable results with respect to an improved assimilation of the vocabulary introduced. the premises was that if noticeable differences can be seen in what language acquisition is concerned as compared to regular classes of teaching vocabulary, then the effort put into the design of such classes – from creation of games, production of word-puzzles, to class organisation and implementation challenges – would be worth it.

It is only obvious that from the point of view of attractiveness for the students, classes when the basic activities involved are playing and having fun will be more than welcomed and much more appreciated.

3.2. Secondary aim

Besides the research mentioned, the study also undertakes to present the actual approach involved, as a sample of vocabulary introduction activity, designed and used in our own classes of business correspondence subject to this research. The provision of the practical example shall prove useful – and quite necessary – not only for a better understanding of how the lesson was constructed – thus supporting and giving relevance to the approach – but also as a didactic material at hand for other teachers that wish to implement it or make use of it during their classes.

3.3. Research hypothesis

The hypothesis of the current study is:

In a nonconventional word-game class of vocabulary introduction, the student successfully assimilates more lexical elements than in a regular class of teaching vocabulary through classical methods.

If the hypothesis is confirmed than the challenge involved in preparing and holding such

lessons is worth undertaking and embarking on.

3.4. Method of research

The method of research consists in the implementation of the practical model presented hereinafter with a target group (research group) class while the other group (normal, regular group) is taught vocabulary the traditional, regular way.
Both groups are heterogeneous groups of students in Economics, third year, studying Business Correspondence (according to the curriculum) and consist of 13 students each. The model is described in subtitle 4.2. below, and consists of a word game activity approach of introducing vocabulary, as seen in the handouts in subtitle 4.3.
Then the difference between the degrees of assimilation of the vocabulary with the two groups is measured to thus check the hypothesis.

3.5. Measuring the results

The assessments of the students' lexical acquisition will constitute the measuring procedure of the current research. Assessment is done in the same way for both groups, in usual manners, through small tests during the semester, particularly in classes immediately following the ones that introduce vocabulary, as well as through final exams.

3.6. Validity check

The check of the hypothesis validity is done by the substantial difference in students' performance at the tests (seen below in subtitle 4.6. of the practical approach) and consequently in their grades. Thus, if for test C the results are not very conclusive in this respect as they are rather close, for tests A and B the gap between the two groups' performances is quite relevant. At these two tests, the results of the research group are significantly higher than those of the normal group.
For test A:
Most students of the regular group (7 students) remembered 5-6 parts of a business letter out of the 11, only 4 students wrote more than 6 terms and the other 2 mentioned less than 5.
Most students of the target group (9 students) could remember 8-9 parts of a business letter, 2 students wrote more than 9 terms and only 2 mentioned less than 8.
For test B:
The research group featured 88.46% of accurate responses (92 out of the total possible of 104 ← 8 matches x 13 students) as compared to the 68.26% of accurate responses (71 out of the 104) accumulated by the normal group.
For test C:
Results were similar and most were OK for the two groups. This was predictable, as the nature of the test (matching – i.e. lexical units were given, only needed to be combined), facilitated recollection of the terms, which in themselves (being compound words) are quite straightforward and likely to be figured out without much effort.
With a view to the differences noted between the two groups for tests A and B, we can conclude that our research hypothesis is proven to be valid, students assimilate more lexical elements and retain them for a longer time through an approach of introducing vocabulary based on word-game activities than through the classical methods of identifying new words in the reading material, deducing their meanings from the context then checking them up, writing them down and using them in sentences of their own.

4. Fun-with-words in teaching business correspondence vocabulary

We shall begin with a general aspect, presenting categories of interest regarding the vocabulary involved in the field of teaching business correspondence, to move then to the practical part, explicitly rendering the approach undertaken.

4.1. Categories of notions

Considering the field of business correspondence, we can break down the vocabulary that has at a point to be taught into two big spheres: notions connected to learning the theoretical aspects and the various terms used and met in the actual letters. The latter are of a random nature and almost impossible to foresee so what makes the object of our study is the former category.

The terminology referring to the theoretical material involved in the field can furthermore be classified into three major subcategories. In this respect, we can identify words connected to the three major aspects that are discussed along a course in business correspondence:

- letter format and contents;
- parts of a business letter;
- types of business letters.

Thus – regardless of the contents of the letters proper, that can nevertheless bring plenty of new notions and terms – the basic vocabulary that has to be taught is that representing terminology related to the theory involved in business correspondence. The lexical elements featuring in the abovementioned subcategories were the ones that the current practical endeavour restrained to.

4.2. Brief description of the practical approach

In what the economy of the lessons is regarded, for each of the three subcategories abovementioned there was a separate reading material to discuss and a separate handout given to the students in the research group.

With the regular class, while reading the theoretical material, the unknown words were discussed and looked up, meanings, synonyms and definitions were written and students were required to use the new words in new constructions.

With the target group, the students were given the handouts together with the reading material that only constituted a guideline or a supplementary source of inspiration for performing the game activities on the handouts. The students worked wither individually or in groups, competing against each other or one group against the other, to find first the correct solutions of the puzzle. In the end, the solutions were checked and the winning individual or team received a reward (a plus counting to the calculation of the final grade)

The next classes, short tests assessed the language acquisition for both groups.

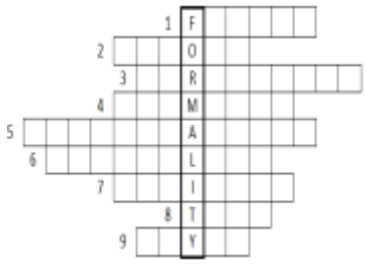
In the next subtitles, the handouts with the word games can be seen, as well as the exercises to be solved in the tests that followed. The solutions are also provided. A reinforcement drill used in the end with both groups is presented as well.

The reading materials were not included here though, as they would have taken too much from the limited space of this article. The exact forms of the texts used are not extremely relevant for the purpose of the paper. At the same time, we consider that similar texts, of authentic materials containing theoretical information on each of the subcategories described, can be found quite easily by the teachers that wish to use in their classes the technique presented and the enclosed handouts.

4.3. Word games handouts

The handout containing word game activities for the subcategory of letter format and contents can be seen in Figure 1.

Write the words corresponding to the definitions:	1 way of arranging the parts of the letter 2 aspect, physical appearance of the letter 3 groups of sentences dealing with one aspect each, separated by blank lines 4 constitutive parts of a letter



5 shortened forms of words generally accepted and used
6 lexical elements used, as a whole
7 a specific field here discussed, requiring formal, professional correspondence
8 a register of speech, used both in writing and speaking
9 way of composing the letter, distinguishing between casual and official

Figure 1. Puzzle game for letter format
Source: own conception and design

The puzzle introducing the constitutive parts of a business letter can be seen below, in Figure 2.

Solve the puzzle and get on the marked column the category comprising the notions found:

1. introductory formula of greeting
2. contact details of sender's company
3. temporal reference of the moment of writing
4. ending formula showing courtesy
5. attachment of annexed material
6. proper communication of the message
7. end notes as ancillary remarks
8. first letters of the writer's names
9. authentication of writer by handwritten name
10. specification of contents in brief
11. contact details of addressee

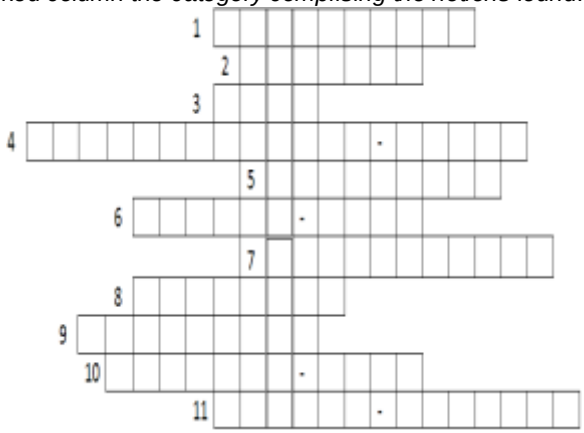
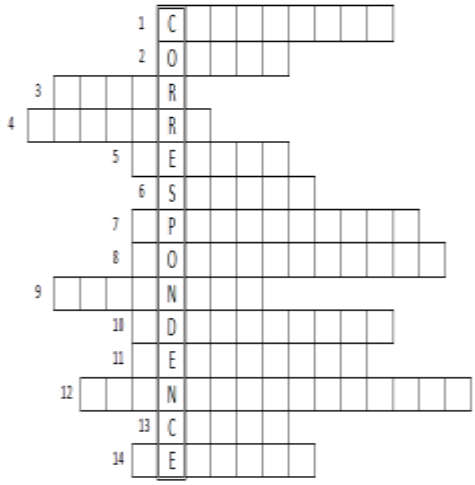


Figure 2. Word games for the parts of business letter
Source: own conception and design

The handout with the puzzle for the subcategory of types of letter can be seen in Figure 3.

Write the names of the types of letters as defined for each number:



1 mentioning a breach of a clause
2 presenting intentions to purchase specific items
3 introducing products / services available to sell
4 asking information about a product's performance
5 asking for an offer
6 asking various opinions in the form of a questionnaire
7 presenting intention to candidate for a job
8 announcing different facts about the company
9 announcing overdue accounts and asking for remittance
10 offering compensation for an irregularity claimed
11 denying alleged claims
12 confirming receipt of a claim
13 accompanying a job request
14 asking for a favour or demanding a certain

course of actions

Figure 3. Puzzle game for types of letters
Source: own conception and design

4.4. Solutions

The solutions for the word puzzles are presented all in one table, Table 1, due to space economy reasons.

Table 1. Solutions of the puzzles

Puzzle / Question	Handout 1	Handout 2 (Vertically: letter parts)	Handout 3
1.	format	salutation	complaint
2.	layout	heading	order
3.	paragraphs	date	offer
4.	elements	complimentary-close	inquiry
5.	abbreviations	enclosure	demand
6.	vocabulary	letter-body	survey
7.	business	postscripts	application
8.	tone	initials	notification
9.	style	signature	reminder
10.		subject-line	adjustment
11.		inside-address	rejection
12.			acknowledgement
13.			cover
14.			request

Source: own conception and design

4.5. Reinforcement drill

Gapped words (missing letters) or jumbled letters words can be used as reinforcements, as well as slightly more complex exercises, of word family or word formation. An example of reinforcement drill based on word building and used in both classes can be seen below:

Add the suffixes on the right to the verbs on the left (making changes to the root word where necessary), to obtain words connected with writing business letters.

complain correspond abbreviate remind apply salute enclose sign	-tion(3) -er -t -ure(2) -ance

4.6. Next class tests

The short tests given the next class to both groups of students can be seen below.
Test A.
Enumerate the constitutive parts of a business letter.
Test B.
Match the types of the letters (left column) with the business activity involved (right column)

Adjustment	Breach of a contractual clause
Application	Buying
Complaint	Career seeking
Notification	Changing company's address/location
Offer	Collecting debts
Order	Dismissal/refusal of a claim
Rejection	Granting a redress/compensation
Reminder	Selling

Test C.
Match the words from one cell with a correspondent one in the other cell to get compounds used in business correspondence:

reference, complimentary, inside, subject, letter(2),	address, close, line(2), body, head

5. Discussions and interpretation

Word game activities are undoubtedly appealing. It can be for this very reason that a sort of passive type of learning is activated and without much effort, while the students is focusing on the pleasant activity of the game, the vocabulary 'played with' is remembered, in other words learnt even involuntarily. Students will get to assimilate motions as an ancillary, collateral result of a pleasant activity. This might occur particularly as they are more open to participation, as it is fun. If students are more involved into the interactive situations, this will help them develop psychological links, as most nonconventional elements will constitute mnemonic devices and build synapses. It is scientifically proven and well known that involvement in a game and playing induces chemical reactions of the body. Hormones are secreted, such as endorphin (for pleasant activities and obtained or only prospect rewards) and adrenaline (for contests and competitive games), and this leads to a stimulating effect on the brain, which starts functioning at a higher capacity. This induces even involuntary memorisation of the elements that make the object of the pleasant activity, i.e. in this case the lexical units employed in that activity.

6. Conclusion

A game type activity for introducing vocabulary proves not only attractive and appreciated by the students but also more effective with respect to the results produces. The better results in the tests for the students in the research group are indicative for the efficiency of the method in insuring both vocabulary acquisition and its fixation, through the very nature of the activities employed, games being in themselves motivating and stimulating. Escaping the routine of the traditional way of introducing new words, and doing that through an activity most enjoyed by humans – playing -, mind is immediately awoken from the apathetic state which is so common when tasks are rather boring or repetitive. This stimulation triggers a brand new cognitive approach that induces rapid assimilation and altogether accurate interpretation (basis of long term memory).

Thus, it can be concluded that games are definitely a good means to be used in class. Obviously, not all lessons are suitable for this. Academic standards are to be kept, which is not always compatible with the idea of playing. The lessons where it is suitable to apply such activities are to be carefully identified and also thoroughly and attentively prepared. What finally looks like a game – and is as a matter of fact - shall nevertheless be the result of attentive consideration so that the activity can be effective. The emphasis and the objects of a word game for instance are the particular words to be introduced at that time. Producing such games, targeted on a certain aspect or category, is not an easy task, even if the outcome – just a game – may seem shallow. It is a serious play, after all. However, as the results of this study show, at least teaching vocabulary lessons can well benefit from this non-conventional type of approach. The effort of creating such pleasant and at the same time goal directed activities is paid by the results it brings about: primarily concerning the students' performances in language acquisition and secondarily, but very relevant too, regarding the atmosphere in class during the implementation of this alternative approach.

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DEUTSCHE SPUREN IN RUMANISCHER SPRACHE

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Abstract: *The paper presents the borrowings from the German in to the Romanian language. Our language was over the centuries influenced by many others, like French, Old Greek, Italian, Turkish, Hungarian, Russian, German and in the last period English. The German language is considered to be the" science language". During the industrialization the technological development comes with German terms: grund, chit, rola, glet, smirghel, cheder, speraclu, vandrug, simering. German terms are present in words naming clothing items: stofa, snur, spit, sort, laibar, roc, strimfli. In Transilvania the austrians influenced the food culture, they imposed words like cartof, chifla, crenvusti, gris, halba, parizer, snitel, sunca. The germans influence was also present in commerce : taler, sfant, rabat, plev, ghips ; or in naming professions : chelner, maistru, malroz.*

Keywords: *Entlehnungen, Rumanisch, Deutsch, Neologismen, Einflusse, Sprache der Wissenschaft*

JEL classification: *Z19*

Die rumanische Sprache ist wie die franzősische, spanische oder italianische Spache eine Fortsetzung der Lateinischen. Latein hat zwei Hauptvarianten, eine für wissensclafliche Arbeiten und eine gesprochene Variante, Vulgara genannt ,die die ungebildete Bevolkerung benutzte. Die rumanische Sprache ist also aus der Symbiose der Lateinischen mit der Sprache der Dazier entstanden, als die Kolonisten in Kontakt mit den Aborigine kamen. Aus der lateischer Spache hat die rumanische Spache die Hauptttherminologie ubernommen, wie Korperteile, Namen der Mitglieder der Familie, Jahreszeiten, Wochentage, Haustiere, Haustatigkeiten, Hausgegenstande und auch die christliche Therminologie:

Beispiele:cap,picior, ochi, nas ,tata, mama,vara,toama,luni,vineri,grau,orez,fag, frasin, bou, vaca, cruce, crestin.

Im VI Jahrhunder geht es um den slawischen Einfluss, der die schon entstandene rumanische Spache nicht entscheindend beeinfluβt hat. Die Slawen waren von den Aboriginen assimiliert und die Spache eben so, aber mit wenigen phonetischen Veranderungen. Es gibt zwei Moglichkeiten der Bereichung der rumanischen Spache mit slawischen Wortern. Die erste Moglichkeit, die Vőlker sind in Kontakt gekommen und die zweite ist die Benutzung der Slawischen in der Regierung, in der Kirche und in der Diplomatie. Die ersten offiziellen und kirchischen Dokumente wurden auf Schlawisch geschrieben.

Beispiele:hrana, blana,rana,trup,morcov,ului,deal,sita,lopata, ,clopot,gol,claie.

Im X Jahrhunder ist die rumanische Spache von der hungarischen Spache beeinfluβt, besonders was die Lexikologie betrifft und besonder in Siebenburgen und in Moldawien. Manche von der Wortern haben einen allgemeinen Charakter, aber sie haben sich nur in manchen Regionen erlegt. Manche haben sich die Bedeutung verandert.

Beispiele:hotar,vama, oras, a cheltui, birau, vama, aldamas, belsug, a banui, chip, talhar, viteaz, ban.

Die griechischen Entlehnungen spielen eine wichtige Role in rumanischer Spache. Es gibt zwei verschidene Wege, direkt durch politische und kulturelle Beziehungen und indirekt durch die sklavische Spache.Die griechische Worter kann man meistens in rumanischer Dialekte im Norden und Suden von Donau treffen.

Beispiele:stol,cort,arvuna, a agonisi, omida, folos, prisos, scafa.

Die tukische Einflusse sind Anfang des XIV Jahrhundert in Moldawien und Valahia erwähnt. In dieser Zeit waren sie in Kontakt mit der Osmanen Regierung, währand der fanariotischen Besetzung.

Beispiele:ibric, ghiozdan, bama, catar, cafea, cascaval,dovleac, zambila iaurt, pilaf, rachiu, ciorap, ciubuc, tipsie, cioban, dusman.

Die franzosischen Einflusse spielen die wichtigste Rolle in der Entwicklung der rumanischer Sprache, im XVIII und im XIX Jahrhundert besonders in Norden von Donau und in Moldawien. Das passiert dank der politischen und wirtschaftlichen Beziehnungen der zwei Volker, in der Zeit wenn Frankzosisch als Kulturspache gilt.

Beispiele: analogie, eroare, filozofie, formă, idee, imagina, logică, sensibilitate, birou, şofer, şomer, interesant, stilou, consoană

Die deutschen Einflusse in rumanischer Spache sind niedriger, in vergleich zu den schon erwahnten Spachen (Slawisch, Hungarisch.Griechisch, sogar Turkisch).

Heuzutage haben wir mit eine Menge von Entlehnungen aus dem Englischen zu tun, aber das passiert nicht nur bei uns, sondern auch uberall in der Welt. Nach dem zweiten Weltkrieg zusammen mit Neuheiten in der Technologie kommen auch die Neologismen. Einige davon fullen eine Lucke in Therminologiespache, aber andere sind Luxusneologismen, die andere rumanische Worter verdoppeln.

Beispiele: grant, fotbal , baschet , rugby, schi, meci, volei, karate, cros, skateboard, lap-top, site, walkman, pager, sponsor, hard, soft, fast-food, ketchup, hamburger, hot-dog, chips, oder party , happy-end, weekend, penalty, live, summit

Die wissenschaftliche Forschung hat gezeigt, dass es sehr schwierig ist, eine Grenze zu zwischen verschideren deutschen Einflussen aufzuzeichnen: durch Sachsen im XVIII Jahrhundert, durch deutsch-osterrechische Elemente oder aus moderner deutscher Spache. Nicht alle Worter haben sich durchgesetzt, manche haben einen lokalen Charakter, wo sie einen direkten Kontakt mit Sachsen hatten, besonders in Banat oder in Moldawien.

Siebenburgen hat am meisten von den Kontakten mit der deutschen Kultur profitiert, der hohe Punkt war die Begrundung der Sachsenakademie in Hermannstadt im Jahre 1844. Er wurden wichtige Ubersetzungen auf Gebiet der Philosophie., Agronomie und Philosophie gemacht. Nach dem zweiten Weltkrieg sind die Einflusse nicht so ausgeprägt, aber sie haben trotzdem Spuren in rumanischer Spache hinterlassen.

Es gibt zahlreiche Wort-fur-Wort-Űbersetzungen nach dem deutschen Muster in rumanischer Sprache, z.B. a intre/rupe – unter/brechen, a de/suruba- ab/schrauben, ano/timp- Jahres/zeit, buna/stare – Wohl/stand; Neologismen ebenfalls. Z.B. crah Krach,

glazura-Glasur, neoumanism- Neohumanismus, rabat- Rabat. Die deutsche Spache hat in vielen Bereichen die rumanische Spache beeinflusst.z.B. Philosophie, Agronomie,Recht, Naturwissenschaft, Medizin, Agrikultur, Kultur u.z.w. Fur Rumanen war die deutsche Spache die Wissenschaftssprache. Der Philosoph, der Dichter oder der Linguist sind nicht fremd von den Vorteilen der deutscher Kultur.

Manche Entlehnungen aus dem Deutschen verhängen die rumanische Spache nur zeitlich, sie sind von anderen Wortern ersetzen. Die meisten von diesen Worter sind Archaismen z.B. boactar- Wachter, clavir-Klavier, corfa- Korb, stipendist- Stipendist, sol-Schale, spatir-Spaziergang, staier- Steuer,trighelt- Trinkgeld. Diese Worter wurden durch Entlehnungen aus anderen Spachen ersetzt : paznic, pian, cos, bursier, ceasca, plimbare, impozit, bacsis.

Eine andere Kategorie sind die Historismen , Worter , die aus der rumanischen Spache verschwunden sind, zusammen mit den Begriffen, die sie benennen.z.B. finic- Pfennig, herteg- Herzog, kronprinz- Kronprinz, landgraf-Landgraf, margraf-Markgraf, bancuta-Bankozettel, colonist-Kolonist, comitat- Komitat, crucer- Kreuzer, finant- Finanz .

Die Neologismen aus dem Deutschen sind ganz zahlreich in rumanischer Spache, weil sie Internationalismen geworden sind, und haufiger in indo-europaischen Spachen verwendet sind.z.B. student- Student, referat – Referat, banca- Bank, a absolvi- absolvieren.

Die Neologismen kann man in zwei Kategorien teilen: übliche und spezialisierte Neologismen. Die übliche Neologismen benennen Konzepte und Begriffe aus mehrere Gegiete, die den Sprachern zugänglich sind. Die zweite Kategorie, die spezialisierten Neologismen, benutzt man nur in technischen oder wissenschaftlichen Bereichen wie Chemie, Biologie, Medizin, Geschichte, Politik oder Physik. z.B.anarhism- Anarchism, anorganic- anorganisch, biocatalizator- Biokatalysator, biopolitica- Biopolitik, chemosinteza-Chemosynthese, reumatologie- Rheumatologie, geotectonica- Geotektonik, erzat- Erzatz, gnais- Gneis, higrant- Hydrant, kaliu-Kaliu, loess- Loess, ozalid-Ozalid, decoct-Dekokt.

Die Entlehnungen benennen Berufe , technische Therminologie: bait, a faltui, flec, grund, lac (fur Mobel), chelner, maistru, matrita, nit, pensula, portelan, raspel, rips, sablon, salota, sapirograf, spaltui, surub, valt, vana, zetar, surub, bormasina, subler, smighel, stecher, abtibild, sant, sina, blit.

Die deutschen Entlehnungen,die die Schultherminologie betrifft : absolvent, docent, a exmatricula, lector, repetent.

Die Entlehnungen benennen auch Begriffe, wie Gewohnheiten: Rauchen- tabac, tigara, tigareta.

Die deutschen Begriffe benennen auch Worter der Kleidungstherminologie wie: stofa, snur, spit, sort, laibar, roc, strimfli. Die osterreichischen Einflusse beobachtet man in der Ess und Trinkkultur in Siebenburgen : bere, cartof, chifla, crenvusti, gris, halba, parizer, snitel, sunca, sort, spoher (Herd), zat (Kaffesatz).

Das selbe gilt auch fur die Handelsbegriffe: taler, sfant, rabat, plev, ghips .

Man kann beobachten, dass die meisten Entlehnungen aus dem Deutschen konkrete Substantive sind. Die anderen, sehr wenige, sind Verben und Adjektive.

Als eine deutliche Kategorie der Entlehnungen aus der deutschen Spache sind die Anthroponyms, die man sehr häufig trifft. Die Anthroponyms sind Teil der technischen

Kollokationen; z.B. Vereine – Hans Seidel, Firmen- Krupp-Tyssen, Karl Storz. Die meisten Anthroponyms sind aus der Bereich der heutigen Realitat entstanden, aus der Bereich der Politik – Kohl, Kinkel aus der Bereich des Sport - Becker, Graf, Muster, Schumi oder Schumacher Michael, Steffi oder Steffi Graf, Bayern fur Bayern Munchen, Borussia fur Borussia Dortmund, aus der Bereich der Kulturveranstaltungen z.B. Berlinala 90. Man benutzt auch Pluralformen z.B. Berlinuri (fur West und Ostberlin).

Eine neue Serie von Entlehnungen sind Substantive , die unsere neue moderne Leben beherrschen: Diesel, Auto, Dialog Blitz, Neo-kesslerism, Mini Market, Autobild. Man merkt auch Radiosendernamen, wie WDR, MDR, NDB, Automarken wie: Volkswagen, Audi, A6, Mercedes.

Eine besondere Kategorie sind die Abkürzungen wie DAAD, DAF, RER, RER-RWE, VEBA. Diese Entlehnungen trifft man besonder in Werbung, bei Messen und Ausstellungen.

Ein Teil von Adjektiven geben uns berühmte Anthroponyms: Brecht- brechtian, brucknerian, brahmsian, heideggerian, nietzschean, wagnerian, munchenez.

Die deutsche Sprache hat bedeutend die rumanische Sprache, im XVIII und XIX Jahrhundert beeinflusst und tiefe Spuren hinterlassen.

Die Spachen ändern sich standig, weil , wenn sie mit dem Veränderung aufhoren, dann streben sie, die Spachen.

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IDIOMS IN BUSINESS COMMUNICATION

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Abstract: *Should we or shouldn't we teach English idioms to ESL students? One day a student asked me out of the blue, with no connection to our lesson: "Teacher, what does the expression to paint the town red mean?" Most of the students could give a more or less accurate explanation of the idiom, clarifying that they had heard it in movies and that it was from there they knew it. This flashed the idea of both trying to find out more about the importance of teaching idioms, of the students experience with idioms and also of writing this paper. This paper aims at sharing the results of a small survey based on undergraduate students in Economics, University of Oradea regarding the use of specific idioms in order to improve communicative skill during the second semester of 2014, when studying Banking, Finances and Accounting vocabulary. The integration of idioms seems to deserve attention in the teaching and learning process of English. Idioms in and outside the classroom are believed to help teachers and students promote an innovative environment of communication. However, the integration of idioms in the teaching and learning process may be difficult or ineffective for some learners or teachers because it is not relevant or necessary for carrying out educational goals. The use of idioms has a great influence in the teaching and learning process of a foreign language, because it could be one of the ways to give students better conditions to improve communicative skill in the daily context, sometimes when there is need to change the pace of the teaching process. Idioms may bring class to life after boring grammar drills or reading exercises.it all depends on the methods and techniques employed in order to achieve this goal. Idioms are a unique feature of languages and differ from each language, culture and country. English language is supposed to contain about 25,000 idiomatic expressions. It is important to learn the idioms of a language to avoid any misunderstandings in the use of words. It is also essential to realize the benefits of teaching idioms to those that could use the knowledge to improve their personal and professional lives.*

Keywords: idioms; communication; English; business, teaching.

JEL classification: Y90.

1. Introduction

"If you *keep an open mind* and *play your cards right*, your proficiency in English will soon be something *to crow about*" (Laflin, 1996).

Language is meant for communication. Communication can have literal and figurative meanings. One can only rely on the literal meaning making direct reference to words or sentences to objects, others may also employ the figurative sense to give an imaginative description or a special effect. Nevertheless, communication is considered successful if the message encoded by the sender is properly decoded by the receiver. As simple as that. Yet, the success of this process much depends on how well the speaker masters his background knowledge, too, besides the expected skills of reading, listening, speaking and writing. It is therefore important to highlight the place of the speakers' cultural awareness in communication in general and in business communication in particular

especially in a world where economies are developing, more and more companies grow beyond the national borders, a great number of people travel around the world and they all need to communicate in some way. This brings along the need for good communication skills.

The difference in culture is a common thing nowadays. Nevertheless, it may cause misunderstandings in the interactive communications between a foreigner and a native-speaker. People need to acquire not only linguistic competence but cultural awareness as well. And it is in schools, universities that they need to do that. The use of idioms has a great influence in the teaching and learning process of a foreign language, because it could be one of the ways to give students better conditions to improve communicative skill in the daily context

English is a language particularly rich in idioms and English has become an essential language in Romania. Actually, English is currently the most frequently taught second language in kindergartens, schools and universities in our country even if, as Horea (2014) considers, teaching it proves challenging due to the permanently dynamic status of both the English language itself and the methodological aspects implied by teaching.

When we speak about its importance, we should think how to help learners achieve communicative competence. Language classes should foster the acquisition of cultural and communication competence.

Without idioms English would lose much of its variety and humour both in speech and writing. By developing a clear understanding of figurative language, students can further comprehend texts and speech that contain metaphorical and lexical meanings beyond the basic word level. Idioms are part of the figurative language and some of the main difficulties regarding them is their appropriate use, their accuracy in a given context, especially when translating from the native language into English.

There are many idioms used in the business world. If these expressions are not understood it is easy to get lost in a conversation of any kind, let alone the lucrative one. For companies and businesses, cultural diversity can be a big factor for the company's productivity and performance especially if employees are not able to communicate properly with each other. Louisa Bukingham (2006) remarks that "Idioms are widely recognized to be a stumbling block in the acquisition of a foreign language; it is often maintained that their 'arbitrary', language-specific nature makes them difficult for learners to understand and acquire, and resistant to translation." Let us only look at the idiom "break a leg" – it would mean literally to break the bone of the leg but its idiomatic meaning would be to "do the best".

2. Idioms

2.1. Definitions

The origin of the term *idiom* is Middle French & Late Latin, where it referred to individual peculiarity of a language. The first known use of it dates as back as 16th century.

According to Merriam –Webster Dictionary, *idiom* refers to an expression that cannot be understood from the meanings of its separate words but that has a separate meaning of its own.

Other definitions of the term are: a form of a language that is spoken in a particular area and that uses some of its own words, grammar, and pronunciations; a style or form of expression that is characteristic of a particular person, type of art, etc. (http://www.merriam-webster.com/dictionary/idiom).

Idioms which are pure samples of prefabricated speech may also be defined as "complex bits of frozen syntax, whose meanings are more than simply the sum of their individual parts" (Nattinger and De Carrico, 1992:32).

Briefly, an idiom is a combination of words that has some features:

- *The meaning of the idiom is different from the meanings of the individual words themselves*, it is thus a phrase which defies the regular grammatical rules and meanings. An idiom can have a literal meaning in one situation and a different

idiomatic meaning in another situation.

- *The meaning of an idiom can be replaced by a single word*. For example “kick the bucket” is an idiomatic expression which means “die”.
- *In idiomatic expressions the words are used metaphorically*. Therefore, the surface structure helps only a little in understanding the meaning of the whole expression: “to bury the hatchet”, meaning to become friendly again after a disagreement, the meanings of the words ‘to bury’ and. ‘the hatchet’ are different from the meaning of the whole expression.
- *The word order of the idiom cannot be changed*, they “tend to be frozen in form and meaning and do not allow change in structure and meaning”. (Liu, Zhengyuan, 2012). For example the idiom “let the cat out of the bag” cannot be reordered to “the cat got left out of the bag”.

2.2. Types of idioms

Different criteria are used in order to classify idioms. Researchers have tried to categorise them according to the degree of the idiomacity that an idiom carries. According to Leah, C (2012) “idioms are categorized in a continuum from transparent to opaque called the spectrum of idiomacity”. Therefore, idioms can be divided into:

- Transparent-opaque idioms which include:

a. *Transparent idioms* that are not difficult to understand and translate as they are very close in meaning to that of the literal one, that is, their meanings can be easily deduced from the meanings of their constituents (Fernando 1996). E.g. to see the light = to understand

b. *Semi - Transparent idioms* carry a metaphorical sense, the meaning of the components help a little in understanding the entire meaning. E.g. break the ice = relieve the tension

c. *Semi-Opaque idioms* that can be separated into two parts: one bearing the literal meaning, while the other holding the figurative sense. E.g. to pass the buck = to pass responsibility

d. *Opaque idioms* are the most difficult category of idioms as “the meaning of the idiom is never that of the sum of the literal meanings of its parts” (Leah, C. …). These are culture-specific construction that have a great influence on the comprehensibility of idiomatic expressions. E.g. kick the bucket = to die

- Idioms may also be classified according to Jennifer Seidl and W. into:

a. *Informal idioms*: by the book, cook someone's goose | daylight robbery, for my money, go through the roof, live it up | make noises, not to mention, on cloud nine, on top of the world, play cat and mouse, sleep like a log, etc.

b. *Formal idioms*: as regards | in the first instance | on either/every hand | on production of, etc.

c. *Verbal idioms*: burn the midnight oil, catch sight of, excel oneself, fetch and carry, fit (someone) like a glove, go from bad to worse, hold the line, look a gift horse in the mouth, make fun of, oil the wheels, take the bull by the horns, etc.

d. Idiomatic pairs: *of adjectives*: bright and early, safe and sound; *of nouns*: body and soul, ifs and buts, man to man, odds and ends, ups and downs; *of adverbs*: first and foremost, here, there and everywhere, on and off; *of verbs*: fetch and carry, wait and see, wine and dine, etc.

e. *Identical pairs*: again and again, all in all, little by little, step by step, etc.

2.3. The origin and importance of idioms

The figurative presentation of reality most often reflects the national specificity of a people. Idioms, together with sayings, phrases and other expressions, are examples of figurative

expression and their origin is sometimes difficult to deduce even if it is often even more fascinating than the etymologies of the individual words themselves. By knowing the origins of idioms, students can more easily figure out the metaphorical meanings.
There are idioms of folk, biblical, mythological, author-specific origin, etc. The spontaneous and appropriate use of idioms is usually a mark of good English, and an indicator of a good mastery of the language. As explained by Pop. M (2014) knowing culture, literature and traditions of different nationalities will help the language learner to communicate better and colourfully. Discussions on the origins of words and phrases help students understand how language transforms over time and, thereby, enables them to infer in a more meaningful way the sense of unfamiliar words or phrases. Idioms have been assimilated in various languages and have become part of these cultures.
Some English idioms are similar to expressions in other languages and can be easy for a learner to understand: "you can't judge a book by its cover" (nu judeca o carte dupa coperta). Others are grammatically incorrect and may confuse learners: "to be broke" –"I am broke". Other idioms come from older times and older phrases that have changed over time: "kick the bucket", "hold one's horses", etc. There are idioms that require some cultural, sports, mythological background in order to understand them properly: "to cover all of one's bases" (means to thoroughly prepare for or deal with a situation and it comes from the American game of baseball where you must cover or protect the bases); "Elvis has left the building" (it means that the show is over, people may leave and it the speaker should know in the first place who is Elvis)
Most of the times students feel uneasy to use idioms comfortably and effectively. This could be partly because they have not been introduced and taught this slice of the English vocabulary. Nevertheless, if they are not taught idioms, students will be deprived of an important cultural element of the language they strive to speak fluently. It is also relevant to mention that idioms should be taught to upper-intermediate or advanced student who are able and ready to take their English to the next level.

3. Business idioms

For better or worse, the American workplace is full of idioms. People don't begin a project. They "get a project off the ground." They don't call each other to discuss progress – they "touch base." Later, if the project is not going well, they don't end it. They "pull the plug."
(http://www.eslmania.com/students/idioms/Business_idioms.htm)
Is it important to teach idioms? Actually the correct question would be: What is the operating language of a certain location? It means that if we strictly refer to teaching English to Business English students in order to equip them for working and operating in Romania only, there is not much point in doing that. The focus is on getting students to pass exams and communicate on a certain level with each other or some foreigners that may appear sometimes. Thus the operating language is 'functional and academic' English.
Nevertheless if you think you teach students who need and want to be better equipped for all the situations from factory to boardroom, working in multinational companies or even abroad, ignoring idioms and pop culture references limits their ability to build relationships, to fully understand those around them, to join in the discussion, to understand the nuances and contexts of conversations, etc.
Thus, considering that students may function in an English-speaking country/company, it is essential to realize the benefits of teaching idioms to those that could use the knowledge to improve their personal and professional lives.

3. Research methodology

The purpose of this paper is to examine the effects the use of idioms and has on business communication. For this study we used a descriptive research methodology. A survey was administered to students of the Faculty of Economic Sciences, University of Oradea. They specialize in different fields such as: International Business, Finance, Accounting (BA) and European Economic Relations (MA). All the students are familiar with business vocabulary as they start studying Business English in the first year. The BA sample is made up of 1st and 2nd year students and there are very few of them who work. The MA students study Communication in Business English and some of them work for different local companies while others work for multinational corporations, therefore, they are aware of the importance of correct business communication as they have to communicate not only in their native language but also in a foreign language with their business partners.

3.1. Sample of idioms used in Economic fields

We focused on business idioms and especially on banking, finances and accounting idioms as the research and the survey presented in the present paper took place in the second semester of the academic year when the curricula contains chapters on banking and finances. These could be stiff, serious, inflexible classes and very often there is a need to enliven the atmosphere. Surprisingly enough, idioms can help and refresh the teaching and learning process. Here is a list of some of the idioms students were exposed to throughout the semester.

Banking

Open /close a bank account;
take out a loan;
take out a mortgage;
pay in cash/by cheque;
on credit charge something to a credit card;

Business

A business runs at a profit or runs at a loss;
If a business makes neither a profit nor a loss it breaks even;
You open (up)/ set up a business or you go into business;
You close down a business/ go out of business;
A single person who runs a business is a sole trader;
A sleeping partner is a person who provides a percentage of the capital of a business but who does not play a part in its management;
If a person cannot pay his debts he is said to go bankrupt or go bust (informal)

Money

as phony as a three-dollar bill
beyond one's mean- more than one can afford
bread and butter- one's income, the source of someone's food
bring home the bacon- to earn the family living, to earn a salary
cash-and-carry - selling something for cash only and with no delivery
chicken feed- a small amount of money
a dime a dozen- easy to get and therefore of little value

Buying and selling

Shop around =compare prices at different shops
Go window-shopping = you only look at the goods in the shop window;
Buy in bulk = you buy in large quantities at a cheaper price;
You may take goods on approval = buy goods that you can return soon after the purchase date if you are not satisfied;
You may buy something on high purchase = pay in weekly or monthly instalments;
You may run up an account bill (with a shop/ firm) = buy goods on credit; A shopkeeper may put prices up and sometimes bring prices down;

A small business may be run on a 'shoe –string' = with very low maintenance costs;
To bring something under the hammer is to sell it by auction.

5. The results of the survey

The survey consists of ten questions which are meant to find out whether students are familiar with terms like "idioms", "phrasal verbs" or "idiomatic expressions" and whether they consider that by using these, communication in business is hindered. Also, the questions included idioms terms in order to see whether the students are familiar with their use in business or their use in everyday life.

The answers to the first question – "What is an idiom?" - show that 93.7% of the students do not know the meaning of this term. Then, despite our expectations, a percentage of 83.3% of the students surveyed do not consider that the use of idioms is relevant or important or that it affects the business communication.

The answers to the question whether the lack of knowledge of the business idioms may have negative effects on the overall communication and on the business communication in particular are surprising: 79.9% do not perceive that the lack of knowledge of idioms in business may harm the communication process.

When asked whether idioms: a) help business people communicate better; b) make communication more difficult, the students provided unexpected results as 37.2% of them consider that idioms could help business people communicate better.

Students were given a short list of idioms both, a few of them business idioms randomly chosen (as phony as a three-dollar bill, burn the midnight oil, can't judge a book by its cover, costs an arm and a leg, Elvis has left the building, ace up your sleeve, blue chip company, kick the bucket, mad as a hatter, pack of lie) and were asked to provide the English explanations. None of the respondents understood all idioms, and a surprising 67.5% of them could not give any explanation to any idiom.

When asked if they felt translation could help them, the students responded in a percentage of 100% that translation was not an option as words seemed not to have any connection to each other.

Regarding whether they have learnt about idioms in school, 96.3 provided negative answers, the rest saying that they have been exposed to few expressions from time to time, but they seemed irrelevant to them and paid no attention to them.

The results of the survey were pretty discouraging. Students seemed uninterested in idioms and did not trust the power of figurative words.

That was the beginning of our enterprise. The following classes focused on banking, finances, money etc. and also on idioms relating to the topic. Once students were exposed to them, idioms revealed another world to them. They became interested in the etymology and origin of the constructions, not being able, in many cases to make any connection between words. And they were later on challenged to solve exercises and answer online quizzes that dealt with idioms. It is important only to wet their appetite, as they say.

5. In conclusion

It is necessary to mention that before developing the survey, just a few students were able to recognize the importance and advantage of using idioms in a foreign language. Few of them have been abroad and had to face the real living language. The majority of the students who participated were not ready to use idioms. After this survey and the introduction of idiom-based exercises in the following classes, it was clear that the use of idioms helped students learn new vocabulary, improve their communicative skill based on the use of idioms in their spoken/written English. The learners were motivated in classes, also they felt happy because they were able to make dialogues, make sentences and

understand texts with idioms. The outcomes of this project show that the use of specific idioms can be included in the syllabus as a useful strategy to help the learner improve their communicative skill. Finally, English teachers must be aware of the importance and advantages of using idioms and integrate this issue in the development of the four language skills in English.

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SECTION : ECONOMICS, BUSINESS ADMINISTRATION, TOURISM AND STATISTICS

SUB-SECTION : ECONOMICS

OCCUPATIONAL STRUCTURE AS AN ELEMENT OF SOCIAL STRATIFICATION IN CONTEMPORARY SOCIETY

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Abstract: *This paper aims to make an inventory of several theoretical models of social stratification which can be operational in a possible approach for the analysis of social stratification set in post-communist Romanian society. Therefore, the article presents classical models: the one established by Marx, in which view in any society there can be identified, for the final analysis, using the economic criteria, two diametrically opposed classes, between them being developed conflictual relationships (the class of owners and the class of those who do not capital goods); the model proposed by Max Weber which presents a more complex perspective on society, identifying the following structures: social classes - by applying the economic criteria, designed in a much larger perspective than Marx, involving factors relating to the credentials and qualifications of the individual, which allows him to access certain occupations that gives him different positions in the labour market, being placed according to the American terminology in the "blue collar" class (those who perform manual work) or the "white collar" class (performing activities within nonmanuale occupations); social status - in his opinion relates to social positions which differ according to social prestige granted by other individuals and, in modern societies, it began to be expressed in terms of lifestyles, which varies independently from class; political parties, consisting of groups of people involved in the use and allocation of power, that can influence the economic conditions of individuals and groups, influencing the class. Contemporary sociologists have tried to separate themselves from classical theories conceptualizing contemporary class using the occupational structure as the basic element, starting from the assumption that the material and social inequalities are mainly related to the type of jobs held by individuals. There were thus carried out operational descriptive schemes, considering stratification as an unproblematic element, part of the social order (see the functionalists), or schemes inspired from Marx or Weber, which focuses on the explanation of the relations between classes and society, enrolling in conflictualist paradigm to demonstrate divisions and tensions within society. Both types get criticism due to some of their limitations. The paper suggests that if we try to apply an operational scheme to identify social structure set in post-communist Romanian society, it would be appropriate to include such dimensions that capture the position of individuals in relation to society's resources (monetary capital, physical or labour resources) and also dimensions regarding the type of occupation and income, the level of skills and expertise of individuals, in order not to exclude from the analysis unemployed persons at the time of research. We also consider that the structure of Romanian society includes three fundamental classes specific for developed capitalist societies, differences consisting in their proportion in society, in detriment for the poor class, due to the nature of the transition process in Romania.*

Keywords: social structure; occupational structure; middle class; high class; blue collar class.

JEL classification: J21; J24; D31; E24.

1. Introduction

The concept of social stratification is a basic one in sociology, being developed in close connection with the idea of social inequalities, aware not only for the first theorists in sociology, whose works have appeared in the late nineteenth century (Auguste Comte, Emile Durkheim, Herbert Spencer, Karl Marx etc.), but even with the first analysis attempts on social life, such as "Code of Hammurabi" form Babylon, "Laws of Manu" from India, the moral code from the "Old Testament", continuing with the works of the ancients (especially Plato and Aristotle, through their relevant work in sociology– Republic and Politics) aimed at ensuring a minimal social order in which to avoid inequality of people before the law and the development of normal social life without disturbances and conflicts. Subsequently, social stratification has become a topic of great interest to most sociologists who have made social analysis, particularly the macro - sociological type.

While in most systems of stratification known throughout history (slavery, caste, states) inequalities were expressed in particular by interpersonal relationships between their members in terms of debt, obligation with local or national aspect, class systems scale works by wide association, impersonal, on the basis of common shared criteria, for example in the workplace inequalities, inequalities in the payment system or to grant salary rights. The literature attests, on the other hand the idea that the characteristic of modern and postmodern societies have contributed and will contribute to changing stratification systems, in order to eliminate caste -based systems or systems based on slavery and generalization classes (Giddens, 2010: 290-294; Chipea, 2014:105-106).

2. Understandings of social and occupational structure concepts

The term social class defines a "form of stratification in which membership in different social groups and the relationships between them are determined primarily by economic criteria" (Zamfir and Vlăsceanu, 2003: 99). Therefore social classes are social macro-groups in social stratification, determined by economic criteria. The basic, classical theories, which have been reported, in one form or another, all social or occupational stratification approaches were those developed by Karl Marx and Max Weber.

2.1. Social Classes in K. Marx's view

In Marx's view, social class represents a group of people who have a common relationship to the means of production, the means by which they earn a living. In a simplified introduction to Marx society (at any level of development) is divided into two opposite classes, which are in a constant struggle, namely rich and poor, leaders and followers, the government – the governed, exploiters - holdings, those with means of production - those without the means of production. In feudal societies, the exploitation was visible, consisting of direct transfer of product from the peasantry to the aristocracy, meaning that serfs, peasants, landless were forced to give a part of the crop or to work a certain number of days on the master landed property. In modern capitalist societies exploitation the phenomenon is less visible, being hidden in employment, according to Marx (1966: 313-314).

Between the two classes exists antagonistic and conflictual relations. Analyzing Marx's theory stands out that the fundamental principle underlying social stratification is the economic criterion, the property, and the relationship between classes is one of exploitation (Drăgan, 1985:102-106.).

Marx was deeply impressed by the inequalities that emphasizes continuously between two specific classes of capitalist society, even if workers receive higher wages and become richer in absolute terms. The process by which the capitalist class becomes richer and the working class poorer, is named by Marx *impoverishment*, which is associated with the alienation generated by repetitive boring and tiring work.

2.2. Social class, status and power - M. Weber

Like Marx, M. Weber believes that society is characterized by the conflict for power and resources, but he developed a more complex, multivariate view on society exceeding Marxist vision, that all conflicts lies in the center of polarized relations between classes and economic problems. In his opinion, at the configuration of the stratification system in a company, in addition to the criterion of social class, there are two criteria that are contributing, namely their status and power. Therefore, Weber believes that a society can be determined the following structures: classes, using economic criteria; social caste, using social criteria of social status; political parties, using the political criteria (Weber, 2004).

Social class in Weber's view is based on economic criteria, but he considered that in the determining of the class act a greater diversity of factors than those analyzed by Marx, among he mentions credentials or qualifications that influence the type of occupations (jobs) that individuals can handle. Weber believes so that individual's position in the labour market, greatly affects their life chances, meaning that those who hold managerial or professional occupations (the category of "white-collar") earns more and has better conditions, and as well they are more saleable on the labour market in relation to individuals in category " blue collar", which have lower qualifications. Also, individuals who are part of blue-collar and possess qualifications in various professions are well paid and benefit better conditions of work compared to unskilled workers.

Social status, according to Weber, refers to the social positions which distinguish according to social prestige awarded by other individuals and, in modern societies began to be expressed through lifestyles (Weber, 1978). In the eyes of others, social positions is measured by specific indicators and symbols statuses, such as housing, occupation, how to talk, how to dress etc. All statuses that have similar characteristics constitute a distinct social stratification, a community where there is a sense of shared identity. Unlike Marx, according to which status differences are the result of the divisions of class, Weber argued that their status varies independently of class. Although naturally rich should give the individual a higher status in reality there are many exceptions, often talking about the "noble poverty," people of aristocratic families who lost their wealth and continue to enjoy social prestige given by the noble class they belong, as the upstarts are regarded with contempt by those who have acquired wealth over time. (Giddens, 2010: 296). From this point of view, similar situations are found in the Romanian society, the teachers, for example, or other professions in the "white collar" category, although relatively small income continues to enjoy high social prestige derived from their high education.

Regarding stratification criterion based on the political parties' affiliation, Weber understands the political groups as sets of individuals involved in the use and allocation of power. Even if they live for politics (they don't seek to make any profit from politics) or of politics (politics professionals), members of political parties aspire one way or another to exert the power (a form of domination by force or violence) on other groups, and ensuring some form of legitimacy (social support , recognition from society members) (Weber, 1992). They may also be established on religious or ethnic aspect. (In this case there is, for example UDMR). In Weber's view, neither parties nor statuses cannot be reduced to class divisions, as required by Marxist theory; however both can influence the economic conditions of individuals and groups, influencing in this way the class.

2.3. Approaches of social class concept according to Goldthorpe

A class diagram that captures the relational nature aspect is the one developed by J. Goldthorpe, considered by sociologists as one of Weberian origin whereas the diagram author identified class positions based on two factors: market situation of an individual who refers to the level of his salary, job security and its perspective to be promoted in his career, thus emphasizing the material rewards, life chances and employment situation refers to indicators regarding relating occupation respectively control, power and authority

within it (autonomy rate at the working place and general relations of control that affects the employee) (Goldthorpe, cited by Giddens, 2010: 299-301).
The scheme developed by Goldthorpe on these bases is more detailed than others used in the literature, based on fundamental standard as occupation held by individuals in the idea that this entails all other features of class: income, prestige, lifestyle, job security and the possibility for promotion qualification. On the other hand, the occupation is strongly associated with education and experience level acquired by the individual throughout his educational career, giving it both a degree of autonomy and control over resources. The scheme comprises eleven positions, which usually are compressed into three main formations class: a class of service (which includes the first two positions, namely highly qualified professionals, administrators and officials and experts with lower degree of skill and managers Located on a lower hierarchical level); an intermediate class (which includes three four positions of the scheme, consisting of employees in occupations routine non- manual office generally those in service and sales. This class includes the artisans and small businesses that are self -employed without employees, farmers and other self-employed persons in agriculture. There are also included lower level technicians, supervisors of manual workers); a working class (which includes manual skilled workers, semi-skilled and unskilled workers as well as agricultural workers).
The author acknowledges the existence, in the top of the hierarchy of a so called elite class, of employers, but he considers being so small in terms of number and percentage that its study is not significant as a separate category.
In terms of employment relations, Goldthorpe has focused his attention on employment contracts, analyzing their typology. For that purpose, the author states the specific employment contract (which involves a payments exchange and effort, clearly defined) to the service contract (involving a "prospective" element and the possibility of increasing the salary or a career promotion). According to Goldthorpe, the working class is distinguished by labour contracts and the services class by services agreements. Intermediate classes are characterized in this respect by intermediate types of employment relationships.
Although this scheme was frequently used in the study of social stratification, some sociologists have highlighted and reproached certain limits, of which we mention in this context, first of all the difficulties to be applied to the economically inactive persons, such as the unemployed, pensioners and students. Another limit consists in the impossibility to capture the property and wealth role in establishing the social class, as long as the wealthiest members of society, such as bankers and wealthy businessmen, in their capacity as "executives" or "directors" are placed in the same individual levels with the persons who have fewer resources, thereby diming the role of property and wealth in the class formation. On the other hand, in today's society great changes are produced even within the class, in the sense that there are new types of occupations, there is a massive migration of certain occupations from each other, and in the last decades a large number of women have entered to labour market, which affected the structure and quality of occupations (Larionescu, Mărginean and Neamțu, 2006).
Important changes occurred in the stratification system of companies too, generating new patterns of inequality. First, it is said that a proper social model is based on balanced economic development, which involves creating enough jobs, in order to increase employment of the population.
An economy based on knowledge and services generates a class structure and a division of classes different from specific industrial society. In the specific industrial society of social order, the largest class, considered by Marx the agent of social transformation was the working class or “blue collar” in American terminology. The new society, manual working class is in a minority, and its numbers will diminish as the manufacturing sector will decline. Old “middle class” has differentiated enormously, and the upper class of landowners almost disappeared. Now, there are new occupational divisions generated by technological and social changes associated with the new economy based on knowledge and services.

2.4. Class division in contemporary Western societies, proposed by Giddens

We consider very challenging and relevant the new structure of post-industrial society class, proposed by A. Giddens as a result of the analyses carried out in the advanced Europe economies (Giddens, 2007: 99-108), that distinguish the following levels, depending on the held occupations:

- leading group of this structure is a mixture of elite powers with trans-national and national perspectives, especially perceptible in the "global cities of Europe"; this high level includes the cosmopolitan elites, revolving around government, business and higher levels of professions, representing the lowest area of the society;
- the second level consists of senior managers and professionals, accounting more consistent than the elites ;
- the third level of the social hierarchy is occupied by groups that require advanced IT knowledge and also the "Apple Mac" groups, which grew in the analyzed period from 20 to 24%;
- the fourth level is occupied by "connect" workers, including officials, meaning those who use the computer an important part of the day without being IT specialists ;
- small business owners are fifth in the hierarchy;
- the sixth place is occupied by a numerically quite significant social category, Big Mac workers, for example those who perform routine activities such as: the ones who serves in cafes, shops, supermarkets, gas stations ;
- the last but one is occupied by industrial workers ;
- the last of the eight is occupied by farmers with a decrease role.

2.5. Trends in major classes of contemporary society

Many contemporary studies on social stratification of European societies emphasize several manifestation trends eve in major classes of society (Giddens, 2010: 301-323).

2.5.1. Dominant class

Essentially everywhere can be identified a ruling class, meaning that in any society there is a group that holds the main wealth and power, which would represent about 1 % of the population. Individuals placed in the category of the rich are a dynamic and heterogeneous group with a very different profile. After families with a considerable fortune, built over time, range the music, sports and movies celebrities, and the representatives of the “new elite" who have accumulated huge wealth through the promotion of new information technologies: computers, telecommunications, the Internet. Likewise we may observe that a relatively small but growing number of women step among the richest members of society (to review “Top 100 richest people in Romania” in recent years).

John Scott (cited by Giddens, 2010: 306) believes that although the rich class has now changed its shape, it has retained a distinct position to achieve the control and profit from big business. The author indicates the existence within the contemporary rich class of three distinct groups: managing directors of big corporations, which may not have their own companies but are able to purchase shares, which connects both the old industrial entrepreneurs (who have made a fortune in business and more recently in the promotion of technology and telecommunications information) and financial capitalists (a category of people working in insurance companies, banks, investment funds and other large organizations which owns institutional titles and which, according to Scott is at the heart of today's ruling class).

2.5.2. Services class

Right after the ruling class, will follow the class service, as we have previously established, according to Goldthorpe's scheme, by experts, managers and top managers, considered to be the intermediate class, most commonly known in the literature as the middle class or

the so called – “white collar” class .
From the point of view of its importance in society is noted that it is associated with social stability, prosperity, functional market economy, democracy and civil society, being the only class that has expanded in contemporary capitalist societies in relation to the majority population.
The literature shows a clear distinction between the *old middle class*, which differs depending on the type of owned capital (income, lifestyle, consumption, etc.) and *a new middle class*, which is characterized by the type of cultural and educational capital that it holds. Educational capital accumulation and increasing the conversion opportunities into economic, social and symbolic capital, becomes the main source for the formation of the so called "white collar class" (Mills, 1951), or the "new middle wage class "(Scott, 1991, cited by Giddens, 2010: 306) that led to the social pattern changing for Western societies.
The twentieth century was characterized by a continuous increase of non- manual occupations, a phenomenon which depends on the labour market and not on property. Mărginean (1993) includes in the definition of middle class the element regarding the work nature, endorsing in particular its *professionalization* . The middle class is placed in the social hierarchy between the upper class and the working class, starting just from the argument that non- manual work enjoys a higher prestige than manual. The middle class is very heterogeneous in terms of education, occupation and earnings. Therefore it was necessary to operate a stratification right in its interior, which can be identified al follow (Larionescu et al., 2006*:* 24-25):
- *a lower middle class* , highly heterogeneous in terms of occupations, including "the routine nonmanual working class” (Giddens, 2010: 279.), such as sellers, nurses, teachers, minor officials or small business owners who are as well the traditional middle class ;
- *a middle class itself*, which contains lower or subordinate class service, consisting of managers of small businesses, small professional, assistant managers;
- *an upper middle class*, made up of high educated managers and experts, who have superior benefits consisting of income, job security, promotion possibilities;
Expanding the role of organizations, bureaucracies in contemporary society has generated a need for more experts in the social, legal, finance, banking, information technology which contributed to wide-spread increase of middle class..
In conclusion, the middle class which represents an increasingly important segment in the developed Western societies and which is regarded as ensuring the stability of society is characterized primarily by credentials, skills, diplomas and certificates according with the demands of the labour market, demands that become increasingly exigent as a result of the unprecedented pace of development in new information technologies, communications and transports.

2.4.3. Working class

The working class or "blue-collar class" is a class that seems to have become increasingly limited in contemporary societies despite Marxist prophecy whereby it will become the most powerful class. In addition to the type of work referred to manual labour in determining the working class operates as well other characteristics, such as low education level, a different lifestyle, a different attitude towards work, different political views, a specific way achieving the socialization of their children which usually takes place at home with close family members, relatives and close neighbors .
On the other hand, some studies have shown that also exist a tendency among some of the blue -collar class which has opportunities for gain better, to adopt the lifestyle of the middle class, which will generate changes in the structure of class.
The working class has emerged a segment located in the bottom of the class structure, underlined as the *subclass* (in American sociology), a group characterized by multiple disadvantages. It consists of long-term unemployed, homeless people, which may depend on long compensations. In Western sociology, especially since 2000 (Lisbon Summit), to

characterize the processes that generate such groups, we use the concept of *social exclusion* (Chipea, 2011: 45-67).
Stratification of society, consisting in placing individuals on a hierarchical scale in social prestige aspect, is a characterization of any society, manifesting itself in different forms depending on the type of company and historic level where it stands. Post-industrial society is expected to introduce new criteria in setting social stratum. The fact is that today the destiny of individuals is strongly influenced by individual projects in which the education and the skills acquired through study prevail in relation to predetermined class structures (Vlăsceanu, 2007: 70-103).

3. Concluding remarks

We will discuss here some aspects regarding the stratification scale model specific to contemporary Romanian society.
The theme of social stratification, the fundamental classes of society, remains a basis one for contemporary sociology, especially since the information society and the Internet creates a new form of accumulation of wealth and well-being, which is not uniformly distributed in society, deepening more and more social inequalities.
Although classical theories of social stratification developed by Marx and Weber are often considered obsolete by new developments of societies, it seems that they remain largely operational in these new contexts. The sociologists who attempted to operationalize contemporary class using the occupational structure as the basic element, starting from the idea that material and social inequalities are mainly related to the type of jobs held by individuals, ended either by developing descriptive structures (see the functionalists), or by making a scheme which focuses on the explanation of the relations between classes and society, following the conflictualist paradigm.
Illustrative in this sense is the scheme of Wright (1997) which proposes contemporary societies stratification approach using three dimensions of control over resources: control over capital investments or money; control of production of fixed assets (land, offices, factories); control over the labor force. Those who have control over these resources would be the capitalist class, and those who have no control represent the working class. Between the two classes would be ranked a "contradictory class", the middle class, with an uncertain position, which depends on the degree of specialization, expertise and approach to authority.
Regardless of the point of view taken, the fact is that we cannot ignore in determining classes in contemporary society any position (control) of individuals in relation to society's resources, nor the type of occupation held. The last one should be viewed not only in terms of nature of work performed manually or nonmanual (blue and white collar American theory), but also in terms of the level of expertise required by the job and the report with authority. We also consider that a class scheme, operational for the knowledge and explanation of stratification model in the Romanian society, cannot ignore the incomes of individuals that constitute the structure of society. In this way, people who are not engaged in activity such as the unemployed, pensioners, housewives, or other categories would not be excluded from the analysis. We estimate that in Romanian society structure can be identified three fundamental classes specific to developed societies (a ruling class, a middle one and the poor lass), indicating that differences will consist primarily in their proportions. On the other hand, we expect that applying a scheme of stratification will show a large heterogeneity within classes, with the possibility of identifying the original models, determined by the specific Romanian transition.

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THE EU IN THE KNOWLEDGE ERA: AN EXPLORATORY ANALYSIS

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Abstract: *In this paper, similarities and differences among the EU member states in the last years are evaluated by using an array of variables, each of which representing an aspect of the knowledge economy. In the first section of the work, a brief overview of the economic development theory is provided and its relationship with knowledge diffusion is underlined. In the second section, some indicators as proxies of knowledge diffusion are introduced and the performances of the above mentioned countries are investigated by means of a multidimensional scaling analysis. Results show that it is possible to distinguish homogeneous clusters of European countries having in common geographic elements and knowledge capability.*

Keywords: knowledge economy; economic development; education; openness to trade; ICT.

JEL classification: I15, O15, P46.

1. Introduction

The analysis of economic development in the European Union (EU) has to be necessarily revised for a couple of reasons, at least:

1. The process of EU enlargement, which reached its culmination in 2013 with the entry of Croatia,;

2. Trends as reflected in recent literature about the economic development and its determinants.

The economic implications of the latest EU enlargements are still issues of debate. Preliminary studies highlighted that EU accession provided a boost to growth for new entrants, which – among other things – have benefited from structural funds for infrastructure development, research, firm promotion, environmental protection, tourism, education, etc. In spite of the doubts raised by some observers, the economic impact of enlargement on old member states was also not negligible, particularly as a consequence of trade with Eastern European countries. The widening of the European Union was indeed aimed at creating a broader and more integrated common market, able to offer economic advantages to old and new member states, by spurring economic growth.

Actually, economists have always paid attention to the topic of economic development and its main determinants. However, owing to the contrasting conclusions reached by scholars, there remains some disagreement over the identification of development-determining factors. In the last few years, scholars have been increasingly focusing on the implications that research activities, human capital, degree of openness to international trade and adoption of new information and communication technologies (ICT) may play in development diffusion. Following the dominant literature, we will argue that the amount of knowledge and the way it is used are the key determinants for development, whose

increase exerts a positive impact on the economic system as a whole.

The main goal of the paper is to test the robustness of the underlying paradigm, through the analysis of the economic structure of the EU member states in the last years. In this regard, a brief overview of the relevant literature on development key-determinants in the knowledge age is provided (see par. 2). Then, some indicators measuring specific aspects of the knowledge economy are introduced and a multidimensional scaling analysis, chosen as a tool for research, is set out (see. par. 3). Finally, brief conclusive remarks are made on the main results achieved by the analysis (see par. 4).

2. Knowledge economy and economic development

In the last years, a higher number of researches have been conducted on economic development and its determinants. Recently, a rising interest has been stimulated with reference to knowledge, leading to a new focus on the role of technology, learning and information in economic performance.

Several authors have focused attention on innovation systems and on research and development (R&D) activities, which lead to new technology creation and may eventually positively affect per capita output increase. In the growth model developed by Solow in 1956, it is shown that technological progress constitutes the main source of growth for productivity. However, the American economist, by regarding technology as an exogenous variable and as a public good freely available to anyone, would not be able to explain the differences in growth rates observed between countries. Only in the last decade of the past century, a number of authors (among who Romer, 1992; Aghion and Howitt, 1998 and 2004) advance a more comprehensive theory of growth, underlining that an effective innovation system is fundamental for technological development. Even more recently, other researches have showed that innovation or technical knowledge development have a significant positive effect on economic growth and productivity increase (among the others, Guellec and van Pottelsberghe 2001; Lederman and Maloney 2003)

Therefore, it is important to focus the attention on the processes of space concentration of R&D 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. 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. However, innovation is not limited to the so-called high-tech industries, but flourishes in other industries as well (von Tunzelmann and Acha, 2004; Miles 2004), although the factors that matter for innovation (and consequently the available policy options) may vary somewhat from one sector to another (Malerba 2004). Moreover, based on surveys of innovation activities of firms, that consistently shows that what generally matters most for successful innovation is not only the link with basic science, big public laboratories or universities, but close interaction with users, suppliers and competitors (Granstrand 2004; Smith 2004; von Hippel 2005). These lessons may raise important questions for policy.

Starting from the most important contributions of endogenous growth theory, technological progress comes to be linked to investments in human capital. Human capital is a concept that was first developed in the 1960s by Shultz (1961 and 1963) and further developed by Becker throughout the 1980s and 1990s. The main idea is that, although humans possess tangible financial capital such as bank accounts and stocks, they are also the repository of

knowledge, skills, and qualities that can also be considered capital. Becker [1975] argued that it is a worthwhile endeavour to invest in human capital. As he put it, "*Economists regard expenditures on education, training, medical care, and so on as investments inhuman capital*" (p. 74). The subsequent works of Romer (see, for example, 1986 and 1990) and Lucas (see, for example, 1988), another leading figure in the Chicago School, further stress the effects, both quantitatively and qualitatively, of human capital on growth rates. More recently, hundreds of empirical studies on economic growth include human capital measures (Barro, 1991; Hanushek and Kimko, 2000; Cohen and Soto, 2001). Other recent works on the role of human capital in economic development dynamics propose models assessing investments in education and multidimensional analyses directed to evaluate the complex dynamics of the knowledge economy (Mattoscio, 2005; Carlei et al., 2008; Mattoscio and Colantonio, 2005; Mattoscio and Carlei, 2006; Mattoscio et al., 2007).

The evidence shows that innovative activities today are still highly concentrated in few industrial countries. Generally, developing countries do not engage in relevant amounts of R&D. Most of the time they are technological followers whose technical progress eventually relies upon the ability to adopt and appropriate innovations produced by advanced countries. Hence, understanding international technology spillovers becomes a crucial issue in explaining economic development. In such sense, the degree of openness of an economic system may affect technological diffusion through various channels. One channel is international trade which makes the transfer of embodied technology possible. Grossman and Helpman (1991) develop an approach of growth in the context o fan economy open to international trade, in which they assume that technological know-how may be imported from abroad. Several more empirical studies highlight the positive relationship between openness to foreign trade and growth rates, even if amount of embodied technology in imported capital goods is positively related to the level of educational attainment (Caselli and Coleman, 2001; Caselli and Wilson, 2004). Another channel facilitating technological diffusions is represented by foreign direct investments (FDI) (see Barrel and Pain 1997). In 1993, Romer (1993) has already advanced such an hypothesis, implying that FDI might result in substantial positive spillovers not only for the single benefiting firms, but also for the economy as a whole.

A larger interconnection, a higher processing speed and a wider knowledge access are nowadays encouraged by the new information and communication technologies (ICT). Though not directly generating innovations, ICT are regarded as the backbone of the knowledge economy and have been recognized as an effective instrument for promoting economic growth and development. Owing to their relatively low cost of use and their ability to scale distances down, ICT have revolutionized information and knowledge transfer all over the world. In such a regard, a number of researches show that the production of ICT has made a major contribution to economic growth (among the others see Seo and Lee, 2006; Lam and Shiu, 2008).

In a nutshell, by referring to the above-mentioned contributions, we might postulate the existence of at least four preconditions necessary for knowledge to be the real engine of development:

• an effective innovation system, made up of firms, research centres, universities, etc., capable of raising the stock of knowledge and to absorb it and adjust it to local needs;

• an educated and qualified population, able to create, share and use knowledge;

• a good degree of openness to foreign trade, encouraging imports of technical knowledge developed abroad;

• an adequate ICT infrastructure, facilitating information and knowledge diffusion;

Basing of this theoretical framework, a number of indicators representing the main aspects of the knowledge economy have been identified.

3. Data, methodology and results

To reach our purpose, which consists in identifying similarities and differences in terms of knowledge capability among the EU member states in the last years by using an array of variables, each of which representing an aspect of the knowledge economy, we perform a multidimensional scaling analysis. This analysis is a useful tool through which it is possible to produce a graphical representation of a pattern of objects, in this case 27 EU Countries (with the exception of the outlier Luxemburg) based on the degree of similarity/dissimilarity among them. The goal is to provide a representative map that best approximates the distances observed among the Countries, concerning the knowledge economy. This statistical method attempts to build a configuration of the various entities, merged in a small number of dimensions (two in our case).

This is done by defining relations between Countries in terms of proximity/distance with respect to the considered indicators. The resulting positioning map has the property to partition the Countries into homogeneous groups, so as that the degree of association between two Countries is maximal if they belong to the same group and minimal otherwise. We considered a matrix of 27 Countries and 12 indicators, representing four sets of variables: those related to R&D, human capital, openness to international trade and ICT diffusion (see Table 1). Data represent mean of the last fife years, based on the availability on Eurostat database. Data were normalized within each considered variable at a later stage, in order to avoid possible distortions due to different ranges and magnitudes.

Table 1: The database

	Total intramural R&D expenditure (Euro per inhabitant) 2009-13	Human resources in science and technology (% of active population) 2009-13	Patent applications to the EPO (per million inhabitants) 2008-12	Public expenditure on education (% of GDP) 2007-11	Lifelong learning (% of interviewed population) 2010-14	Employment rates of recent graduates 2010-14	Exports of goods and services (% of GDP) 2010-14	Imports of goods and services (% of GDP) 2010-14	Foreign Direct Investment (% of GDP) 2010-14	Computer use (% of individuals) 2010-14	Enterprises having a web site or homepage (% of enterprises) 2010-14	Households with Internet access (% of households) 2010-14
Austria	997,0	40,7	206,1	5,7	13,9	89,2	53,0	49,9	1,2	81,8	83,4	77,8
Belgium	733,6	49,4	135,0	6,4	6,9	80,2	81,2	79,9	9,1	83,6	77,6	78,2
Bulgaria	30,9	32,5	2,6	4,2	1,5	65,7	64,0	65,1	3,6	54,6	44,2	48,0
Croatia	81,0	32,3	6,4	4,3	2,7	62,1	41,7	41,3	3,1	64,4	65,2	63,2
Cyprus	102,2	46,1	11,3	7,6	7,3	70,9	50,6	51,8	9,5	63,8	60,8	61,4
Czech Republic	237,4	36,9	18,3	4,2	9,7	81,2	75,0	70,1	3,5	75,6	78,8	68,8
Denmark	1322,9	51,8	225,6	8,4	31,9	83,3	52,9	47,3	-1,0	93,4	89,8	90,8
Estonia	229,2	47,4	29,8	5,4	11,9	74,5	84,4	81,0	7,2	79,4	74,4	74,4
Finland	1281,2	52,4	254,5	6,5	24,3	79,1	38,6	39,1	1,9	91,4	92,0	86,2
France	692,9	46,1	131,0	5,7	10,5	76,8	27,7	29,6	0,8	81,0	62,2	79,0
Germany	908,0	45,5	281,0	4,8	7,8	88,6	44,9	39,2	1,7	86,4	82,8	85,4
Greece	126,3	33,4	6,8	5,4	2,9	47,3	27,8	32,8	0,7	57,8	61,8	54,4
Hungary	121,8	34,4	19,0	5,0	2,8	74,6	87,5	80,8	1,1	73,2	60,2	68,0
Ireland	590,0	48,3	70,0	5,9	6,9	71,6	103,3	83,2	16,2	78,0	72,0	79,0
Italy	334,9	34,3	74,6	4,5	6,5	52,6	27,8	27,2	0,7	58,4	65,0	65,2
Latvia	59,8	39,2	8,3	5,3	5,8	72,9	57,8	61,1	3,3	73,6	53,2	67,6
Lithuania	88,8	43,5	5,0	5,1	5,1	75,0	77,6	78,0	1,9	67,6	70,8	62,4
Malta	119,5	34,8	10,1	6,4	6,8	92,1	155,8	152,1	3,3	70,6	73,8	76,4
Netherlands	706,0	52,0	187,6	5,7	17,0	89,7	79,5	70,0	27,5	93,6	84,2	94,0
Poland	75,7	36,8	9,1	5,0	4,5	74,7	65,2	61,8	2,2	67,0	65,8	69,4
Portugal	241,5	26,6	8,8	5,3	9,4	72,2	36,3	38,5	5,1	64,2	54,2	60,0
Romania	29,6	25,0	2,0	3,8	1,4	69,1	37,5	40,9	1,7	52,4	38,2	52,4
Slovakia	88,3	32,9	8,0	3,9	3,1	70,2	87,7	85,7	2,6	81,6	76,2	73,8
Slovenia	405,9	42,0	54,1	5,5	14,0	74,8	71,9	67,5	1,1	73,0	77,6	73,6
Spain	299,5	40,1	32,5	4,8	10,8	65,3	29,6	28,5	2,3	73,0	67,0	66,4
Sweden	1354,5	51,6	291,5	6,9	26,6	84,1	45,6	40,8	0,9	94,0	89,0	90,8
United Kingdom	499,5	49,5	83,5	5,7	16,6	82,2	29,6	31,6	1,9	89,6	79,4	85,6

Source: Our computation on Eurostat data

The model's goodness of fit was assessed via the RSQ (0.963), that indicates the proportion of variability explained by the corresponding dissimilarity distances, and the Stress Index (0.093). As a general rule, results are found to be robust when the size k achieves an Stress Index value lower than 0.15. A two-dimensional model was judged to be acceptable according to the values of the Stress Index, reported in Table 2. Further investigation provided additional basis for choosing the two-dimensional solution: the "elbow" rule suggests to choose the number of dimensions in correspondence to where the diagram yields an "elbow", beyond which the broken line flattens (see Figure 1).

Table 2: Stress Index and map configuration

Dimensions	Stress index
1	0.273
2	0.093
3	0.046
4	0.032

Source: Our computation on Eurostat data

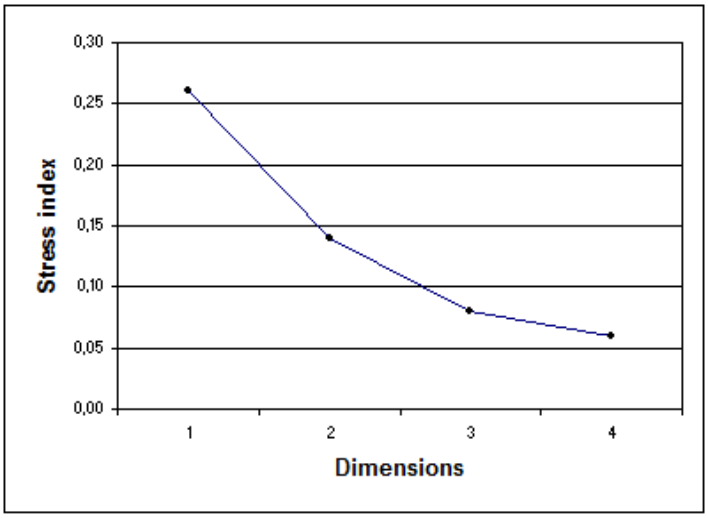


Figure 1: Scree plot
Source: Our representation

The correlations between dimensions and variables (see Table 3) was useful for naming the axes.

Table 3: Correlations between variables and dimensions (r > |0.5|)

Variables	Dimension 1	Dimension 2
Total intramural R&D expenditure	0.90	
Human resources in science and technology	0.87	
Patent applications to the EPO	0.88	
Public expenditure on education	0.67	
Lifelong learning	0.87	
Employment rates of recent graduates	0.71	
Exports of goods and services		0.95
Imports of goods and services		0.94
Foreign Direct Investment		0.54
Computer use	0.94	
Enterprises having a web site or homepage	0.87	
Households with Internet access	0.95	

Source: Our computation on Eurostat data

The horizontal axis mainly represents variables concerning the R&D context, education and ICT diffusion and it was named “knowledge capability”; the vertical axis is positively related to export, import and FDI and it was called “openness capability”. The resulting two-dimensional configuration is shown in Figure 2.

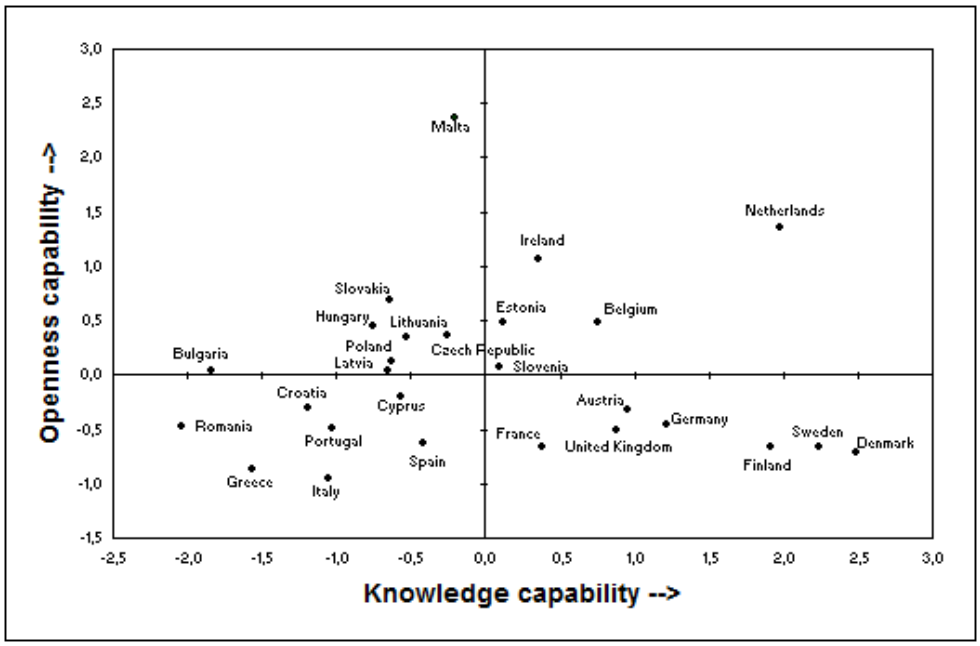


Figure 2: Clusters of 27 EU Countries in a two dimensional space
Source: Our representation

At the bottom right of the chart there the main central and northern European Countries, which show high technological values, high level of human capital and a good ICT diffusion, but relative low volumes of import and export. At the top right of the graph there are Countries with the highest levels of knowledge and openness capability. At the top left of the diagram there are many Eastern European Countries, with good levels of openness capability but low technological and educational potential. Finally, at the bottom left of the chart there are the main Southern European, characterized by relative low values all the considered variables. Clusters show that many European countries have in common geographic proximity and knowledge capability.

4. Conclusion

Economic theory assumes that knowledge is a key determinant for economic development of Countries. However some conditions must be complied with in order to knowledge and its increase exert a positive impact on the economic system as a whole.

First, innovation system and research and development activities through knowledge production and new technology creation contribute to the productivity increase. Second, a crucial role seems to be played by human capital investments. Knowledge diffusion within a country and among different Countries can be furthered by a higher degree of openness to foreign trade and by presence of modern infrastructure for information and communication.

By means of a multidimensional scaling analysis we showed that it was possible to distinguish homogeneous clusters of European countries having in common geographic elements and economic variables. Further investigation is required to better explore the dynamics of the above mentioned factors on the development of economic system of Countries.

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THE PROCESS OF BANK CONCENTRATION AND CONSOLIDATION IN THE CENTRAL AND EASTERN-EUROPEAN COUNTRIES

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Abstract: *In this paper I proposed to accomplish an analysis of the process of bank concentration and consolidation in some countries from the European Union: Poland, Hungary, Czech Republic and Slovakia. These countries from Central and eastern Europe, that, the same as our country had at its basis the Soviet union model, based on a planned, centralized economy, without modern bank institutions, were submitted to a process of banking reform in a period characterized by an unstable macro-economic background, by a bank management without a discipline in the activity developed, by the increase of the portfolio of low performance credits. The objective followed on the entire paper is the underlying of the particularities of the process of bank concentration and consolidation in these countries, from the reform of the banking systems until the present. I approached the evolution of the process of bank concentration and consolidation in these countries because they are considered as having the most relevant transitions in Europe. Hungary was considered for a long time the country with the fastest economic increase. Slovakia, with approximately 90% foreign capital, is one of the few countries from Europe that avoided the crisis from the bank sector, without government support, and Czech Republic and Poland are characterized by the increase of the number of banks, due to the amenity exercised on the foreign investors. The early reforms accomplished in countries as Poland or Hungary, generated much smaller costs than the reforms accomplished in Romania, Czech Republic or Slovakia where these reforms were postponed, and the expenses with the restructuring of the banks were much bigger. The privatization of the bank institutions proved to be the most successful strategy, because the taking over of the bank institutions by foreign investors is a valid premise for the creating of some competitive bank institutions. We can affirm, as Mihai Ilie affirmed, that the role of the banks in the period of transition to the market economy is very important because they are created in an "important link of the financial system whose performance will offer an efficient instrument of appreciating the condition of health of the economy in its ensemble" and the volume of the financial availabilities existent in circulation in an economy is a characteristic of the development of economy in is ensemble.*

Keywords: concentration; consolidation; banking system; reform; transition; central and Eastern Europe

JEL classification: G21; G34; F65

1.Introduction

As Corrigan also affirmed (1982, quoted in Berea, 2001), many occidental economists appreciate that the banks have an important role in development of the bank sector, they are the ones that create the structure of the market economy, they are real engines of the economic development and the process of banking reform is necessary to be developed according to the restructuring of the economic activity as "the adjustments on the macroeconomic level should be accomplished simultaneously with the restructuring on the microeconomic level" (Lăzărescu, 1998). In the period of transition to the market economy the banks were in the property of the state and they had as the objective the maintenance

of the state enterprises. Barisitz (2009) sustains that in Poland, Hungary, Czech republic and Slovakia, as in Romania and the other countries in transition, the first step was the relief of the National Bank of the activities with cash, the creating of a banking system on two platforms, the liberalization of the bank authorization in the banking system in order to increase the competition. Also the portfolio of low performance credits taken from the old centralized system and those accumulated during the period of transition determined measures as their transfer to a "hospital bank or bad bank" or to an agency of recovery of debts and their replacing with government bonds. In case of Romania they were transferred to AVAB (The agency of exploiting the bank assets). The success of the structural reforms depends in a great measure of the economic stability. "The experience accumulated in the last decade feeds the opinion that the best successes were obtained by those economies in transition that succeeded, simultaneously, the stabilization and applying of some corresponding measures of reform (Fisher and Sahay, quoted in Bădulescu, 2007).

1. The evolution of the process of bank concentration and consolidation in Poland

Before the process of deregulation of the Polish banking system, that took place in 1989, it acted as a component of the economy centralized planned. The rates of the interests were established centralized by the government and the dimensions and priorities of the activity of credit were recorded in the annual plan. The National bank of Poland has the greatest bank and accomplished the role of central bank and the functions of the commercial banks (Kozak, 2013). The point of departure of creating the banking reform in Poland was the creating of a banking system on two levels, the first level being represented by the Central bank with duties of surveillance and monitoring of the bank institutions, the accomplishing of the monetary politics and of exchange, and on the following level being the commercial banks that were taken from the central bank (with the number of nine), and the other state banks, private or *joint-venture* banks. The activity of the National bank of Poland was divided and were created nine commercial banks on regional criteria, compared to other economies in transition in which the new banks appeared by division, depending on the type clients. The governments from Poland adopted a protectionist politics and manifested precaution in giving the licenses to the banks with foreign capital, appreciated as "an infantile industrial attitude, according to which the national banks learned to defend themselves from the foreign banks competition when they appear" (Bonin et al., 2008). As a consequence in 1995 the foreign capital had a percentage of only 4% in the total of bank assets. The privatization of the banking sector from Poland was accomplished under the form of a mixture of IPO offers and sale of minority sale packages of shares to the investors that determined the manipulation of the market and the demission of the government. In the following period, the following governments tried to consolidate the banking sector by privatizing a bank (BHP) that already was privatized, and the greatest banks PKO ad BGZ did not enter in the program of privatization. The first important step in developing the process of transforming and consolidation of the banking sector from Poland was the demonopolization and creating many great commercial banks. Thus, were created 400 branches situated in important cities from the entire country, were separated from the National bank of Poland 9 state banks that began the activity from the date of 1st of February 1989 (NBP, 2001, quoted in Kozak, 2013). In August 1997 was modified the bank legislation: the bank law and the law regarding Narodowy Bank Polski they introduced modifications in order to adjust the bank regulations in Poland to the standards of the European union and the increase of the trust of the foreign investors in the Polish bank sector. Most of the transactions were finished in 2000, which caused the increase of the percentage of the bank assets controlled by foreign owners from 47% to 70% (Kozak, 2013). In the period 1989-2013 the bank consolidation affected the Polish banking sector

in many ways; thus, until the `90s there was a decrease of the concentration of the banking sector as a consequence of the process of demonopolization and of creating banks with private capital. The bank concentration registered a tendency of increase from the 2000s following some mergers and acquisitions that involved great banks. In the following years there was an increase of the importance and of the degree of concentration of the average banks with majority foreign capital. This tendency suffered modifications following the acquisition of 2/3 of the banking system of the BPH bank by Pekao Bank. From 2010 was reintroduced the increasing trend of the bank consolidation in the Polish banking system (Kozak, 2013).

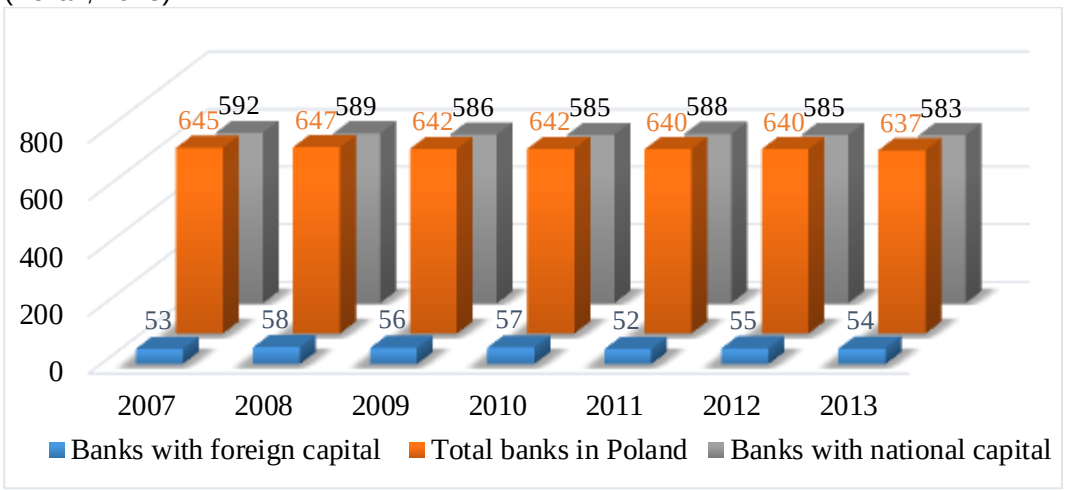


Figure no. 1. The evolution of the number of banks from Poland in the period 2007-2013
Source: ECB, Consolidated Banking Data, different years https://sdw.ecb.europa.eu/browse.do?node=71390

We can observe that in the period 2007-2013 the number of banks from the Polish banking sectordid not register significant increases or decreases; thus, in 2007, the total number of banks from Poland was of 645 while in 2013 it was of 637, and the number of banks with foreign capital was of 53 in 2007 and 54 in 2013.

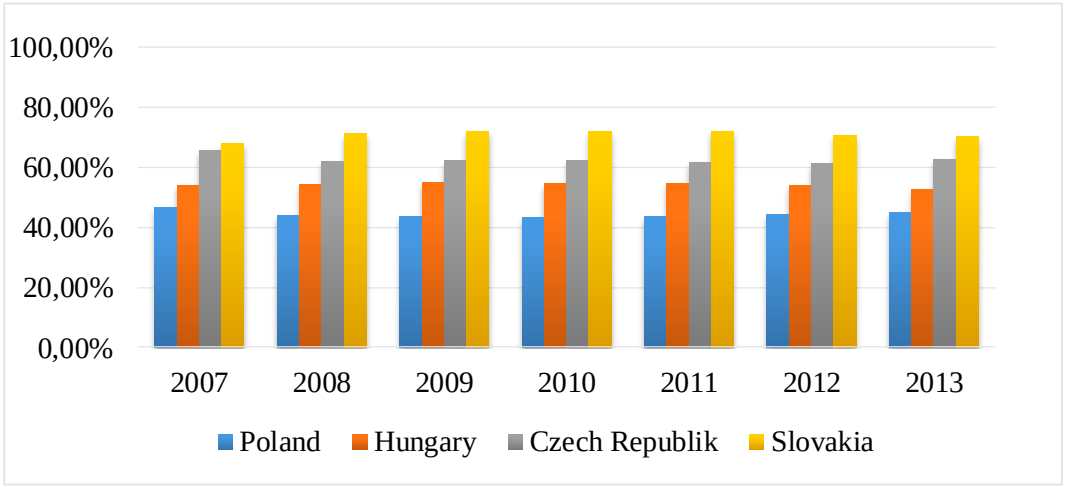


Figure no.2. The evolution of the market quota of the five greatest banks from Poland, Hungary, Czech Republic and Slovakia in total bank assets
Source: ECB, Consolidated Banking Data, different years

https://sdw.ecb.europa.eu/browse.do?node=71390

The market quota of the five greatest from Poland in total bank assets registered a decrease, the degree of bank concentration decreased from 46,60% to 43,37% in 2010 and from 45,23% in 2013, as a consequence of the impact of the bank crisis on the banking system that lead to a decrease of the number of banks.

2. The evolution of the process of bank concentration and consolidation in Hungary

Hungary is the country from Central and Eastern Europe which at the beginning of the transition was credited with the fastest and spectacular growth. In this country took place three waves of reform:

- 1989-1990: in this period, the fast and dynamic liberalization created the legal background as basis of a market economy;
- 1990-1992: in this period were adopted five important document, including a document that regulated the banking system and the national bank;
- 1995-1996: were adopted measures of stabilization with the purpose of creating conditions for a lasting increase (Novakova, 2003).

The restructuration of the banking sector is an important component of the economy restructuring in its ensemble, because the transfer from a planned centralized economy can be made only if there is a stable market economy. Hungary is the first of the Central and Eastern Europe countries that introduced the reform in the banking system: In the period before the introducing of the reform, the banking system was one mono-bank, in which the National bank exercised the role of central bank and the functions of a commercial bank. The departure point in accomplishing the banking reform was also in Hungary the separation from the portfolio of the central bank of a number of three commercial banks, divided in sectors as would be industry, agriculture, infrastructure and a sector that manages the small and average businesses. It takes place the creating of a dualist banking system in which on the first step is the Central bank and on the following step the commercial banks, those taken from the portfolio of the central bank and those banks with state or private capital. The banking system from Hungary was opened to the foreign banks since the `80s, from the time of the planned economic system, when they received the permission to open subsidiaries in Budapest. In 1995 the banks with foreign capital had a percentage of 42% of the bank assets of these countries, following the privatization of two banks to foreign investors (Bonin et al., 2008). The process of bank consolidation in Hungary began in 1992 when it was introduced the law of bankruptcy and it passed through many stages, in 1992-1993 being accomplished the Program of Consolidation of Credit (Bădulescu, 2007; Bădulescu and Bădulescu, 2008). This program presupposed the cleaning of the portfolio of lo performance credits, a part of them being sold by the government with a discount being accused for this of “bad practices” to an agency of collecting the assets and replacing them with government bonds. The total costs supported by the Hungarian state in the process of bank consolidation were of 1,6% of GDP (Novakova, 2003). The government from Hungary considered that a fast method to exit the crisis is the selling of the banks with state capital to foreign investors, thus in 1990 the bank sector from this country knew a strong development, the percentage of the capital and of the state debts on the banks being in decreasing level; were given qualitative loans, the interests increased, was adjusted the number of employees, but in the same time were adapted also legislative measures. The privatization of Budapest bank in 1995, the third bank from Hungary, as a controversial subject because the acquiring bank – GE Capital – benefited from the state of the possibility to take over the bank without the low performance credits, that remained uncovered (Bonin et al., 2008). The number of banks from Hungary increased constantly between 1993 and 1999, with divergent tendencies

regarding the development of the foreign and national banks in the first half of the `90s:

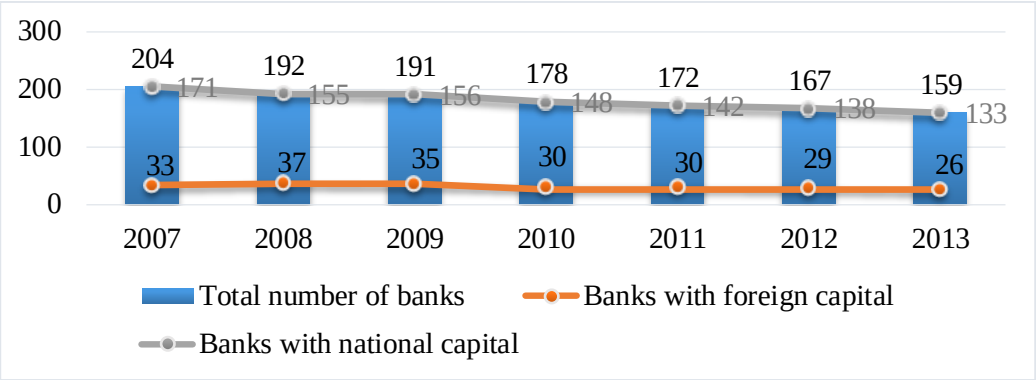


Figure no.3. Evolution of the number of banks in the period 2007-2013 in Hungary
Source: ECB, Consolidated Banking Data, different years https://sdw.ecb.europa.eu/browse.do?node=71390

After 1995 the number of national banks registered a continuous decrease, together with the increase of the number of foreign banks, as a consequence of the strategy of privatization began by the Hungarian state. The foreign bank assets were more than those national, so that, in 2000 71% of the total bank assets was in the administration of the foreign banks (Bădulescu, 2007). The number of banks from Hungary registered a decrease between the years 2007-2013 following the financial crisis. Thus, in 2007 there were in Hungary 204 banks, of which 33 with foreign capital and 171 with national capital. In 2013 the number of banks was of 159, of which 26 with foreign capital and 133 with national capital. The market quota of the greatest five banks from Hungary in total banking assets registered a mild decrease, from 54.08% in 2007 to 51.87% in 2013, as a consequence of the mergers and acquisitions that took place in the last years due to the banking crisis. The decrease was not continuous; 2009 market a peak (with 55,18%) of the market quota of the greatest five banks from Hungary in total banking assets. Though, from the analysis of the numbers during the 6 years mentioned, the differences appear more as adjustments of a relatively stable market than the identification of some structural modifications.

3. Czech Republic

In Czech Republic, the beginning of the transition from the centralized planned economy to that of market took place in 1990, and the process of baking restructuration interacted with the type and rhythm of the reforms from the national economy, with the macroeconomic and politic evolutions and with the changes that took place in the judicial and institutional environment (Tuma, 2006). The first steps of the banking reform from Czech Republic were accomplished by the transfer from the banking system of mono-bank type to a banking system on two levels and the division of the state bank of Czechoslovakia in four independent great banks. In this period, the only valid option of financing was the banking sector, which was considered the nucleus of the financial system in the period of transition (Tuma, 2006). The banking system from Czech Republic was affected by the inheritance from the past: the decapitalization of the banks, the great percentage of low performance credits, the employees without experience and a non existing background for managing the risks. In Czech Republic the foreign banks had the permission to establish subsidiaries and to acquire shares at the national banks even since 1990, while the appearance of the branches was allowed in 1992 (Bădulescu, 2007). The law that allowed the appearance of the branched and subsidiaries of the foreign banks was the law 21/1992, but with all these

the pressure of the competitors remained limited for a while due to the fact that the foreign banks were resumed to offer services in foreign currency for the multinationals and associations in joint venture and did not enter in the area of activity of en detail sale (Tuma, 2006).

The program of recapitalization of the banks – Consolidation I – began in 1991 when was founded a bank of consolidation Konsolidacni bank with role of recapitalization of the banks in difficulty, that afterwards was transformed in the Czech Republic Agency of Consolidation. This program had as objective the cleaning of the balances of the banks, and the role of the consolidation bank was that of bank of recovery, being afterwards transformed in a non banking financial institution from reasons of banking caution. The following program – Consolidation II – was accomplished between 1995 and 1996, with the purpose of consolidation of the small private banks, to prevent the loss of trust in the banking system in ensemble and to prevent the banking risks (Tuma, 2006).The failure of the Kreditni bank in 1996 and the revoking of the authorization of the Agrobanka caused some pressures on the Czech Republic banking system. The government chose as a method of privatization the sale of some minority packages of shares by programs of voucher type. The method did not prove to be valid due to the fact that the shares were bought mainly by some funds of investments that owned bonds also to the capital of some clients of the bank, that favored the increase of the number of low performance credits. It took place afterwards a new stage of banking privatization, stage in which the foreign investors purchased majority packages of shares at the state banks. The costs of restructuration of the baking sector from Czech Republic were of 25% of GDP (Bonin et al., 2008). The number of banks from the Czech Republic banking system had an increasing evolution, increasing from a number of 5 banks in 1990 to a number of 55 banks in 1995, following that in 1998 the number of banks to decrease – they where only 45, due to the revocation of the authorization of a number of 18 banks. After 1989, the structure of the baking sector from Czech Republic knew a very dynamic development; a great number of banks newly founded couldn't face the strong competition and the risky conditions associated to the economic transformations and were obliged to end their operations. Between 1989 and 1998 were given a total number of 63 banking authorizations and 18 were revoked. Among these, 14 were canceled, due to the bad financial situation of the respective bank (CNB, 1998). In 1998 the great banks had a percentage of 65.99% in total assets compared to 72.41% in 1996 (CNB, 1998). The sudden decline of the national Czech Republic capital to 36,2% in 31 December 1998 from 50,2% in the previous year is due in great part to the canceling of the banking authorizations from many private banks with national capital (CNB, 1998). The process of banking consolidation was characterized also in the following period by the decrease of the number of banks, so that, beginning with 1998, the number of banks decreases from 45 to 36 banking institutions in 2005, the number of foreign banks being greater than that of the national banks. In 2007, the foreign capital had a percentage of 82.6% in total banking assets.

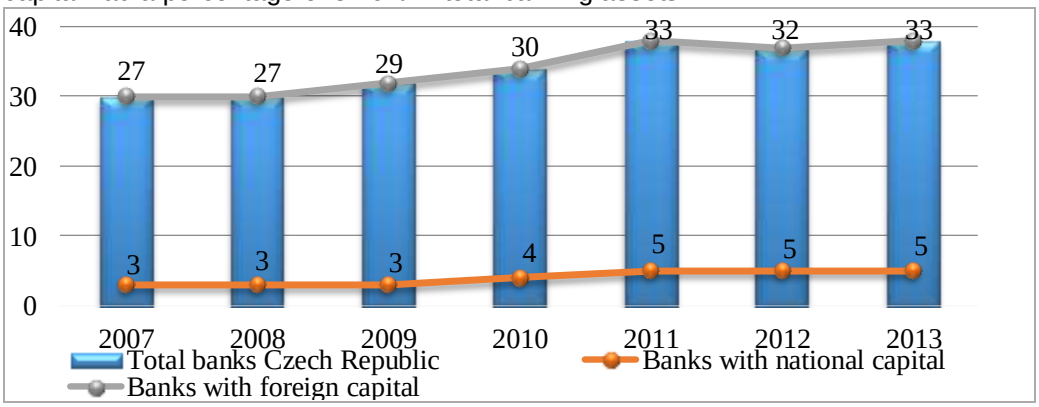


Figure no. 4. Evolution of the number of banks from Czech Republic in the period 2007-201**3**
Source: ECB, Consolidated Banking Data, different years https://sdw.ecb.europa.eu/browse.do?node=71390

After the adherence of Czech Republic to the European union, the Czech Republic financial market was integrated in the unique financial market of the European union and was opened to other institutions that could develop the activity on this market and have free circulation under the authorization of a single bank. As a consequence, a number of 305 banks from states members of EU notified the National bank of Czech Republic their will to develop this activity in Czech Republic. The market quota of the greatest banks from Czech Republic in total assets registers a decrease from 65,71% in 2007 to 62,84% in 2013, due to the increase of the number of banks that are active in this country.

4. Slovakia

After 1999, together with the restructuration and privatization of the great banks, the structure of the system from Slovakia was changed significantly, the Slovakian banks being owned in percentage of 97% by foreign capital (Pilkova and Patoprsty, 2002). From over 20 years, the Slovakian banking system got over many significant obstacles, having as a result the transformation of the state banks and of the undercapitalized banks in one of the most solid and profitable banking sectors from the European union. Mainly, the banks in the property of the state and the undercapitalized banks were transformed in one of the most solid and profitable banking sectors from the European union. Slovakia, with approximately 90% foreign capital, is one of the few countries from Europe that avoided the crisis from the banking sector, without governmental support. Slovakia is among the first four countries from Euro zone that avoided the crisis from the banking sector, without governmental support. (EBF, 2013). The main reason was the orientation of the banking sector to the function of a conservatory bank: the accepting of deposits and giving loans in national currency (EBF, 2013). Slovakia is the country with a great degree of intrusion of foreign capital in the period of transition, after the separation from the old Czechoslovakia. The financial institutions from Slovakia are differentiated from most of the institutions from the European union by the liquidities; the Slovakian banks are preoccupied by the clients from the national banking sector and the report between credits and deposits is a very small one (87%) and it isolates the banks from the shocks from the economy (EBF, 2013, p.73).

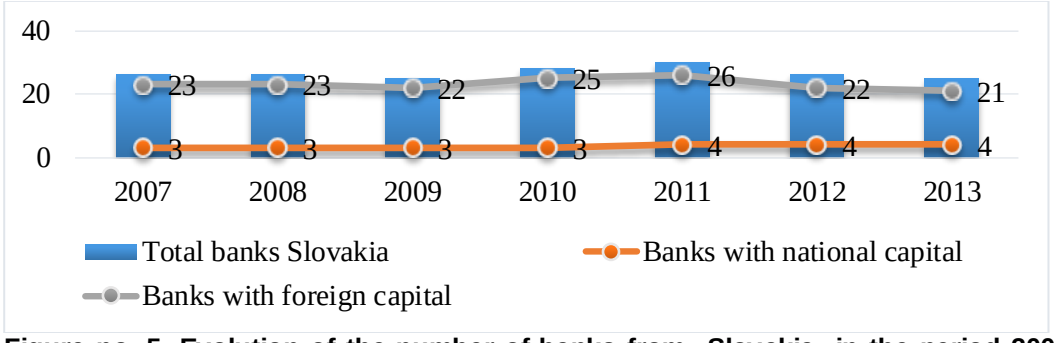


Figure no. 5. Evolution of the number of banks from Slovakia in the period 2007-2013
Source: ECB, Consolidated Banking Data, different years https://sdw.ecb.europa.eu/browse.do?node=71390

During the crisis, the Slovakian banks remained profitable; in 2011, the banking sector accomplished the greatest profit (674 millions of euro), though in 2012 this profit decreased with more than 30%. The main reason was the introduction of a national banking tax, on a level that is the greatest in the European union (EBF, 2013).
From the privatization (1999-2001), most of the banks from Slovakia are controlled by foreign entities, especially banking groups from Austria, Italy and Belgium. Only four banks are now controlled by groups of investors on the internal market or by the government.
The first five banks from Slovakia are Slovenska Sporitelna - group Erste Bank (Austria), VUB banka - group IntesaSanpaolo (Italy), Tatra Banka - Raiffeisen International (Austria), CSOB - group KBC (Belgium), UniCredit Bank Slovakia - grop UniCredit (Italy). The Slovakian banking sector is concentrated in the hands of five important players that control up to 71% of the banking assets. Despite this concentration, some new players entered the market in the last years. Comparing with the national GDP, the banking sector is one of the smallest sectors from the European union, its assets reported to the GDP are of 81% and the Slovakian banks contribute directly to more than 3% of GDP (EBF, 2013).

4. Conclusions

The number of transactions of cross border mergers and acquisitions decreased to less than half in the last years compared to the years before the financial crisis, especially due to the effects of the crisis on the level of the real economy, the uncertainties related to the economic perspectives, some conservatory strategies of expansion. We found that in the smaller European countries, the banking systems are more concentrated; thus, in 2013, in countries as Estonia, the market quota of the five greatest banks in total assets is of 89,71%, in Slovakia of 70,31%, in Croatia of 72,85%, in Czech Republic of 62,84%, in Slovenia of 57,08% while in Hungary is of 51,87%, and in Bulgaria of 49,85%. Of course I didn't find a direct correlation between the dimension of the country (and implicitly of the banking sector) and the degree of concentration of the banking system, but some tendencies are obvious and can't be ignored. We consider that an increase of the banking concentration leads to an inferior social welfare due to the increase of interests to credits that become thus more expensive and implicitly are avoided by the companies from the real economy but also due to the fact that by introducing some limits at the entrance is limited the competition and the absence of competition in the banking sector is a factor that leads to the impeding of the economic development. I found also performers, but also losers of the processes of banking concentration and consolidation from the last decades, from Central and Eastern Europe. For example, during the crisis, the Slovakian banks remained unprofitable, in 2011 the banking sector accomplished the greatest profit of restructuration (674 millions of euro) in the conditions in which the banking sector from this country are relatively small as number of banks and banking units, but also as a percentage of the GDP. Hungary is the first of the countries from Central and Eastern Europe which introduced the reform in the banking system, sector that contributed at least in the first part of the `90s to the sustaining of an intensive development of the Hungarian economy. Poland, by the dimensions of the internal market and the employment of the applications of the economic reforms, but also the Czech Republic by the attractive economy for foreign investors, are examples of a clear banking reform, which, after difficult periods gave results, and the banking sector found its important role in the economy and society.

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INCLUSIVE ENTREPRENEURSHIP IN ROMANIA IN THE CONTEXT OF EUROPEAN UNION: POLICY ANALYSIS FOR 2007-2013

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Abstract: *The present paper provides an inclusive entrepreneurship policy analysis in Romania, in 2007-2013, in the context of European Union (EU). It asks the research question: The existing Romanian's policies and programmes in 2007-2013 respond to the need for inclusive entrepreneurship policy support? The paper is part of a research on inclusive entrepreneurship and inclusive entrepreneurship policy in Romania, using OCED/EC inclusive entrepreneurship framework and OECD research methodology. The present paper specific goal is to explore entrepreneurship policies, programmes and schemes in Romania, in 2007-2013, for disadvantaged groups on labor market, especially: youth, women and rural people. The article includes 2 inspiring study cases - European Social Fund-supported actions, in the field of rural youth entrepreneurship and women entrepreneurship and makes recommendations for the development of integrated policies and programmes in Romania, focusing on the nature and appropriateness, strengths and weaknesses of existing policies and programmes. The article concludes that the strengths of inclusive entrepreneurship existing policies and programmes in Romania are related with EU structural and agricultural funds, particularly, European Social Fund, and for the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship policy must to target youth entrepreneurship education, youth business creation, women business creation and rural people self-employment and to and to focus on access to finance.*

Keywords: *inclusive entrepreneurship policy, self-employment, European Social Fund supported actions, rural youth entrepreneurship, women entrepreneurship.*

JEL classification: E 24, J24, O38

1. Introduction

In the literature, there is a distinction between entrepreneurship policy and SMEs policy. *Entrepreneurship policy* looks at the start of new businesses (pre-start, start-up and the period immediately after the start-up as phases of the entrepreneurial process) and tends to be oriented more at the individual level (addresses the motivational issue, opportunities and capabilities), its main objective being that of stimulating and encouraging a greater number of the population to consider entrepreneurship as a viable option for integration and development on the labour market, including concerns for promoting new jobs and youth support were identified at the level of this policy (Lundström and Stevenson, 2005, 2007; Storey, 2003). *SMEs policy* is oriented on the support and development of existing SMEs and at the company level, focusing at the analysis of the main disadvantages of small enterprises on the market, caused by their size and insufficient resources, as well as at raising competiveness (Lundström and Stevenson, 2005, 2007).
Inclusive entrepreneurship policy concept, developed by OECD through LEED Programme and by COPIE project is that entrepreneurship policy directed towards disadvantaged and under-represented groups as entrepreneurs and self-employed people: women, youth,

seniors, people with disabilities, people with low education, rural people, ethnic minorities, migrant populations etc. (OECD/EC, 2013; OECD, 2009; COPIE, 2008, 2011). The OECD framework makes a distinction between *self-employment* and *entrepreneurship*. The self-employed are not necessarily entrepreneurs, in the sense of "*business owners who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets*" (OECD/EC, 2013: 20), self-employed people are working on their own, no matter if only employing themselves, or themselves and others. In this respect, self-employment "*is more a form of employment than a form of business ownership (…), and some types of self-employment, e.g. construction jobs, are not particularly entrepreneurial"* (OECD/EC, 2013: 19). In OECD approach, inclusive entrepreneurship policies aim to provide equal opportunities for people who are disadvantaged on labour market or under-represented in entrepreneurship and to support both business creation and self-employment (OECD/EC, 2013: 18-19).

An inclusive entrepreneurship policy requires a *multi-dimensional approach*. The basic principles that should be considered in shaping entrepreneurial policies: additionally, correct targeting, not-too-complicated programmes for the participants, and, also, not too expensive in implementation (Parker, 2009: 408) must be accompanied by consultancy – the future entrepreneurs need different types of support; regulatory framework – certain schemes have to be created tailored especially to the new types of entrepreneurs, the administrative steps toward starting a business and the tax system have to be simplified, with special attention being paid to disadvantaged groups; *entrepreneurship culture* – raises the question of the degree of entrepreneurship awareness for the entire population, entrepreneurship education and the diversity of entrepreneurial profiles, including the promotion of role models (Jung, 2012); *entrepreneurship education* - has an important role in providing people with the enthusiasm of creating a job, especially in the case of young people – it is well-known that people who received entrepreneurship education at school will be more efficient in their careers, as freelancers or employees (Filip, 2012).

The most sensitive issue for inclusive entrepreneurship policies is the *carefully setting of target groups*. For instance, women have a smaller inclination to entrepreneurship than men and meet opportunities and barriers different from those encountered by men, the activity sectors preferred usually by entrepreneur women are: services, tourism, commerce, and there exist fields „dominated" by men, for example, the building sector; also, young people encounter the greatest difficulties in accessing financing and specific obstacles: lack of savings, lack of work experience, lack of entrepreneurship education and training, lack of role models and business networks (Casson et al, 2006; Parker, 2009; Filip, 2012, OECD, 2012).

2. **Policy analysis**

EU concern for the entrepreneurship and SMEs has grown in importance in the last decade, the main stages in defining a general framework for action to promoting entrepreneurship and to strengthen SMEs' competitiveness, growth and development being framed by the following policy documents: *Lisbon Agenda* (2000, revised in 2005), *Small Business Act for Europe* (2008, revised in 2011), *Europe 2020 Strategy for smart, sustainable and inclusive growth* (2010), *Entrepreneurship 2020 Action Plan* (2013). Entrepreneurship and self-employment figure as a political priority in relation with employment and social inclusion in the following Europe 2020 Strategy - Flagship initiatives*: The Agenda for New Skills and Jobs*, *Youth on the Move*, *The European Platform against Poverty and Social Exclusion*. Inclusive entrepreneurship has been a political priority in the EU since the launch of the *Entrepreneurship 2020 Action Plan Plan* aims "to reignite the entrepreneurial spirit in Europe" (EC, 2012). From inclusive entrepreneurship point of view, most important progress of the *Entrepreneurship 2020 Action Plan* is related to disadvantaged or under-represented groups on labour market:

women, seniors, migrants, the unemployed and young people etc., that "takes their place" in the new entrepreneurship policy. The instruments include specific actions for reaching out to inclusive entrepreneurship target groups within the entrepreneurial population.
In 2007-2013, EU provides financial support for inclusive entrepreneurship through its cohesion policy and structural funds (European Social Fund and European Regional Development Fund). Also, many other EU policies and programmes impacting inclusive entrepreneurship: common agricultural policy (European Agricultural Fund for Rural Development, European Fisheries Fund), competition policy, industrial policy, research policy, life-long learning policy etc. (Competitiveness and Innovation Framework Programme, 7th EU framework programme for research & technological development, European programmes for life-long learning, Erasmus for young entrepreneurs etc.). Looking back, for the 2007-2013 programming period, the European Social Fund (ESF) supported actions have been the most significant in the field of inclusive entrepreneurship. For the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship will be supported by special dedicated axis into the Programme for Employment and Social Innovation.
While the EU is concerned about promoting inclusive entrepreneurship in relation with employment and social inclusion, Romania has not adopted yet a specific strategy for implementing SBA. Even though, the SBA principles have been included in the *„Romanian Government strategy for developing the SMEs sector 2009-2013"* (EC, 2013), which sets general objectives comparable to those set by the SBA and specific objectives, such as: increasing the number of SMEs by 10%, the average number of SMEs sector employees by 10%, the SMEs export by 10% and the labour productivity by 5% etc. (Government of Romania, 2011). Within the framework of this strategy, the measures for developing the Romanian SMEs sector are, as follows: improving the SME access to finance; developing the entrepreneurship education system; facilitating the access to technology; SME innovative capacity support; SME competitiveness increase support and SME participation in external markets; implementing European policies dedicated to the SBA sector, Strategy "Europe 2020"; co-operative sector development support; simplifying and improving the SME and co-operatives legislation framework. Also, in order for the strategy to provide the most efficient answer to the needs of the SME sector, the following strategic priorities have been set: improving SME access to finance; SME innovative spirit development support and increasing the competitiveness of SMEs; simplifying and improving the SME and co-operatives legislation framework; entrepreneurship education system development support; improving SME participation in the internal and external markets (Government of Romania, 2011).
In the period 2007 – 2013, in Romania, overall, inclusive entrepreneurship promotion tools have been supported primarily by European funds (structural funds and funds for agriculture), particularly ESF, and by the national budget, as shown in Table no. 1 and 2.

Table no. 1. **Programmes for inclusive entrepreneurship in Romania in 2007-2013 funded by the European Union**

Priority Axis related to inclusive entrepreneurship	**Target groups**	**Form of financing**	**Type of policy/ Policy actions or tools**
European Social Fund – Sectorial Operational Programme "Human resource development" - Ministry of Labour, Family and Social Protection			
2: Linking life-long learning and labour market, 3: Increasing adaptability of	Women, young people, unemployed, persons,	Non-reimbursable grant: ESF: 94%; Central National	**Improving entrepreneurship skills mainly, improve institutions, partially**/ Entrepreneurial training, vocational training, mix training programmes, grants for the

workers and enterprises; 4: Modernising of the Public Employment Service 5: Promoting active employment measures; 6: Promoting social inclusion.	SME managers, employees, persons from rural areas	Budget 6%	trainees, peer counselling, coaching and mentoring, business start-up and management advisory, consultancy services etc.; entrepreneurial services inside Public Employment Service; inclusive entrepreneurship Information campaign, awareness initiatives, networking etc.
European Regional Development Fund - Sectorial Operational Programme "Increasing Economic Competitiveness" - Ministry of Economy, Commerce and Business Environment			
1: An innovative and eco-efficient productive system 2: Research, technological development and innovation for competitiveness 3: Information and communication technology for public and private sectors 4: Increasing energy efficiency and security of supply, in the context of combating climate change	SMEs	Direct non-reimbursable grant: ERDF 85%; Central State Budget: 15%	**Acces to finance, mainly, improve institutions, partially /** Investment support, SMEs internationalization support, access to new markets support, Support for business agglomeration and clustering, support for SMEs consultancy services, support for SMEs innovation, Support for SMEs to achieve broadband networks; Supporting SME investments in order to improve energy efficiency and renewable energy resources
European Regional Development Fund – Regional Operational Programme 2007-2013 - ***Ministry of Regional Development and Public Administration***			
4: Strengthening the regional and local business environment	SMEs	Direct non-reimbursable grant: ERDF: 85% Central State Budget, local budgets, private funding: 15%	**Acces to finance/** Investment support for business structures and microenterprises, Investment support
European Agricultural Fund for Rural Development - National Programme for Rural Development, 2007 – 2013 Ministry of Agriculture and Rural Development			
1: Improving the competitiveness of agriculture and forestry 3: Quality of life in rural areas and diversification of the rural economy	SMEs, persons living in rural areas, young people	Direct non-reimbursable grant: EAFDR 95%; Central State Budget: 5%	**Acces to finance, mainly, Improving entrepreneurship skills and improve institutions, partially /** Investment and Innovation support, Vocational training, microenterprises creation

			support, business creation in tourism, consultancy services etc.
European programmes for life-long learning - European Commission			
Erasmus programme for young entrepreneurs	Young entrepreneurs	Direct non-reimbursable grant	**Improving entrepreneurship skills** On-job-training

Source: compiled by the authors

Table no. 2. **Programmes for inclusive entrepreneurship in Romania in 2007-2013 funded by the National Budget**

Programmes dedicated to inclusive entrepreneurship	**Target group**	**Form of financing**	**Entrepreneurship policy instruments being used**
National Budget Funds - Ministry of Economy, Commerce and Business Environment			
The programme for developing entrepreneurial skills in young people and facilitating access to finance – START (from 2005)	Young people	Non-reimbursable financial allocations	**Acces to finance/** Start-up support
The programme for stimulating young people microenterprise start-ups and development (started in 2011) - YOUNG NEWCOMERS	Young people	Non-reimbursable financial allocations	**Acces to finance/** Start-up support
The multiannual national programme in the period 2002-2012 for starting and developing technological and business incubators	SMEs	De minimis aid - Non-reimbursable financial allocations	**Acces to finance/** Investment support
The multiannual national programme in the period 2005- 2008 for developing entrepreneurship culture among women SME managers	Women managers	Non-reimbursable financial allocations	**Improving entrepreneurship skills/** Vocational training
The National Credit Guarantee Fund for Small and Medium Enterprises			
The programme for SMEs loan guarantee	SMEs	Loans guaranteed	**Acces to finance/** Targeted loan guarantee schemes

Source: compiled by the authors.

In Romania, for the 2007-2013 programming period, the ESF - supported actions have been the most significant in the field of inclusive entrepreneurship. For the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship will be supported in the general framework of new Operational Programme Human Capital; youth entrepreneurship enjoys a special attention by two special dedicated axes. Also, „*The Government Strategy for developing the SMEs sector and developing businesses 2014-2020",* a strategic project proposed by the Ministry of Economy, through the Department for SMEs, Business Environment and Tourism, has been elaborated, and it is to be implemented and financed via structural funds in 2014-2020 (EC, 2013).

3. **Case Studies**

Rural Youth: <u>An inclusive labour market in rural areas</u>

Description of programme: The project "An inclusive labour market in rural areas" is a strategic project co-financed by the European Social Fund, and it was implemented in Romania in the period between September 2010 and September 2013. The project was coordinated by the Ministry of Labour, Family, Social Protection and Elderly, together with partners BPI Management Consulting Romania and Instituto de Formación Integral Spain. The project's goal was to contribute to the sustainable development of the rural area investing especially in the young. Potential participants must be: people from rural areas aged between 16 and 35 years, especially the unemployed, or people looking for a job. The project covered every development region of Romania, except for the Bucharest-Ilfov Region, focusing on a pilot county in each region: Alba (Centre Region), Arad (West Region), Cluj (North West Region), Dolj (South West Region), Iaşi (North East Region), Prahova (North Region) and Tulcea (South East Region). The project was based on an integrated approach, the main components of which were: *identifying the training needs of the rural youth,* mix training programmes (entrepreneurship and vocational training), employment services and start-up support, campaigns to inform citizens and public authorities.

Context: The project set out from the premise, which was confirmed by studies conducted during the project that the biggest challenge for the Romanian village is to escape the vicious circle of poverty-underdevelopment-social exclusion. This vicious circle has serious consequences for the young, most of who leave the rural area and migrate abroad in search of employment. The young who stay become a multiple disadvantaged group on the labour market due to their age and social status.

Problem addressed: The labour market integration of rural youth, especially as self-employees or entrepreneurs, through an integrated approach in which schools, local authorities, businesses and the young work together for the future of the latter, and, thus, for saving the Romanian village.

Impact: 377 people from rural areas in the seven pilot counties, aged between 16 and 35 years, including the unemployed, completed entrepreneurial-skills courses, 50 of which were encouraged with the help of the prizes of the project to start their own businesses; 168 young people from the seven pilot counties, aged between 16 and 35 years, including the unemployed, have completed vocational qualification/requalification courses and received professional accompaniment and labour market mediation services, 50 of whom were hired. The national research "Poverty, social exclusion and employment opportunities for young people in rural areas (2011-2012)", "The Map of Training Needs" and "The young entrepreneur's guide. The first steps toward a successful business" were elaborated within the framework of the project. These documents make it possible to use and replicate the project in other areas and for other target-groups. The seven job fairs that were organised in the seven pilot counties can be replicated yearly.

Considerations for success: The mix entrepreneurial and vocational program carefully tailored to local conditions and stimulating study-visits for know-how and good practices transfer from more developed EU Member States could be keys to success for rural people, especially the young and the unemployed.

Source: http://www.eu-rural.ro

Women: <u>Women entrepreneurship</u>

Description of programme: The project "*Antreprenoriat la feminin" (Women entrepreneurship)* is a strategic project co-financed by the European Social Fund, too, and it is coordinated by S.C. EUROPEAN PROJECT CONSULTING S.R.L. (EPC), in partnership with: ESSEC Business School Paris, Bucharest Chamber of Commerce and Industry (Camera de Comerţ şi Industrie a Municipiului Bucureşti – CCIB) and the Association for Women Entrepreneurship Development (Asociatia pentru Dezvoltarea

Antreprenoriatului Feminin – ADAF) carried out between the years 2011-2013, in Bucharest-Ilfov, South-Muntenia and North East regions. The project aimed at developing women's entrepreneurial skills and ensuring their equal access to the labour market through the alternative offered by entrepreneurship. The target group consisted of women entrepreneurs, potential women entrepreneurs - employed or inactive on the labour market; young women - high school students and college students. The project used as instruments the following: information campaigns aimed at encouraging women entrepreneurship, training of trainers in the field of women entrepreneurship and an entrepreneurship training programme specifically designed to fit the needs of women, and which concluded with a competition for business financing.

Context: The project addressed "gender gap" with respect to entrepreneurship opportunities for women from regions with higher women unemployment rate from Romania and, also, the lack of entrepreneurship training models adapted to women's needs.

Problem addressed: increasing the number of women entrepreneurs (women entrepreneurship) and the number of self-employed women who work for their own businesses (self-employment) by generating a practical model of entrepreneurship training for women on an interregional level, a model that could be replicated in other regions or industries.

Impact: The value of the project was 17.278.006 lei (approx. 4 million euro). The project contributed to the development of entrepreneurship and management skills of 1020 women (256 women entrepreneurs, 508 women who want to start their own businesses, 256 young women – high school students and college students), from South-Muntenia, North East and Bucharest-Ilfov regions, out of which 998 women have passed the test and were awarded entrepreneurial skills certificates. The following have been carried out under the brand *"Antreprenoriatul la feminin"*: 4 information campaigns, a research study, a guide, a website and a programme for developing entrepreneurial skills. The project allowed for the creation of an inter-regional entrepreneurship network, the creation of a practical model of entrepreneurship training that can be replicated in other regions or for other target groups, too, the encouragement of women entrepreneurship and also the changing of attitudes when it comes to women entrepreneurs.

Considerations for success: The creation of a training programme specifically designed to fit the needs of women, which includes role models and the creation of an entrepreneurship network connected to the European network through an on-line platform, that allowed for the transfer of know-how and best practices in the field of women entrepreneurship on an interregional and transnational level, which make up the key-points that ensure the success of the project even after its completion.

Source:http://www.antreprenoriatfeminin.ro, http://www.eupc.ro/ro/mid/Antreprenoriatul-la-feminin.html

Conclusions

Looking at existing policies and programmes in 2007-2013, we can conclude that Romania is facing, unfortunately, a chronic "myopia" of entrepreneurship to the government that affects inclusive entrepreneurship, too. The strengths of inclusive entrepreneurship existing policies and programmes in 2007-2013 are related with EU structural and agricultural funds, particularly ESF- supported actions, but, also, there are national programmes targeting youth and women entrepreneurship. The case studies in the field of rural youth and women entrepreneurship presented suggests that, in the field of entrepreneurship skills, the mix approach entrepreneurship and self-employment and related mix entrepreneurial and vocational programs designed to fit the needs of target group and carefully tailored to local conditions could be keys to success for Romanian inclusive entrepreneurship target groups, multiple disadvantaged in many cases, especially rural youth. There is a big lack of micro-finance tools and of regulatory and normative

institutions in Romania's 2007-2013 inclusive entrepreneurship policy approach. In our opinion, for the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship policy must to target in Romania, especially, youth entrepreneurship education, youth business creation, women business creation and rural people self-employment and must to focus on access to finance, especially, to micro-finance and support for business agglomeration and clustering as specific tools.

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TERRITORIAL ADMINISTRATIVE REFORM – SOURCE FOR LOCAL DEVELOPMENT. STUDY CASE: BIHOR COTUNTY

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Abstract: *Romania's territorial and administrative reform, begun in the period of pre-accession to the UE, seems to be actually stuck in technical and political details, and personal vanity as well. We claim the necessity of realizing it urgently and not just due to the European directives for implementation to the Nuts 2 system of management for development projects with European funding, but also for a more efficient implementation of the national strategies. We notice that the actual scenarios varies but as the number of macroregions - from 8 to 12, or even more – but also as structure. We consider the reform must be realised of "bottom to up" starting from the level of villages to constitute the macroregions and not the opposite direction. Thus, even for a limited period of time, there would not be two or more territorial - administrative units with similar executive attributions and so two categories of public expenditure for wages paid for the same responsibilities. Contrary, in the analysis conducted on the situation of Bihor County, analyzing only the administrative expenditure - wages - reported to those that could be after the implementation of the proposed measures, in the condition of respecting the actual legislation - the wages increase realized proportionally with the population of the administrated area - would lead to extremely important savings. The new budget for wages would represent only 2,43% of the actual wages.*

Keywords: territorial administrative reform, communal areas, reducing administrative costs

JEL classification: B52, E61, H72, H77

A nation capacity to develop, to keep a ascending trend implies the adjustment of all its components to the constantly new challenges of the economic and political reality.
We consider administrative aspects being a key component in this approach: how every nation resources are managed to provide real conditions of increase well-being of all citizens. Today Romania is administratively organized into 41 counties, and eight macroregions, without own administrative capacity yet. To better understanding the shortcomings of the current mechanism in terms of administrative organization we will have a brief historical approach.
For the first time in the Romanian Countries, administrative organization in counties was during the reign of Mircea the Old (1386 1418) which refers to the land Vâlcii - first county attested in Romania today - Vâlcea county. But the really important are administrative measures taken by Alexandru Ioan Cuza, since 1860 by several laws have established clear tasks for each County Council. Great Union of December 1918 also brings administrative reforms with the 23 counties. However only in the Constitution from 1923 clarify the situation of Romania's administrative territorial districts, communes and villages. Grand National Assembly in September 1950 decided to organize the country into regions, cities, districts and communes, situation that will be corrected later, today having 41 counties. These districts include 263 cities, 94 have the status of municipality, 2859 communes and 13,285 villages according to the last National Census from 2011. Only 13 of the general municipal cities have rank status 0 or 1, including Oradea, residence of

Bihor County, on which we will focus the analysis of case study.

Table 1: Evolution of the number of counties

1918-1925	1925-1940	1940-1950	1950-1952	1952-1956	1956-1960	1960-1968	1968-2015		
							1968-1981	1981-1997	1997-2015
76 Counties	71 Counties	58 Counties	28 Regions	18 Regions	16 Regions	16 Regions	39 Counties	40 Counties	41 Counties

Source:*http://www.geopolitic.ro/17%29%20News%20March%202013%20%285.03.2013%29.pdf*

Since 1998, during pre-accession period, County Councils have been organized on 8 development regions: North-East, South-East, South, South-West, West, North-East, Central, Bucharest-Ilfov; expectations were that after accession, those to achieve also administrative capacities. It should be emphasized that the development regions are not territorial-administrative units, with no legal personality, being solely the result of an agreement between the county and local councils.
Perhaps the fact that from their appearance until now have been almost 10 years and major advances in the direction of acquiring awaited administrative capacities have not been done, reinforces our belief that in reality there are many details still to be put in place.
We believe that achieving this territorial administrative reform is indeed a priority to ensure proper regional development framework. But the way of the reform implementation phases are thought, the components of new regions, their size, the cities that will represent the future centres of regions are subject to numerous disputes both political and economic as well as personal vanities of national or regional political leaders
In what concerns us, we believe that reform should not be done from ”top to bottom” by establishing large regions - whether the number will be 8, 10 or higher - but exactly the opposite: from the ”bottom to up”. During the transition from the current form of territorial organization with 41 counties at the 8 development macroregions implies the coexistence of current existing structures with new ones, creates beside a great financial pressure – 2 times payment for the same type of activity - and the possibility of overlapping duties, which would complicate more than help this process.
Even if our final goal is to reach all 8 macroregions of development, the way to achieve it must be another: in a first step, locally communes size should increase, their number is on a spectacular decrease. If today a commune include 5 villages, after the reform we propose, number will be increased to 10-14, based on certain criteria: geographical position, the presence of certain specific economic activities - agriculture, tourism, mining and processing etc.

With this work in progress paper we began a study in Bihor County on the economic and social consequences of such action. Among the reasons that led us to keep in mind this approach to territorial administrative reform, now we mention just a few:

- Administrative costs too high for some communes, correlated with the inability of their leaders to implement measures, projects and activities that allow them to produce income at least able to secure their own salaries,

- The belonging to different political parties of mayors from neighbouring communes determine the unsteady political support for long periods of time with negative effects on the medium and long term strategies: large-scale infrastructure works halls bypass without political support or crashes when political support is lost. Meet situations where roads, culvert water, gas and

sewerage networks ends abruptly at the border villages without political support, taking up as suddenly from the other side of the communes, if the ”politically colour” is still the right.

Current situation, from territorial and administrative point of view, of Bihor County is:

- area of 7544 km2
- 91 communes
- 10 cities from which 4 are municipality, Oradea being a first class municipality
- 549752 inhabitants, 48,4% being from urban environment

Reform, the way we analyse it, involves dissolution in administrative territorial terms of the 91 communes and their replacement by 7 community regions. In the figure below we present the 7 community regions, named according to future municipal administrative centres, which will summarize all the responsibilities of the former local councils and mayors of communes: communal region Marghita, Beiuș, Săcuieni, Oradea, Salonta, Ștei, Aleșd.

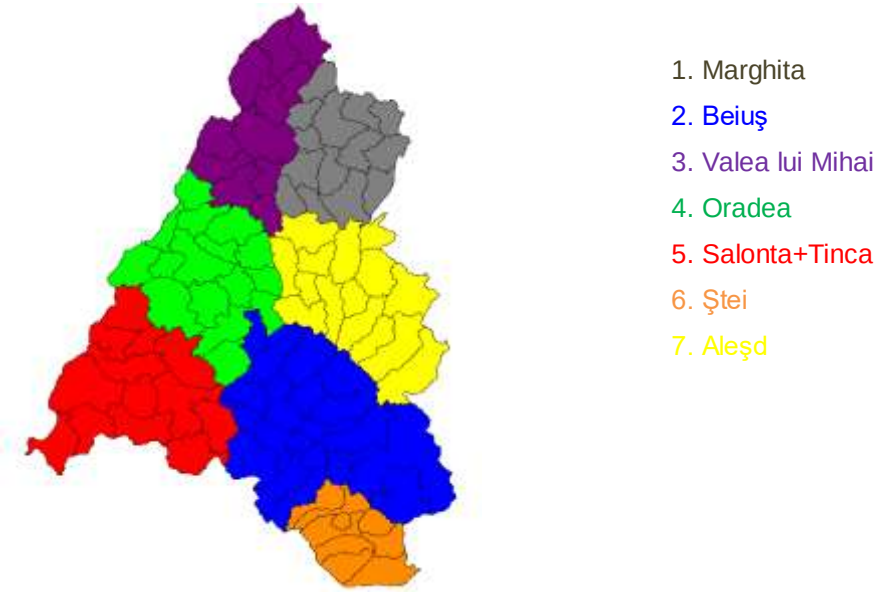


Figure 1: the new 7 comunal regions
Source: made by author

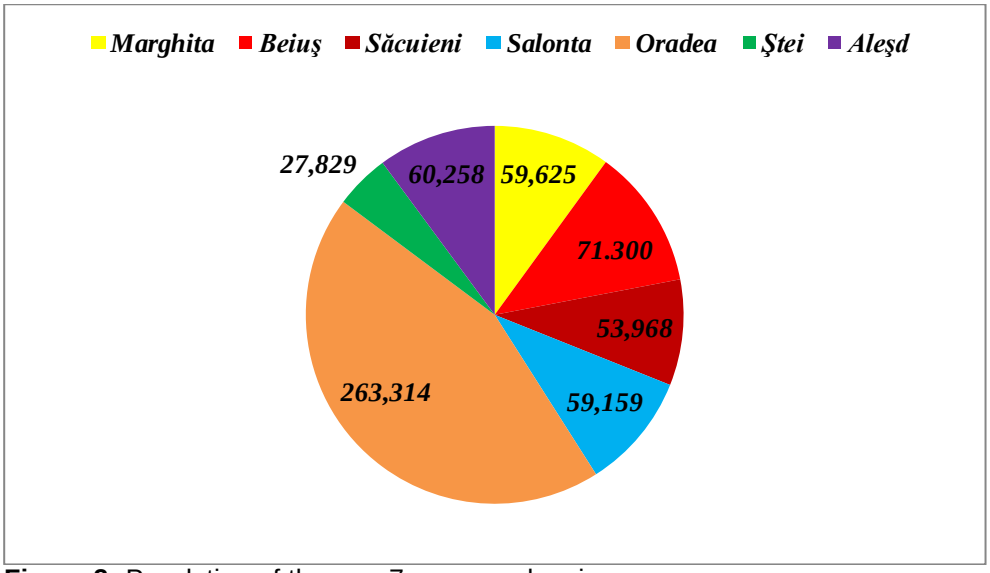


Figure 2: Population of the new 7 communal regions
Source: made by author, using data from *http://www.recensamantromania.ro/wp-content/uploads/2013/07/REZULTATE-DEFINITIVE-RPL_2011.pdf*

This time we analyse only the impact on administrative costs generated by the proposed new administrative territorial reform. If now, in Bihor total expenditure on public authorities and external actions were in the amount of 9,991,350 lei, by implementing the measures mentioned above, we are confident that we will achieve significant savings that will be used mainly for investment
We analyse only the impact on administrative costs generated by the new administrative territorial reform proposed. If now, in Bihor, total expenditure on public authorities and external actions were in the amount of 9,991,350 lei, by implementing the measures mentioned above we are confident that we will achieve significant savings that will be used mainly for investment.
According to the Order 159/38/2015, just salary costs were in the amount of 6,222,320 lei distributed as follows:

Table 2: Mayors and deputy mayors current Payroll according to the administrative-territoril unit category

administrative-territorial unit category	Salary, since 1 July 2014, in Lei	
	Mayor	Deputy mayor
Municipality – county seat – up to 150.000 inhabitants	5708	4952
Municipality – first category	4796	4494
Municipality – second category	5142	4218
City first category – over 30.000 inhabitants	5142	4116

City second category – between 10.000 and 30.000 inhabitants	4896	3918
City third category – up to 10.000	4656	3732
Commune first category – over 7000 inhabitants	4218	3732
Commune second category – between 3000 and 7000 inhabitants	4020	3552
Commune third category – up to 3000 inhabitants	3822	3378

Source:http://www.sansanews.ro/stiri/actualitate/buzau/salarii-mai-mari-pentru-primari-si-viceprimari-uite-la-ce-nivel-ajung.html, visited at 29.03.2015

Following the proposed changes, mayor's number is reduced to 7, as the number of deputy mayors. Local councillors will be reduced from 810, as now, to 90. As growing a lot the number of new residents on communal areas, new salaries will be increased in accordance with regulations which establish these issues as follows: Mayors salary will increases by 500 lei for each 10,000 inhabitants, and the deputy mayor one with 300 lei. The highest salary will be for the mayor of Oradea metropolitan area - 7,700 lei - the smallest, the mayor of communal area Ștei - 4258 lei. Total salaries of municipal mayors of the 7 regions would be 35.499 lei, the deputy of the 25 960 and 90 local councillors - 5% of the salary of the mayor for each session attended (average 3 per month) - 90,000 lei. Their sum is 151 459 lei, lei 6,070,861 lower than in the present, more exactly only 2.43% of what is spent today for mayors, deputy mayors and local councillors wages.

In conclusion

Considering all the above, the calculations based only on public information that can be found on the websites of Bihor County Council, the City Hall of provinces' administrative units, we believe the current system reform must become a top priority and the way it should be done is an approach from the "bottom-up" from the communes to the macroregions and not otherwise. The savings can be used for various investments by local councils to help young entrepreneurs or for professional training.

We believe that these savings can be a real source of economic growth and development at regional level, administrative territorial reform proposed allowing greater investment both as a financial impact as well as effective area of implementing. The boundaries of the former municipalities, often political, disappear in this case.

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INCLUSION OF HUMAN FACTOR BOTH IN ECONOMICS AND IN MANAGEMENT

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***Abstract**: The taking account of the human factor in economic theory and science of management is increasingly necessary in order to better understand economic and management issues such as development, economic growth, and well-being, the ability of companies to innovate and survive in a competitive environment and so on. But introducing this essential factor is not simple in a theoretical point of view and implies include new, and sometimes competitor, concepts. Furthermore definition of concepts and the classifications differ greatly according to the authors. Most of the studies distinguish individual human characteristics from the complex domain of human interactions, in fact these concepts are often strongly nested. In this work, we choose to compare different concepts issued both from field of economics than from field of management. These fields are a priori very distinct but confrontation of the concepts helps, according to us, identify the implications of the different approaches, contributes to better define and classify the concepts about human factors. The aim is to get out of the fragmented view of each discipline and sometimes even specific areas of each of its disciplines and also to stress the importance of taking into account the human factor in theoretical considerations.*

***JEL classification**: L, M, O*

Introduction:
The inclusion of the human factor in order to explain the process of production and growth implementation, not only quantitatively (by the amount of hours worked or the number of employees), is achieved by more sophisticated and qualitative concepts such as the 'human capital' or the 'social capital'. Studies on human capital include both the level of education, experience, skill, know-how and learning and even health. So-called social capital includes social relationship such as: networks, shared vision, interdependence, trust, norms and so on. We look after better define and identify the imbrications between the following concepts: capabilities, dynamic capabilities, and human capital. The target is to better understand the role of human factors in the two generic disciplines of the economic sphere, stated otherwise both at the microeconomic level of the production process and at macroeconomic level.
In the first part we will look at the different concepts that allows to treat the contributions of individuals. Then we will study the implications of interactions between individuals and of social bonding complexities. Finally, we analyze the relationship between the characteristics of individuals and the social relations

I) Individuals characteristics of the economic actors

Each discipline of economic field has presented its own definitions of the human factor parallel with the increase of works on knowledge-based economy (Miettinen, 2013). For example, authors specialized in economics of development (see Schultz, 1961), economics of education (see Becker, 1964 and 1993) and growth theory (see Lucas, 1988) has introduced the concept of human capital, welfare economics has brought the capability approach (Sen 1993), studies on innovation have defined the concept of capabilities (Fuhrman et al. 2002), and organizational and business studies organizational use the concept of dynamic capabilities (Dosi et al. 2000).

For Becker, within a neoclassical theory perspective, the concept of human capital is similar to the concept of physical and financial capital. Education is an investment (private and social) that positively affects the productivity of individuals. It also provides better adaptability and reduced risk of workforce's obsolescence. Thus, this concept is used to explain the individuals' success in occupational attainment and in earnings (see Becker 1964 and 1993) in a microeconomic optimal decision framework. However, the idea that wage differences can be explained by differences in productivity resulting themselves differences in investment in human capital (education costs and opportunity cost) has been criticized for several reasons, such as:

- This theory does fails to consider market failures: the influence of the size of the company, the role of trade unions, the existence of discrimination, per e.g.;
- This theory fails to explain why some social groups invest more than others in human capital.

The proof of the link between education, productivity and growth should appear in empirical work at the macro level. However, according to Lacoste (2005), several arguments explain the apparent non-significance of an eventual positive effect of education in terms of economic growth:

- The lack of a competitive labor market that would automatically link education and productivity or education and wages (assumed to be equal to the marginal productivity). In reality, there may be market segmentations, informational asymmetries, in one hand. And the other hand, the market is subject to the legislation in force, or it may to deal with social conflicts and with power asymmetries.
- The criteria to measure the level of education: years of studies, quality of education... Also, measuring educational capital by observed wage differentials suppose that wages are largely related to the marginal productivity of labor. In addition, there would be a circular demonstration if taking the salary in order to explain two distinct phenomena: levels of education and productivity.
- A limited substitutability between factors of production (physical capital, technical knowledge and human capital ...) which implies that economic growth lies mainly on the factor which constitutes a bottleneck. In addition, it is difficult to combine the factors if their complementary relationship is unknown and changes with time: the needed education amount, in order to manage a physical unit of capital, would tend to diminish over time.
- In a situation of imperfect labor market, the role of the school may be foremost to rank individuals. Because, employers cannot observe the skills and rely on this classification to determine wages. In the extreme case, the school reveals the skills and do not create them. Hence, increasing the average level of education has no effect on economic growth. The relationship between individual productivity of labor and education level is not affected (see Spence, 1973 or Stiglitz, 1975), ex post, employee productivity is commensurate with their level of education. This validates the micro-economic relationship, but macroeconomic relationship is uncertain.
- This argument could also invalidate, both at the micro and macro level, the relationship between education, productivity and growth.

Finally, according to some authors, there are two or three types of human capital: general human capital, industry-specific human capital, and entrepreneurial human capital. Bruederl et al. (1992) distinguished between general human capital as years of schooling and years of work experience; and specific human capital as industry specific experience, self-employment experience, leadership experience, and self-employed father.

Capability Approach, according to Sen, conceives education as a means to allow fulfillment of human freedom and therefore guarantee a certain level of well-being. In turn, human freedom may allow calling in question societal institutions, democratization, the goals of human activity and the conditions of production. In particular, the concept of capability enables the underprivileged poor people to strengthen their political and societal influence, rights to choose own life and to decide. Thus Capability Approach (CA) a tool to fight poverty and inequality. Sen's concept influenced definition of human capital in the OECD report (2001b: 18) seen as: "knowledge, skills and competences and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being".

According to Sen (1997), the "human capability" focuses on the ability of human beings to lead lives they have reason to value and to reinforce the substantive choices they have to do. While "the "human capital" concentrates on implications of skill and knowledge as well as effort on production growth. The aim of human capital concept is to allow a greater production (see e.g. Lucas in the endogenous growth theory) or a greater revenue in a microeconomics approach via increase of self-productivity (see Becker) thanks to better human training.
With the concept of Sen's capability, human beings are not merely means of production, but also the purpose of theory in contrast to the concept of human capital.

The business approach in an innovation and survival perspective for firms uses the terms of 'capability' (also called routine) and of 'dynamic capability'. A capability is a set of learned processes or methods chosen and implemented in the different stages of the value chain in order to gain competitive advantage. In the original evolutionary theory of Nelson and Winter (1982), new routines appear randomly in the path of the enterprises. Some of these routines, considered like best practices, will be adopted if they can procure a competition advantage. The strategic and human dimension of innovation was not present at this stage. Then Nelson (1991) and Teece, Pisano and Shuen (1997) develop the theory of 'dynamic capabilities' of the firm.

In the latest approach, dynamic capabilities result from the following three types of activities: identifying and assessing opportunities in the business environment, mobilizing resources to capture value from those opportunities, and proceeding a continuous renewal of routines. Dynamic capabilities are defined as "the ability of firms to integrate, build and reconfigure internal and external competences to address changing environments", Teece, and alii, (1997, p. 516). Dynamic capabilities are idiosyncratic: rooted in the company's history, and difficult to imitate. But, sometimes other firms are able to imitate, or develop another routine, similar in its effects (property of equifinality). However, definitions of routine remains ambiguous and variable. For some authors, dynamic capabilities are even defined as a routine changing a routine. Tautology and causal ambiguity may limit the explanatory interest and the possibility of its operationalization of the concept (Depeyre and Mirc, 2007). Futhermore if human capital is a key factor in the development of dynamic capabilities, it is difficult to specifically connect different types or intensity of human capital and the occurrence of dynamic capabilities.

After seeing several definitions about the individual human factor, we can now study what the various social relations can bring to the economic sphere.

II) Capacity to develop a positive Social capital

The literature also recognizes the importance of social capital as a key asset in developing innovation capabilities and attempt to explain how and why inter-group differences

regarding social capital may explain differences in innovation capabilities and innovation readiness.

It is noteworthy that loyalty and trust are important in knowledge intensive firms (cf. Nordbeck and Wendt 2010), employees are willing to make sacrifices for the good of the company. The whole organization also expects a high degree of responsibility. Knowledge intensive firms rely much more on self-managed teams, leadership based on informal team member interaction rather than hierarchical authority.
According to Sen (1997) dynamic capabilities approach takes also includes some kind of social capital. In other words, the process of innovation and co-innovation requires a certain level of human interrelation within and also with the surroundings of firm. In the concept of capability Sen, the consideration of social capital is much narrower. The center of this concept is the individual, the social structure must target individual wellbeing thanks to economic and social politics. And secondly, individuals act politically (voting or associate) to improve their personal situation.

Organizational capability, therefore, refers both individual and collaborative activities vital for the success of a firm. In innovation studies, some authors (Arundel et al. 2006) have underlined the significance of organizational arrangements that stimulate learning of the employees and interactive learning, whereas hierarchical or Taylorist organizations prevent learning and initiative, team-based non-hierarchical forms enhance them.
In an attempt to measure the innovation capability of nations Fagerberg and Srholec (2008), for instance, define nine “aspects” of capability which includes social issues. The authors define empirical indicators for each of them. The aspects include science and research (measured by number of scientific publications, patents, R&D investments), openness of trade, skills (levels of education), quality of governance (independence of courts, property rights, business friendly regulation) as well as social values such as trust and tolerance. A reluctance to delegate real responsibility means that owner-managers were often unwilling to bring in experienced managers. Successful firms were able to develop wider external capabilities through the development and recruitment of staff who also increased social capital.

It was clear that the awareness owner-managers had about the creation and destruction of social capital though social relations was important to success. There are a variety of network relationships which can enable and constrain social capital. Success in doing so relies on social skills, awareness of the potential usefulness of contacts and the motivation to engage with others. The opposite is also evident. A lack of social a capital and a lack of ability or motivation to extend networks was a source of frustration. Owner-managers need *both* the social skills and the time (or space) to do this. The importance of space and interaction has been noted above, but here we are more concerned with the agency and structure of social capital through which knowledge is renewed.

The knowledge capacity is renewed though interaction, engagement and activities that are in part structured by existing social relationships and structures. At the heart of knowledge renewal are the communicative actions and practices that encourage ‘bridging’ and ‘bonding’ with others while also institutionalizing knowing into new collective activities. Moreover, current institutional arrangements, market conditions and changing institutional pressures influence the evolution of knowledge and knowing. This model is not intended to suggest causality, but to outline the types of processes involved in the evolution of business knowledge in small firms.

Absorptive capacity may be created as a byproduct of a firm's R&D investment. Other work

suggests that absorptive capacity may also be developed as a byproduct of a firm's manufacturing operations. Production experience provides the firm with the background necessary both to recognize the value of and implement methods to reorganize or automate particular manufacturing processes. Firms also invest in absorptive capacity directly, as when they send personnel for advanced technical training. Important aspects of learning how to solve problems are built up over many practice trials on related problems. The psychology literature suggests that creative capacity and what we call absorptive capacity are quite similar.

An organization's absorptive capacity will depend on the absorptive capacities of its individual members and also on transfers of knowledge across and within subunits, the structure of communication between the external environment and the organization, as well as among the subunits of the organization.

Nelson and Winter's (1982) view of organizational capabilities, an organization's absorptive capacity is not resident in any single individual but depends on the links across a mosaic of individual capabilities. Critical knowledge does not simply include substantive, technical knowledge; it also includes awareness of where useful complementary expertise resides within and outside the organization. This sort of knowledge can be knowledge of who knows what, who can help with what problem, or who can exploit new information.

Likewise, division of labor promoting gains from specialization should not be pushed so far that communication is undermined. The difficulties posed by excessive specialization suggest some liabilities of pursuing production efficiencies via learning by doing under conditions of rapid technical change in which absorptive capacity is important.

Organizations with higher levels of absorptive capacity will tend to be more proactive, exploiting opportunities present in the environment, independent of current performance. Alternatively, organizations that have a modest absorptive capacity will tend to be reactive, searching for new alternatives in response to failure on some performance criterion that is not defined in terms of technical change per se (e.g., profitability, market share, etc.).

3) Links with individual's characteristics and social link

Psychologists finds that engagement in community activities has a noteworthy relationship with and educational fulfillment (Coleman 1988). Gradstein and Justman (2002) emphasize the impact of education its impact on the level of social cohesion, mainly for the integration of ethnic minorities in United States. According to them : 'Education generates economic benefits not only by building human capital but also through its socializing effect, which reduces transaction costs by shrinking the 'social distance' between individuals in the economy.'

Promoting a common culture by education contributes necessarily to growth and the lack of a common culture inhibits the ability of economic agents to interact with each other and undermines the efficiency of production and exchange.

Others authors find alternative relationship between education, social link, efficiency of production and growth.

For example, Arundel et al. (2006) point out that Taylorist organizations prevent learning and initiative, team-based non-hierarchical forms enhance them. More efficiency should require a contrary organization like arrangements that stimulate learning of the employees and interactive learning.

Arundel et al. (2006) identify several characteristic organization variables (Team work, Job rotation, Responsibility, complexity or tasks, repetitiveness of tasks, and so on. Then according to these characteristics, they define four types of organization: Discretionary learning, Lean production, Taylorism and Traditional organization. It is notable that these types of social organization greatly depend on the level of responsibility, skills and education of the economic actors. Arundel et al. (2006) confront these rankings to the various economic sectors of production, allowing them to achieve a new classification of economic sectors.
In the capability Approach, according to Sen, There is a constant interaction between the level of education and the social organizations. In this case, the implications of this relationship on production are positive or negative. Growth appears like a byproduct of the exercise of individual freedoms.

The interaction between individual characteristics in terms of human capital and socials relationships between individuals can create either a virtuous or vicious circle. The study of the dynamics of the causal chain is useful to understand these phenomena and requires input from several social science disciplines, such as economics, management science, psychology and sociology. In addition, combination of theoretical and empirics studies are necessary for a better understanding.

Conclusion

There is still much to do in the consideration of the human factor in each fields: economics and management, in particular in terms of definition, of link between different concepts, and establishment of precise causality. The work is promising in this area. The human factor allows us to understand and better understand many different phenomena such as productivity, innovation, adaptability, and so on. Many authors, from various disciplines, contributes decrypting the relationship between social capital human capital production process efficiency, productivity and economic growth.
Confrontation of the different concepts is useful and will enrich the consideration of human factors. This also may unify the definitions in order to clarify the mutual questionings.

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BALANCE SHEET BASED FINANCIAL DIAGNOSIS - WORKING CAPITAL WORKING CAPITAL NEEDS, NET WORTH AND NET TREASUTY

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Abstract: *If we wish to understand the position of an economic entity in a sector/branch of an activity or to detect the malfunctions sighted in an activity we develop a diagnosis. A particularly delicate angle for a financial analyst is the assessment of the economic and financial indicators that were included in the diagnosis methodology. To make comparisons of the economic and financial statements and performances among firms in developed countries, there are specialized state or private institutions showing annually, average financial rates for activity sectors. From this information we can conclude which are the most profitable sectors, we can see the entity's position against its competition. Financial equilibrium can be defined as the state, which is characterized by the linking of the asset stocks (uses) with the resources (liabilities) and/or input cash flows with the output ones, both in time, as well as in terms of their size and volume. The entity's economic situation at a certain moment in time, can be expressed by the working capital, the working capital needs, net worth and net treasury, fundamental indicators of financial stability. The selection and ranking of the analysis indicators is done considering several aspects of tradition, economic development, etc. The balance sheet is the basis of the financial statements which presents all the assets, liabilities and equity, at the end of the financial year as well as in case of merger, division or termination of service. When applying yield methods, we will calculate indicators based on historical data, we will draft forecasts based on them and we will prioritize profitability and return indicators. The financial diagnosis will have a secondary role in the case of property valuation methods.*

Keywords: net treasury, working capital, working capital needs, financial diagnosis, net worth, business valuation.

JEL classification: G00

1 Introduction

The diagnostic concept comes from the Greek language and reflects "the discernment ability to objectively define a certain topic according to its manifestations. Economically, in a company, it involves tracking its activity's failures, researching and analysing the facts and responsibilities, identifying causes and measures leading to the reglementation of the situation. The diagnosis of a firm's activity is necessary not only when it is in difficulty, but also when its economic and financial situation is normal, but an improvement is aimed" (Aurel Işfănescu (coordinator), 1999: 46). Though valuation we estimate a value, by making sense of the market.

2 Short history of valuation

In 1934 the first association of evaluators was established in the United Kingdom. In 1932 and 1935, two associations were established in the USA, - AIREA, respectively SREA, who dealt with property valuation. In 1991, these two associations merged as the Appraisal Institute, which is the world's real estate assessor's leader.

1992 is the year when the assessment activity is born in Romania, with the establishment of the National Association of Romanian Valuers (ANEVAR). It was founded with Romania's transition to a market economy, when the market value became a basic concept in transactions between parties. The first specialization of evaluators was

business valuation, through the privatization of former state enterprises. Since 1997, there has been a decrease in the number enterprises needing privatisation, but because enterprises needed to attract financial resources to develop their activity, it was necessary for these companies to sell surplus assets or to mortgage them to attract loans. Thus they paved the road for property evaluation, assessment of movable assets and evaluation of financial instruments.

3 Components and role of the global diagnosis

The components of the global diagnosis are the microeconomic diagnosis and the macroeconomic diagnosis.

The macroeconomic diagnosis analyses the basic variables of macroeconomics, with significant influence on business and will consider: *inflation rate, interest rate and currency exchange rate evolution*.

The microeconomic diagnosis will highlight the sectorial and internal factors influencing the business's value.

The usefulness of the global diagnosis consists of:

- determining the size of the risk premium;
- preparing useful forecasts within the yield methods;
- doing some consistency tests between the different partial diagnostics, as well as between the conclusions of the global diagnosis and the business's actual evaluation;
- checking the correctness and reliability of the accounting data used in the assessment, which is required when applying the patrimonial methods.

3.1 Financial and accounting diagnosis, part of the microeconomic diagnosis:

This type of diagnosis, entails the following partial diagnoses: the legal diagnosis, the trade diagnosis, the technical diagnosis, the human resources diagnosis, the financial and accounting diagnosis.

The economic and financial diagnosis- has a very important role in the evaluation process and it aims:

- synthesizing the conclusions resulting from the analyzes carried out in the other diagnosis components;
- ensuring correlations within the diagnosis relationship and application of evaluation methods (in particular, yield methods).

The financial analysis of the economic entity's activity can be made taking into account a number of indicators.

3.1.1. Analysing the financial balance with the help of the working capital, the working capital need, the net worth and net treasury

The working capital, the working capital need, the net worth and net treasury are fundamental indicators that express the economic entity's state at a certain moment in time. These indicators are calculated based on the balance sheet, synthetic financial and accounting document, part of the annual financial statements. They compare the balance sheet's asset and liability items.

If you wish to see what is the entity's state of balance or imbalance, in the long term, we start by determining the working capital.

The working capital is that part of the permanent capital intended and used to finance the current operating activities.

The working capital (FR) is determined as the difference between sustainable resources and sustainable means, or the difference between permanent capital and fixed assets.

FR = sustainable resources – sustainable means; (1)

or FR = permanent capital – fixed assets; (2)

Permanent capital = equity + provisions for risks and liabilities + medium and long term debt + part of the revenue in advance for a period exceeding one year; (3)

Total capital = equity + public patrimony; (4)

Equity (net patrimony or net worth) = total assets – debt; (5)

Gross patrimony = net patrimony + ddebt; (6)

A *positive working capital* means a state of long-term financial balance, the surplus funding the short-term financing needs of the operating cycle. Gaining a positive difference, the working capital expresses that part of the permanent capital which is designed and used to finance the current activity, especially those related to exploitation. Or, in other words, permanent resources finance part of the current assets after having fully funded the net assets. At the same time, current assets converted into cash will allow the full repayment of short-term debt. The situation is favourable because the economic entity has a margin of safety that can partly protect it from the effect of disturbances in the receipts and payments cycle.

The share of the working capital in the permanent capital shows how much of the permanent capital is allocated to finance current assets.

In dynamics, we can also encounter the situation where the working capital is on a decreasing trend, which necessarily requires a concern, because that aspect may not be due to a reduction in equity, but to a growth in fixed assets and company's financial situation in the long term can be improved due to the results of investments.

If the *difference is negative*, then the company faces deficit (shortage of working capital).

The working capital is an indicator showing the entity's state of balance or imbalance in the long run.

A positive working capital means a state of long-term financial balance, the surplus funding the short-term financing needs of the operating cycle.

A negative working capital highlights the inability to fully cover long-term financing. Typically, companies with long production cycles, should record a significant positive working capital and those with relatively short cycles can accept lower values of working capital. For companies operating in the retail trade, duet o the fact that large firms allow payment of goods after a certain amount of time, they can also operate with a negative working capital.

Another method for determining the working capital (FR):

FR = current assets (including treasury assets) – (operating debt + debt not related to the operational activity+ cash liabilities). (7)

The financial working capital (FRF) is calculated as *the difference between the entity's long-term liabilities and the assets having their liquidity deadline in more than one year*. Long-term liabilities are those with maturities greater than one year, and assets with liquidity deadlines surpassing one year are tangible assets or other assets not included in the balance sheet, with a liquidity term of over one year.

The financial working capital can also be calculated as the difference between current assets (including cash assets) and current liabilities (including cash liabilities).

Cash assets (AT) comprise effective liquidities (cash) and potential, namely investment securities (VMP).

Cash liabilities (PT) include current bank loans.

FRF = long term liabilities – long term assets; (8)

or FRF = current assets (including cash assets) – current liabilities (including cash liabilities). (9)

FRF = own FRF + borrowed FRF; (10)

The company's own financial working capital expresses its own financial independence, if and insofar as the equity of the economic entity participates in its long-term financial balance.

The borrowed working capital expresses the way the long-term loans contribute to achieving a long-term financial balance.

Own FRF = equity – long term assets; (11)

Equity = registered capital + statutory provisions + investment subsidies ± current earnings ± retained earnings + revaluation reserves + reserves – own shares + gains related to equity instruments – profit appropriation – losses in respect to equity instruments; (12)

Short-term financial equilibrium is expressed by means of the need for working capital.

The working capital need (NFR) shows if by capitalizing the cash assets on maturity one can cover or not the cash liabilities that mature.

The working capital need is the difference between current assets (not including cash) and short-term obligations (not including short-term loans). If the difference is *positive*, it represents current assets such as stocks and receivables to be financed from the working capital. Positive NFR shows that temporary needs (stocks and receivables) are greater than the temporary resources.

Where we obtain a *negative* difference, we do not record a working capital need, but a release of raised funds.

The situation is positive if it is determined by:

- accelerated turnover of stocks and receivables (cashing faster);
- payment of operational debt in a longer timeframe.

The need for working capital is an asset that shows current assets to be financed from the working capital.

It highlights the difference between the financing needs of the operating cycle (inventories and receivables) and operating debt to suppliers, the state's budget, employees, etc.

Change in the need for working capital is an important element in determining the cash flow and thus in determining the enterprise's value through the discounted cash flow method. In these circumstances, it calls for a thorough analysis of the need for working capital of to exploitation related elements which show continuity, separated from those found outside the exploitation area.

The analysis of the working capital management is performed with the help of the working capital speed of rotation by reporting the working capital to the turnover and it shows the number of days where the working capital is established from the turnover. When the duration in days of a rotations is lower, the funds are recovered quickly, and the turnover is achieved with smaller necessary funds. A 30 days margin of safety would express a decrease in the importance of permanent resources in the activity's funding.

NFR = temporary needs (excluding cash assets) – temporary resources (excluding cash liabilities); (13) or

NFR = current assets (excluding cash assets) – current liabilities (excluding cash liabilities); (14)

or NFR = operating NFR + NFR outside operational activity;(15)

OPERATING NFR = operating current assets – operating current liabilities; (16)

NFR OUTSIDE OPERATIONAL ACTIVITY = currents assets outside operational activity – current liabilities outside operational activity; (17)

The net treasury (TN) indicates whether at the end of the financial year or the date of the annual financial statements, the economic entity has cash surplus or deficit.

TN = FR – NFR; (18) or TN = A – D; (19)

A positive net treasury means a state of financial balance across the enterprise.

In analysing the financial balance several rules must be observed:

a) FR needs to be greater than NFR or TN must be positive;
b) the amount of available funds must be smaller than the turnover's 2 months value;

c) FR must be higher by 50% compared to operating NFR.

The net worth expresses the business's value that would return to associates and shareholders if the entity would be abolished and is calculated as the difference between total assets (A) and debt (D).

Example no. 1:

We assume that in the balance sheet of the 2014 financial year of an economic entity with wholesale activity, we have the following situation:

lei

ASSETS	AMOUNTS	LIABILITIES	AMOUNTS
Intangible assets	200	Equity	400
Fixed assets	500	Reserves	100
Financial assets	100	Profit / Loss for the period	100
Raw materials	100	Long term loans	700
Goods purchased for resale	100	Suppliers	100
Receivables	100	Bills of exchange payable	30
Bills of exchange receivable	150	VAT payable	70
Input VAT	50	Short term loans	100
Sundry debtors	150		
Petty cash in lei	100		
Cash at bank in foreign currencies	50		
TOTAL ASSET	1600	TOTAL LIABILITIES	1600

Determine:

a) net worth;
b) the financial working capital by the two methods;
c) its own working capital and the borrowed working capital;
d) working capital need;
e) net treasury;
f) the manner in which the financial balance is done;
g) analysis of long-term financial balance;
h) working capital speed of rotation;
i) rotation speed of the working capital need;
j) analysis of short-term financial balance;
k) analysis of the current financial balance.

Solution:

a) Net worth = total assets – debt = 1600 - (700 + 100 + 30 + 70 + 100) = 600 lei;

b) b1) FRF = long term liabilities – long term assets;

therefore:

FRF = the company's liabilities available for more than a year - assets with liquidity terms of more than one year = (equity + capital borrowed for over a year) – (assets + other assets that have a liquidity term of over one year) = (share capital + reserves + profit/loss of the period + long term loans) –assets = 1300 – 800 = 500 lei.

b2) FRF current assets (including AT) – current liabilities (including PT);

AT = actual liquidities (cash) + potential liquidities (marketable securities) = 100 + 50 = 150 lei;

PT = current bank loans = 100 lei;

Current assets (except AT) = stocks + client receivables + bills of exchange receivable + input VAT + sundry debtors = (100 + 100) + 100 + 150 + 50 + 150 = 650 lei;

Current liabilities (except PT) = suppliers + bills of exchange payable + VAT payable = 100 +30 + 70 = 200 lei;
FRF = (650 + 150) – (200 + 100) 800 – 300 = 500 lei;

c) Own FRF = equity – long term assets = (share capital + reserves + profit/loss for the period) –assets = (400 + 100 + 100) – (200 + 500 + 100) = 600 – 800 = - 200 lei
Borrowed FRF = FRF – Own FRF = 500 – (-200) = 700 lei
d) NFR = CURRENT ASSETS (without AT) – CURRENT LIABILITIES (without PT) = (stocks + client receivables + bills of exchange receivable + input VAT + sundry debtors) - (suppliers + bills of exchange payable + VAT payable) = (100 + 100 + 100 + 150 + 50 + 150) – (100 +30 + 70) = 650 – 200 = 450 lei
e) TN = FR – NFR = 500 – 450= 50; sau TN = AT – PT = 150 – 100 = 50 lei.
f)

Table no. 1:

NFR = 450 lei	FR = 500 lei
TN = 50 lei	

Source: authors' research data.

The working capital need is financed entirely from the working capital, resulting in a surplus of cash.

g) Analysis of the long term financial balance:
h)

Table no.2:

Explanation	Symbol/formula	MU	Period
			2014
Permanent capital	CP	lei	1300
Tangible assets	A_{im}	lei	800
Working capital	$FR = CP - A_{im}$	lei	500
Current assets	A_c	lei	800
Short term assets	D_{ts}	lei	300
Working capital	$FR = A_c - D_{ts}$	lei	500
Equity	CP_r	lei	600
Own working capital	$FR_p = CP_r - A_{im}$	lei	-200
Borrowed working capital	$FR_{î} = FR - FR_p$	lei	700
Absolute deviation of FR	$A_{FR} = FR_n – FR_{n-1}$	lei	-43
FR Index	$I_{FR} = FR_n/FR_{n-1}$	%	92,08
Share of FR in CP	FR/CP	%	38,46
Share of FR in A_c	FR/A_c	%	62,50
Turnover	CA	lei	18.595
Optimul level of FR	$FR_{opt} = CA * 1/3$	lei	6198

Source: authors' research data

The values of the working capital in the period under review, are positive, therefore permanent resources finance part of the current assets, after having fully funded the net assets. At the same time, the current assets converted into cash will enable to fully repay the short-term debt. For the analysed economic entity the situation is favourable because it has a margin of safety that will protect it from the discomfort created by a possible disruption of the cycle of receipts and payments. Even if in the dynamics we observe a decrease in working capital, this was not necessarily due to a reduction in equity, but it may occur as a result an increase in tangible assets and the company's financial situation in the long term might improve thanks to operational results of investments.

Its own working capital is negative in the period under review, and it reflects the amount of equity participation in the financing of current assets. Calculating the share of working capital in the permanent capital we reflected how much of the permanent capital is used to finance current assets. We note that in our case, the amount is quite high. If we analyze the optimal level of working capital we can see that the size of the working capital is much lower than the optimal value.

i) Working capital rotation speed:

Table no. 3:

Explanation	Symbol/formula	MU	Perioad
			2014
Working capital	FR	lei	500
Turnover	CA	lei	18.595
Duration of a rotation in days	DZFR=FR/CA*360	zile	9,68

Source: authors' research data.

The analysis of the working capital needs management is achieved with the help of the working capital needs speed of rotation.

The speed of rotation of the working capital needs are determined by reporting the working capital needs to the turnover. The lower the duration in days of a rotations is, the smaller will be the funding needed to obtain the turnover. In our case, we see that the safety margin is below 30 days, which shows a decrease in the importance of permanent resources in the financing activities. In the financial year 2014, a rotation is 9.68 days and assuming that it is lower than the previous year, it would be a favorable situation, meaning that the turnover is achieved with a lower amount of working capital in comparison to the previous year.

j) Rotation speed of the working capital needs:

Table. no. 4:

Explanation	Symbol/formula	MU	Perioad
			2014
Working capital need	NFR	lei	450
Turnover	CA	lei	18.595
Duration of a rotation in days	DZFR=NFR/CA*360	zile	8,71

Source: authors' research data.

The analysis of the working capital needs management is achieved with the help of the working capital needs speed of rotation.

The speed of rotation of the working capital needs are determined by reporting the working capital needs to the turnover. It expresses the attracting margin or the number of days the working capital needs to recompose itself from the turnover. The lower the duration in days of a rotations is, the smaller will be the funding needed to obtain the turnover. In our case, we see a favorable situation, the duration in days of a rotation is low. If we would notice that from year to year, the trend for the duration of a rotation goes towards reduction, this should express that the working capital need is quickly recomposed and the financing need is small.

k) Analysis of the short term financial:

Table no. 5:

Explanation	Symbol/formula	MU	Period
			2014
Stocks	S_t	lei	200
Receivables	C_r	lei	450
Short term non-financial debt	D_{nfts}	lei	200
Working capital need	NFR=(St+Cr)-Dnfts	lei	450
Turnover	CA	lei	18.595
Share of the working capital need in the turnover	NFR/CA	%	2,42
Absolute deviation of the working capitla need	ANFR=NFRn-NFR n-1	lei	- 248
The working capitla need index	INFR=NFRn/NFRn-1	%	74,45
Turnover index	ICA=CA n/CA n-1	%	108,4

Source: authors' research data

In the period under review the need for working capital is positive, and it shows a surplus of temporary needs in relation to temporary resources, which means resources from the operational activity are insufficient to cover operating assets. The working capital needs reflect the current assets such as stocks and receivables which must be financed from the working capital. Assuming that in the preceding financial year it is 100%, remaining constant, and in 2014 it decreases by 25.55%, due to an increase in commercial debt. In this case the situation is normal because the positive need for working capital is the result of an increase in sales volume by 8.4% in comparison to 2013.
Practice has proved that an optimal level of working capital need is between 10-15% of the turnover. We note that in our case, the limit is below the optimum.

l) Analysis of the current financial balance:

Table no. 6:

Explanation	Symbol/formula	MU	Perioad
			2014
Working capital	FR	lei	500
Working capital need	NFR	lei	450
Net treasury	TN = FR - NFR	lei	50
Cash	D_b	lei	150
Short term financial debt	D_{fts}	lei	100
Absolute deviation of the net treasury	$TN_n - TN_{n-1}$	lei	1

Source: authors' research data

We note that in the 2014 financial year, the net treasury is positive, which means a funding surplus is found in the form of cash reserves in bank accounts and on hand. Analyzing the situation we see that the entity is in a favorable situation, the need for working capital can be financed entirely from permanent resources. In some cases, the existence of reserves means financial independence, but in other situations, it may express insufficient use of cash.
"A decision correct, is based on quality information. Information on quality, are those information that are a source which creates value" (Ţîrlea, R. (2013), *Relevance managerial decision based on a knowledge information"*, The 19-th International Conference The Knowledge-Based Organization, Conference Proceedings 2, "Nicolae Balcescu" Land

Forces Academy Publishing House, Sibiu, KBO 2013, pp: 261).

4 Conclusions

The diagnosis applicable in a business is a preliminary step in the process of establishing the value, and it allows the understanding of the business's core characteristics, and it's realized or unrealized potential.

The components of the business's global diagnosis must respond to a certain type of influencing factors, but also to the intended purpose of the evaluation.

A particularly delicate aspect for a financial analyst is the way he will assess economic and financial indicators that were included in the diagnostic methodology. (Isfănescu, A., 1999: 108). From this information we can observe which are the most profitable sectors and we can see the entity's position in relation to the competition.

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POST-EMPLOYMENT BENEFITS IN ROMANIA AND SERBIA: A COMPARATIVE IMPACT ANALYSIS

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Abstract: *This study is conducted to identify and assess the economic impact of post-employment benefits such as pensions in the case of Romania and Serbia. The International Accounting Standard - IAS 19 describes employee benefits as all kind of advantages granted by companies in exchange for the work and services performed as tasks of their job. Globally, one of the most important employee benefits is represented by the pension system, its importance being extremely high within the present unfavourable demographic context shaped by low fertility rates associated with a lower life expectancy rate and an increased infant mortality rate. These aspects point out that the decreasing active population financially supports a large number of pensioners. The two main pension schemes, respectively the pay as you go pension system and the accumulating funds pension plan perform properly on a global level, these two being at the same time long term saving programs which transfer resources from young to elderly people. Our empirical analysis is performed based on developing several double-log macroeconometric models using a complex set of macroeconomic (GDP total and per capita, resource productivity), labour market (employment and unemployment rates, net earnings), education (first stage of tertiary education, programmes that are theoretically based/research preparatory or giving access to professions with high skills requirements) and pension specific (pension beneficiaries total, old age pension values) indicators, processed by fixed and random effects, respectively through OLS and GLS methods. The results highlight a significant positive impact of pension systems on overall economic activity, increasing the total and per capita GDP, as well as improving labour market stability. Thus, employees consider this type of benefit as providing a security for them on retirement, increasing productivity and reducing unemployment. Nevertheless, the results comply with the economic literature, highlighting that post-employment benefits, especially pensions, represent important incentives that could increase net earnings and improve living standards along with the educational level.*

Keywords: Employee benefits, Pensions, Productivity, Economic Growth, Unemployment

JEL classification: H55, J33

1. Introductive issues concerning employee benefits in Romania and Serbia

Globally, one of the most important *employee benefits* is represented by the *pension system*, its importance being extremely high within the present unfavourable demographic context shaped by low fertility rates associated with a lower life expectancy rate and an increased infant mortality rate. These aspects point out that the decreasing active population financially supports a large number of pensioners. The two main pension schemes, respectively the pay as you go pension system and the accumulating funds pension plan perform properly on a global level, these two being at the same time long term saving programs which transfer resources from youths to elderly people.

In Romania, according to official data provided by the National House of Public Pensions, in December 2014 there were 4692711 pensioners, of which 3360361 were old-age pension beneficiaries, 21062 had an anticipated pension, 91089 had a partial anticipated pension, 686619 were disability pension beneficiaries and 532943 were survivor pensioners. At the same time, 637 people received social help of which 70% were females and 3675 people were comprised in a special category of invalidity and war widower's pension.

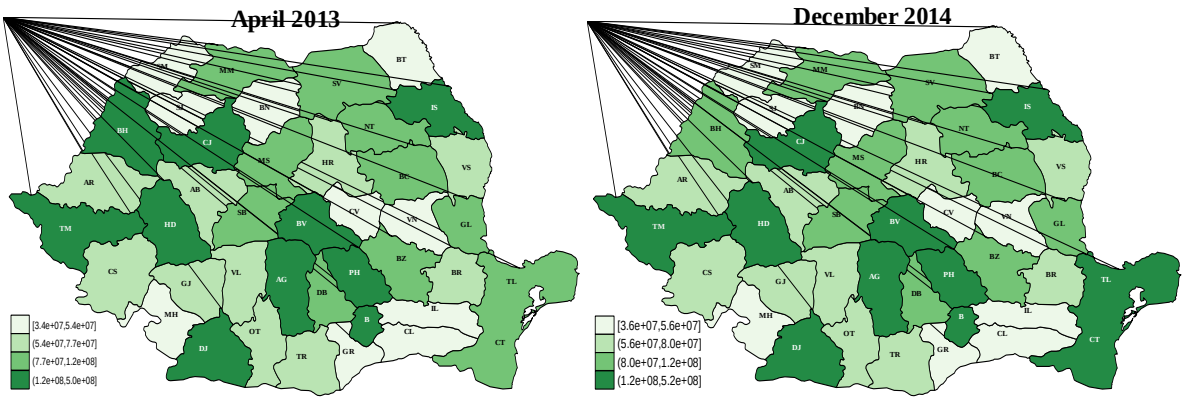


Figure 1: District distribution of pension levels (values), total social security in Romania
Source: own process of Nation House of Public Pensions in Stata 12

If we take into account the district distribution of pension levels and values overall social security contributions in Romania, we can highlight that in 2013 the western part of the country registered high pension levels, specially Timis, Bihor, Hunedoara or Cluj counties, along with the southern part with Dolj, Argeş, Prahova and Bucharest counties. The lowest performance from this point of view were achieved by the two north and south extremes, with Satu-Mare, Sălaj, Botoşani, respectively Mehedinţi, Călăraşi or Ilfov counties.

In 2014 the pension value remained unchanged compared to the previous year in almost all administrative districts, with the exception of Bihor county were the pension level registered a slight decrease.

In Serbia there are three major types of pensions granted, respectively old-age, disability (invalidity) and survivor pensions.

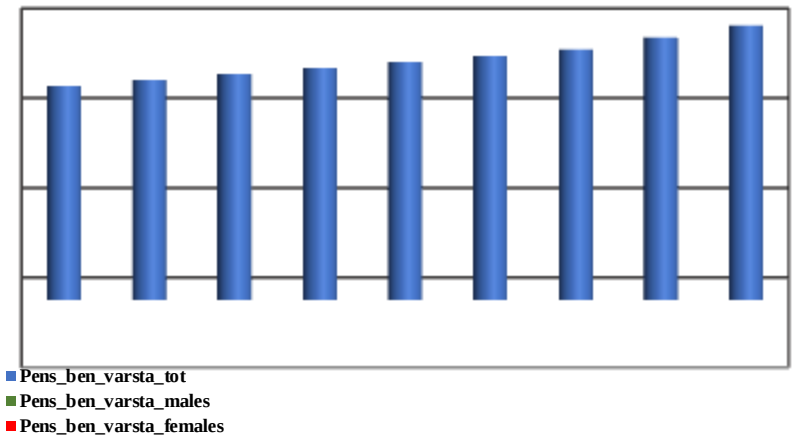


Figure 2: Old-age pension beneficiaries in Serbia during 2005-2013, total and according to gender
Source: Statistical Office of the Republic of Serbia

In the case of old-age pension beneficiaries, during 2005-2013 the number of pensioners has significantly increased, from about from about 950000 to 1.22 million people, most of them being males. In 2010, from the total number of pensioners in Serbia, more than half were old-age pensioners (55.3%), while 22.6% of the total pension beneficiaries have had disability pensions and 22.1% of the total pensions granted were survivor pensions. Within this framework, we can state that, even though during the last few years the percentage of old-age pension beneficiaries has increased significantly, still, it remains at a low unfavourable level. The context is even more unstable in the case of employees as major type of insurance, where the percentage of old-age pensioners has reached 50% only in 2008. Nevertheless, the number of pensioners with disability pension registered a decline during 2005-2013, both in absolute and relative terms.

Taking into consideration all these important issues, the empirical research focuses mainly on *identifying and assessing the economic impact of pension plans and schemes* upon economic growth, long term development, labour market stability and resource productivity, through a complex set of macroeconometric models developed based on a large number of specific indicators.

2. Literature review on employee benefits

According to the economic literature, *employee benefits* represent a set of incentives given by entities in order to recruit and maintain the workers, respectively to increase labour productivity and security at the workplace (Banerjee and Perrucci, 2012).

Employee benefits are regulated by the *International Accounting Standard – IAS 19* with the general objective to define its accounting and to present information concerning these types of advantages. Therefore, the IAS 19 recommends a company to present: *(i) a liability*, when an employee has performed a specific service for which he will be paid under the form of various benefits in the future, respectively *(ii) an expense*, when the

economic agent benefits from the work and service provided by an employee in exchange of associated advantages.

At the same time, the International Accounting Standard – IAS 19 – Employee benefits, describes the main types of advantages granted by companies to their workers, including:
(i) short-term benefits: such as salaries, weekly remunerations, social security contributions, paid annual leave, paid sick leave, bonuses, as well as other non-financial advantages, like medical assistance, cars and other goods or services given for free or subsidized;
(ii) post-employment benefits: pensions, other retirement advantages or post-employment medical assistance;
(iii) other long-term benefits, including long-service leave and other long-service advantages, disability benefits, bonuses, profit-sharing;
(iv) termination benefits.

Pensions represent one of the most important labour market institutions, assuring a high and increasing percentage of income for pensioners. The internal perspective on labour markets highlights that pensions generate incentives which promote labour productivity, along with insuring the necessary means for saving during the pension period. Employees involved into a pension scheme are maximizing their welfare in retirement by working without interruption during their entire lifetime until they reach the retirement age (Clark et al., 2013). The pension income is a result of the four specific pillars supporting elderly people, such as redistributive public pensions (*pay as you go*), private pensions with fund accumulation, private direct savings and post-retirement work (Blake, 2000 in Beju, 2007, p. 17).

Economic theories on retirement reveal that the process of granting pensions by the government after retirement has a negative impact on savings during their active labour market participation and lifetime. Therefore, public and private pension plans are the main essential sources to provide the necessary income for the retirement period. In this context, the main indicators used to analyze the performance of various pension plans/ schemes are generally the dependency rate, respectively the fraction between the total number of pensioners and total active population, as well as the output and efficiency of assets accumulated in pension funds or labour productivity.

Taking into consideration all these aspects, we can highlight that globally there are two main types of pension schemes, respectively: *(i)* the *pay as you go* pension system, based on long term savings and resource transfer from young to elderly people and *(ii) accumulating funds* pension system, which is also a long term saving program, but it implies resource transfer from youth to seniority.

Economic theories on pensions generally conduct the hypothesis that pension schemes increase labour productivity. This offer perspective follows the economists' assumption that pension incentives should generate sufficient added value in order to cover the costs. The constraints applied upon workers' ability to get more attractive jobs or to retire when they desire are extremely expensive, requiring that employers should pay compensation wages in order to attract employees. Employers can also attract workers at a lower cost by offering pension contributions if within those firms the pension incentives don't have productive functions.

In a different perspective outside the economic literature, the possibility for pension to be an instrument that promotes productivity is intentionally ignored or eliminated from the research and debates on pensions and retirement policies. The human resources

approach observes pensions as being almost totally coordinated by the preferences of employees. Thus, the imperfect portability of advantages was mainly presented as a disadvantage of pre-defined benefit schemes, rather than a voluntary compensation policy. Nevertheless, pensions are usually discussed within the context of employee benefits, focusing on insuring them the retirement security. This perspective presents pensions exclusively as a mean to insure the necessary income for the after-retirement period.

3. Methodology and data

The model developed for the analysis of the pension systems economic impact has the general form of a single and multiple regression model with panel data. Thus, for panel data, the general linear representation of the model is described as follows (Baum, 2001, p. 219):

$$y_{it} = \sum_{k=1}^{k} x_{kit}\beta_{kit} + \varepsilon_{it}$$
$$i = 1,\ldots,N \qquad (1)$$
$$t = 1,\ldots,T$$

where: N represents the number of panel units (countries), while T signifies the number of periods (time).

At the same time, our developed models comprise one or several explanatory variables used within the analysis of the pension system impacts for considered panel countries, taking the form of single and multiple regression models:

$$Y_{it} = \beta_1 + \beta_2 X_{it} + \mu_{it}, i = 1,\ldots,N; t = 1,\ldots,T \qquad (2)$$

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \ldots + \beta_k X_{kit} + \mu_{it}, i = 1,\ldots,n; t = 1,\ldots,T \qquad (3)$$

Taking into consideration the main objective of the empirical analysis, we focused more on single linear regression models in order to better capture the individual impact of pension indicators on economic growth, labour market, education and productivity.

The general set of indicators used for the empirical research of pension impacts on Serbian and Romanian economies comprises:
i) pension specific indicators: the number of pension beneficiaries at 31st December during 2005-2013; the number of pensioners on overall pension schemes – total and according to gender (females and males); the number of old-age pensioner – total and according to gender (females and males); cumulated number of old-age and survivor pension beneficiaries; pension values; expenses on pension funds as percentage of GDP;
ii) macroeconomic and labour market indicators: total (mil. Euro) and per capita (Euro) gross domestic product; resource productivity (Euro per kg); at-risk-of-poverty rate for pensioners; employment and unemployment rates (%); net earnings (Euro), tertiary education level.

We used national data sources for pension and labour market specific indicators, respectively the Eurostat Database of the European Commission for macroeconomic and productivity indicators. All developed models and data were processed through Stata 12 econometric package.

In order to validate the models following OLS (Ordinary Least Squares) and GLS (Generalised Least Squares) basic hypotheses for BLUE (Best Linear Unbiased) estimators, we performed the correlation matrix and take use of Stata algorithms for the multicollinearity hypothesis, as well as the Breusch Pagan test for homoscedasticity, the results being thus valid.
Nevertheless, the Hausman test applied in order to differentiate the fixed from random effects estimates validated the results of the fixed effects models for the first set of models developed based on the value of old-age pension in Euro per capita, respectively the random effects models in the case of the second set using the total number of pension beneficiaries.

4. Results and discussion

Following the economic literature and specific methodology we developed a set of eight models processed based on fixed effects (FE) and random effects (RE) through least squares method (Ordinary Least Squares – OLS for FE models and Generalised Least Squares – GLS for RE models) in order to evaluate the impact of pension systems of Romanian and Serbian economies. The models are based on two fundamental pension indicators, respectively the value of old-age pension in Euro per capita and the total number of pension beneficiaries.
The results obtained are synthesised and presented in Table 1.

Table 1: Results of developed models for the impact analysis of pension systems in Romania and Serbia on productivity, earnings, economic growth and educational level, through the perspective of old-age pension values and the total number of pension beneficiaries

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
Random effects								
log_Pens_varsta_loc	0.288*	0.818**	0.126	-0.049	-1.324***	0.860	0.712**	1.828
	(0.14)	(0.30)	(0.58)	(0.12)	(0.22)	(0.79)	(0.23)	(2.80)
Constanta	-2.975***	5.852***	1.598	4.290***	10.598***	6.058	4.396***	0.817
	(0.78)	(1.72)	(3.33)	(0.68)	(1.25)	(4.55)	(1.32)	(16.11)
R-squared	0.2197	0.3171	0.0030	0.0104	0.6996	0.0688	0.3754	0.0259
Wald	4.51	7.43	0.05	0.17	37.26	1.18	9.62	0.042
N observations	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000
Fixed effects								
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
log_Pens_varsta_loc	0.268	0.730**	0.300	-0.075	-1.265***	0.574***	0.642***	0.889
	(0.13)	(0.19)	(0.35)	(0.10)	(0.15)	(0.13)	(0.13)	(1.18)
Constanta	-2.858**	6.354***	0.601	4.442***	10.255***	7.702***	4.795***	6.205
	(0.74)	(1.08)	(1.99)	(0.56)	(0.85)	(0.74)	(0.77)	(6.81)
R-squared	0.225	0.500	0.047	0.038	0.829	0.572	0.607	0.036
Fisher	4.346	15.004	0.747	0.594	72.576	20.032	23.120	0.564
N observations	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000

* p<0.05, ** p<0.01, *** p<0.001

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
Random effects								
log_Pens_benef_tot	0.089	0.365***	-0.638***	0.094**	-0.271*	1.117***	0.289***	3.670***

		(0.05)	(0.09)	(0.13)	(0.03)	(0.12)	(0.07)	(0.07)
	(0.39)							
Constanta		-2.648***	5.097***	11.835***	2.612***	7.028***	-5.668***	4.182***
	-43.423***							
		(0.73)	(1.32)	(1.88)	(0.51)	(1.81)	(1.00)	(1.07)
	(5.75)							
R-squared		0.1708	0.5161	0.6146	0.3167	0.2380	0.9458	0.5023
	0.8501							
Wald		3.30	17.06	25.52	7.41	5.00	279.08	16.15
	90.77							
N observations		18.000	18.000	18.000	18.000	18.000	18.000	18.000
	18.000							
Fixed effects								
		Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
	Model 8							
		b/se	b/se	b/se	b/se	b/se	b/se	b/se
	b/se							
log_Pens_benef_tot		0.767	2.243	5.871**	-1.706**	-0.377	0.338	0.331
	14.588*							
		(0.90)	(1.58)	(1.66)	(0.45)	(2.27)	(1.24)	(1.34)
	(6.64)							
Constanta		-12.754	-22.904	-85.237**	29.463***	8.615	5.958	3.545
	-206.265							
		(13.45)	(23.63)	(24.78)	(6.67)	(33.82)	(18.44)	(20.06)
	(99.04)							
R-squared		0.046	0.118	0.454	0.493	0.002	0.005	0.004
	0.243							
Fisher		0.723	2.003	12.482	14.560	0.028	0.075	0.061
	4.826							
N observations		18.000	18.000	18.000	18.000	18.000	18.000	18.000
	18.000							

* p<0.05, ** p<0.01, *** p<0.001
Source: own process of panel data based on Stata 12 econometric package

Thus, we analysed the pension impact on resource productivity (*model 1*), on net earnings (*model 2*), on the labour market through unemployment rate (*model 3*) and employment rate (*model 4*), as well as on the overall economic activity and living standards through at-risk-of-poverty rate for pensioners (*model 5*), total (*model 6*) and per capita (*model 7*) GDP, respectively on tertiary education level (*model 8*).

The accuracy of estimated coefficients is also validated through the high level of statistical significance, mostly at 0.1%, as well as through the level of R-square and its adjusted values, Fisher and Wald tests. Thus, especially in the case of model 5, 6 and 7 which comprise the welfare, living standards of elderly people, especially pensioners and the overall economic activity, the R-squared values highlight that more than 50% in the variation of old-age pension values and total number of pension beneficiaries could be explained by the selected explanatory variables.

Our results comply with the economic literature highlighting that post-employment benefits such as pensions can lead to an increase in productivity, earnings and improve the living standards, as well as the educational level.

Thus, there is evidence to attest that an increase in old-age pension values for the two countries considered can lead to a 0.288% increase in productivity and a 0.730% increase in the level of net earnings. The positive effects of such a measure are also reflected in a total GDP increase by 0.574% and a per capita GDP increase by 0.642%, reducing at the same time the at-risk-of-poverty rate for pensioners by 1.265%. Moreover, a 1% increase in the total number of pensioners (a quantitative perspective) generates positive labour market impacts mainly through a significant reduction in unemployment rates by 0.638% and a slight increase in employment rates by 0.094%.
The positive impact is also revealed by an improvement in educational levels, the increase in the total number of pensioners leading to an increase in the number of persons finishing the first stage of tertiary education, respectively those programmes that are theoretically based/research preparatory or giving access to professions with high skills requirements.

5. Concluding remarks

The comparative analysis of employee benefits granted by various entities in Romania and Serbia highlights the importance given during the past few years to post-employment benefits, especially retirement advantages and pensions, locally and globally, as well as to the sustainability of the pension systems and to various measures that should be adopted and implemented to insure transparency and to facilitate a possible change in pension indexation methods.

The empirical research performed in order to assess the economic impact of pension systems in Romania and Serbia complies with the major issues revealed by the literature and highlights that pensions can lead to positive economic effects, having a major impact on labour and resource productivity, labour market stability and general population welfare. The economic impact of pension schemes in Romania and Serbia is confirmed by the results obtained which point out that the increase in total number of pensioners can reduce unemployment, having positive effects on total and per capita GDP, respectively on living standards through a significant reduction of poverty rate for pensioners.

The research performed was confronted with a major limit concerning low data availability for Serbia. Nevertheless, there are important opportunities to expand the analysis by taking into consideration the shaping factors of pension systems, as well as by increasing the

number of countries and time periods within the panel.

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REWARDING CREATIVITY THROUGH INTELLECUAL PROPERTY RIGHTS

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Abstract: *Nowadays, exploiting an unlimited resource, such as the human mind, represents a gold mine, a new way to social and economic development. The potential of added – value creation is based directly on the creativity of the human resource, innate trait and / or developed over time, supported and managed in a favourable working environment.The creativity of the human resource shows up as the prime production factor in the new sector of the economy, the creative economy. For a long time, creativity was related to the human resources' quality, the labour as a production factor, yet there are several fields where work can be highly effienciently performed without needing to much creativity; thus, in such cases, we cannot affirm that the workers involved are not of a high quality just because the nature of their work does't require the creation of something new or to conduct an activity in their own way. However all the economic activities involve creativity, but in different proportions. In all economic activities there are some creative parts of the process, but the creative economy includes only those activities which represent harvest of the human intellect or represent instant perfomances of the individual thus generating value, something that even the performer could no longer perform in exactly the same way. Creativity, although it is unlimited, it is not ubiquitous. The degree of creativity varies from individual to individual, and it must be rewarded just like any other work. In some situations the creative work is rewarded by wages, but it is also rewarded by intellectual property rights, such as: copyrights, patents and trademarks; these have been designed to recognize and protect human intellect's effort. This paper aims to highlight the importance of the human creativity and its great potential in generating added-value presenting the exports and imports of intellectual property in the European Union. There is also a study analysing the existing trend regarding the patents and trademarks applications number, revealing some interesting aspects concerning the Romania's demand and offer on the creative products' market.*

Keywords: creative economy; creativity; human resource; intellectual property; export; import

JEL classification: F16 ; J24 ; O15 ; O34

1. Introduction

In an exhaustive approach of the economy, all creative activities were included in the tertiary sector; considering the increasing importance of the creativity, it is compulsory to set bounds to certain creative activities; thus a new sector of the economy appears, the sector of the creative economy. The creative economy is associated with those activities "which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through generation and exploitation of intellectual property" (UK Department for Culture, Media and Sport, 1998).

Creativity as intellectual capital shows up as the engine of the new sector of the economy, which is based on technology, talent and tolerance(Florida, 2002); Florida's concept of the 3T is known in the economic literature as the key, the driving force to economic growth. In the actual economy, technology is ubiquitous and has determined changes in the social

behavior; we can also say that the more developed is an economy or society, the more important is the IT sector; talent regards education and the way of harvesting it, meanwhile tolerance regards groups, acceptance, openness and social inclusion for all of the members of the creative class.
But developing the creative potential needs special regulations regarding its social recognition and protection. So the intellectual property is protected by copyrights, patents and trademarks (Howkins, 2013, p.6) through which the novelty, originality and expressiveness of the creations are recognised and recorded.
Through this paper, I aim to show the necessity of recognizing and protecting the value of the human resources' creativity. The paper will present as well, the great economic potential of the creative economy in terms of exports and imports of intellectual property rights.

2. Exploiting, protecting and rewarding the creativity of the human resource

The creativity is a mental process, generator of new ideas, concepts and connections between the existing ideas, moreover creativity involves the rearranging the known information in order to discover the unknown (Kneller, 1965).
In the field of pedagogy, creativity „indicates that level of the human creativity which concentrates all the features of a person (or group) in a process leading to obtain a new, original and valuable product for the society or for the self" (Jinga and Istrate, 2008). Analysing these definitions, we observe that the term refletcs an attribute, a character trait, an innate capacity of the individual; innate or developed over time, it concerns the ability to understand and to act on the reality with acquired knowledge and skills. Creativity implies a certain development level of the individual regarding his ability to abstract, reason and synthesize. Also, it is favoured by certain character traits, such as: courage, risk propensity, tenacity, self-confidence, initiative, opportunism, curiosity.
But not all the persons prooving creativity have the chance to truly create. Creativity's exploitation is realised through the act of creation, the *mediator,* the *path* from creativity to innovation, as creativity „represents a quality of the individuals or of the groups of individuals, while the creation is a process, a stage in the innovative process, that one in which the faculty of creativity is applied" (Cojocaru, 1975).
Creativity itself doesn't have any economic value until it integrates into an economic product available to be traded,a creative product represented by an economic good or service resulted from a creative activity, its value reflecting the added creativity. Of course, the creative product's value charges other features, as well, such as: appearance, presentation and other specific features, but all these are not determining. What are defining the creative product are the twofold characteristics: „ it results from creative activity and its economic value is based on creativity" (Howkins, 2013, p.5). The system of the creative economy is based on the production, trade and consumption of the creative goods.

2.1 The intellectual property rights

The first global convention related to the intellectual property was signed in Paris in 1883 and it regarded patents and trademarks, followed 3 years later by the Berne Convention which regarded copyrights.
Over time, countries adopted and regulated measures concerning the intellectual property in different moments; it took Japan 200 years to follow the European model and sign the Convention, while in the Muslim countries (Howkins, 2013, p.117), the intellect of a person is considered property of the Divinity, so it cannot be selfishly exploited, it has to be shared.
However, only from 1994 the intellectual capital ownership has been treated as an

economic issue, on the occasion of signing the Marrakech Accord and transfomation of General Agreement on Tariffs and Trade (GATT) into The World Trade Organisation (WTO), ensuring in this way a uniform system of rights and obligations for all its members.
The scope of the new organisation became wider than GATT's by adding the trade of services, the trading aspects of investments, and also some issues regarding the intellectual property rights. Until that moment, the problem of the intelectual property was in charge of the Trade – Related Intellectual Property Rights Council (TRIPS) which had the supervisory role of the TRIPS Agreement.

2.1.1. Copyrights

In Romania the intellectual property is protected by the Law no. 8/1996 on copyright and related rights, according to which „the *copyright* of a literay, artistic or scientific work, as well as other works of intellectual creation is recognisez and guaranteed (...) this right relates to the author and has moral and estate regarding attributes" (Law no. 8/1996, art.1). Copyrights provides protection for the expression of an idea, being recorded automatically without requiring registration or verrification, „the work of intellectual property is recognised and protected, regardless of public disclosure, by the mere fact of its creation, even unfinished" (Law no. 8/1996, art.2).
Copyrights valability extends throughout the lifetime of the author, and following his death, his heirs take the benefits for a period of 70 years; when there are no legitimate successors, copyright are taken by Romanian Copyright Office.
The copyrights' problem is a sensitive one due to the limitation imposed by the payments required. It is commonly accepted that the creator should have the access and the right to benefit from its creation. But also, we have to take into consideration that in many cases a creative product represents the starting point of producing something new or developing more and more the initial one, at least; therefore it is clear why the access to the initial creation should be free, creativity implies flexibility and openness to experiments, new experiences. This situation is often met in software, the applications being more and more developed, efficient or interesting as more details are modified.

2.1.2. Patents

Regarding inventions, these are protected by *patents* and they „can be granted for any invention concerning a product or a process, in all fields of technology as long as the conditions of novelty, involving an inventive activity and being susceptible for industrial applicability, are fulfilled" (Law no. 64/1991, art.7).
As we can see, a patent, unlike a copyright, requires certification, testing its novelty, non-evidence and practical usability. Patents provide protection, generally, over 20 years, and even a monopoly position on the market for the period of time between the new product was launched and competitors have not yet produced something similar.
In Romania exists a positive trend regarding patents. In the following figure, it can be observed that in the analysed period 2003 – 2012 the number of patent applications to the European Patent Office (EPO) increased, which shows a developing interest for innovation, the fractional values being explained by the existence of patent applications with more inventors than one, so the invention is divided to the number of inventors who have worked together to create it.
Although the overall trend is a favourable one, between 2006 and 2009, there had been registered a decline in the number of patent applications, one if its causes being the beginning of the economic crisis.

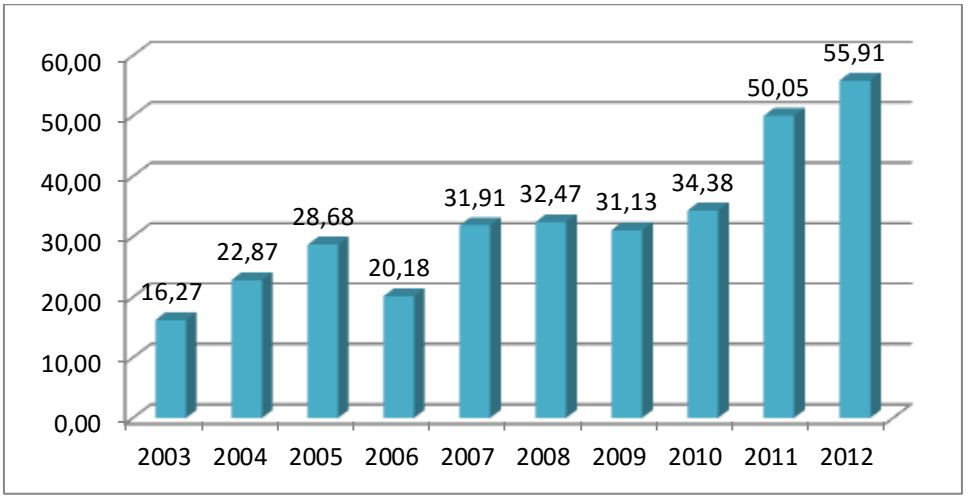


Figure 1: Patent applications to the European Patent Office from Romania
Source: designed by the author usig data provided by Eurostat

2.1.3. Trademarks

Another form of intellectual property's protection, otherwise being the oldest, is represented by *trademarks*. A trademark represents „a sign susceptible of graphic representation, serving to distinct the products and services of a legal entity from another one" (Florescu, Mâlcomete and Pop, 2003). Trademarks protect a tradable symbol over 10 years providing the possibility to extend this period of time. Trademarks resemble to patents due to the necessity of being recorded, using them is possible only after recording, but they don't involve a special skill or an artistic work like copyrights do.

Just like in the case of patents, Romania recorded an increasing trend in number of trademark applications, this trend being supported by Romania's adheration to the UE; this fact can be explained by the motivation of protecting the Romanians trademarks on the Community market, but also the favourable economic period represented a determining factor.

The economic crisis slowed the development of this segment of intellectual property rights, as well. However, a negative evolution started after 2011, but there still are with higher values than the values recorded in the period of growth from the previous years.

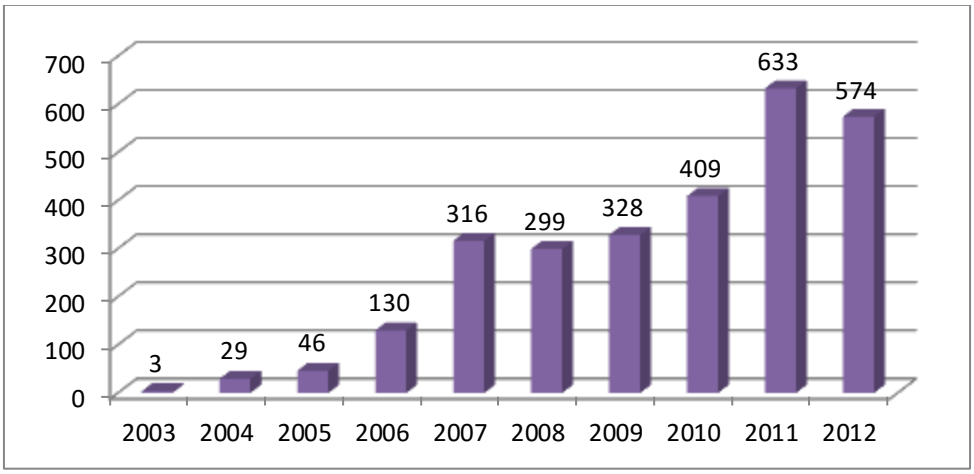


Figure 2: Community Trademark applications from Romania

Source: designed by the author usig data provided by Eurostat

Comparing the number of applications for patents with number of applications for trademarks, we notice the positive trend in both situations, although lately there has been recorded a decline in the number of trademarks applications. In absolute values, there is an important difference between the trademark applications number and that regarding patents, but this is perfectly understandable by the nature of protection each right provides. The evolution concerning patents is slowly but increasing, while trademarks' evolution was also increasing, but rapid and it recorded negative swings.

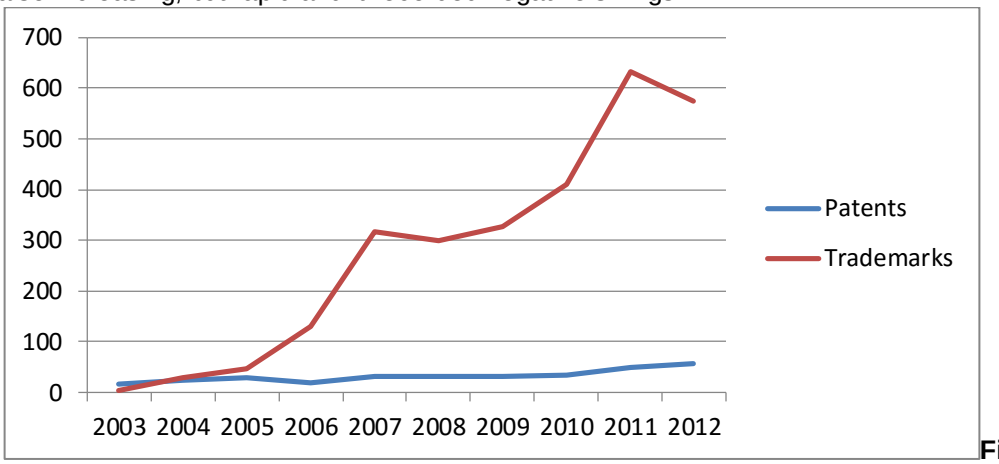


Figure 3: The evolution of patent and trademark applications in Romania during 2003 - 2012
Source: designed by the author usig data provided by Eurostat

2.2. Threats of intellectual property

Duplication without permission, obviously with payment for copyright or licensing, but also trading products and services using a certain trademark without authorisation lead to serious consequences for the law's violators according to the gravity of misconduct.

Digital evolution created an auspicious environment for the development of the creative economy, providing new opportunities to create new products, on-line networks and access to other markets.

However there are also negative aspects; the on-line environment represents a threat of the intellectual property due to its high potential of piracy and unauthorised distribution, thus creating damage for the authors. Distribution of creations without paying the author's rights appears as a theft, so we could say pirating networks represent a new form of the underground economy.

The underground economy does not represent a deviation of the economy, it represents a part of it, its specific activities elude legislation and the government control (Enste, Schneider and Owen, 1997). So it presents a negative aspect for those who suffer from the damage and also for the public budget, because the budget is deprived from the taxes that should be paid if the transactions would have taken place legally; meanwhile, it presents positive aspects, as well, because those who are not paying the taxes have access to other resources, information, entertainment and so money flow into the real economy.

However the authors have to be rewarded for their creations and to be protected against piracy. Some countries blocked the websites providing unlicensed products, conducted home inspections, counterfeit goods were confiscated, fines were applied, the convicts were even deprived from freedom, but they are not always punished. We should also consider that one of the determining factors of piracy, beside of the inexistent price to pay, is the comfort of accessing them.

The most efficient measure against piracy would be providing the creative products at an

affordable price or in a more convenient way than piracy does, ensuring balance between author's reward and free access to information.

3. The intellectual property's potential of creating added-value

The creative economy became an important economic force due to its huge potential of generation and development. This sector evolved very rapidly, by income generations and also by job creation. The crucial advantage of the creative industries is represented by the sustainable economic development by cause of the unlimited intangible resources.
In what concerns the intellectual property rights, we can observe that the exports and imports of intellectual property can be essential for a country's Balance of Trade.
In the UE, some countries, such as Netherlands, United Kingdom, Germany or France, social – economic developed countries, incomes from intellectual property rights are substantial, while other countries which are not so developed obtain insignificant incomes comparing to these, as we can see in figure 4.

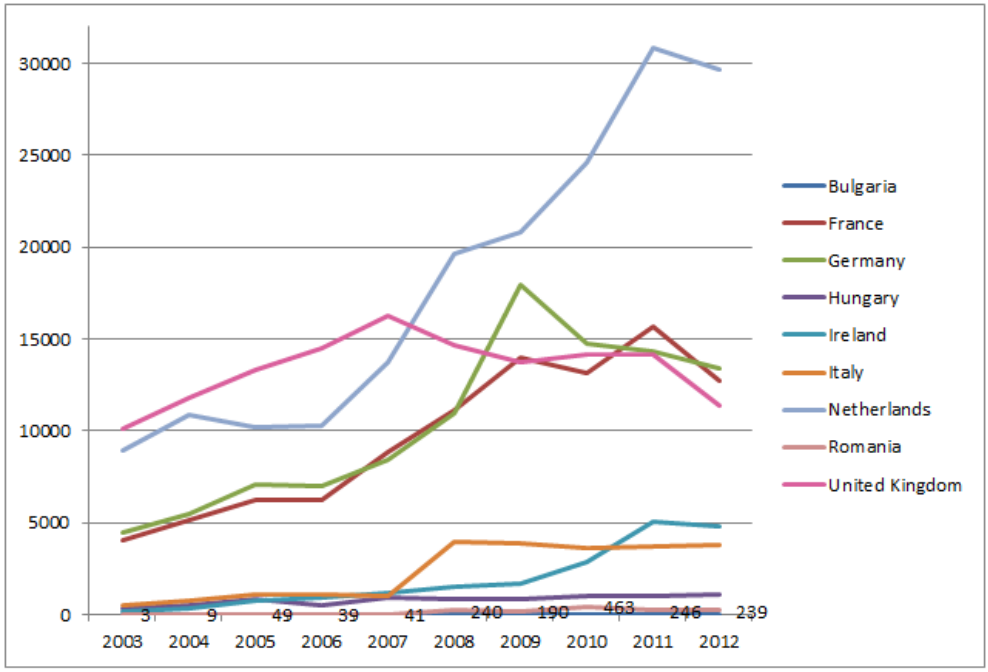


Figure 4: Royalties and license fees from export of intellectual property (million dollars)
Source: designed by the author usig data provided by UNCTADSTAD

This figure shows the performances of some countries of the European Union, realising a visual comparison between the most performant economies in the matter of intellectual property export and some of the developing economies of the Union, such as Romania, Bulgaria and Hungary. Comparing Romania's results with those registered by Netherlands, the supremacy of quality over quantity is obvious. Having o population of less than 17 million inhabitants, Netherlands' exports in the last year of the analysed period are a hundred times higher than Romania's exports, and Romania has a population of approximately 5 million higher than Netherlands. Therefore, appears the necessity of investment in the Romanian human resources.
On the other hand, if we look at the values of imports, Romania is still among the countries recording the lowest values; also, a country's level of creative products' consumption denotes its socioeconomic climate and human resources' quality.
Netherlands, again, appears among the leaders, but the highest importing intellectual

property is Ireland, also a small country with much less population than Romania.

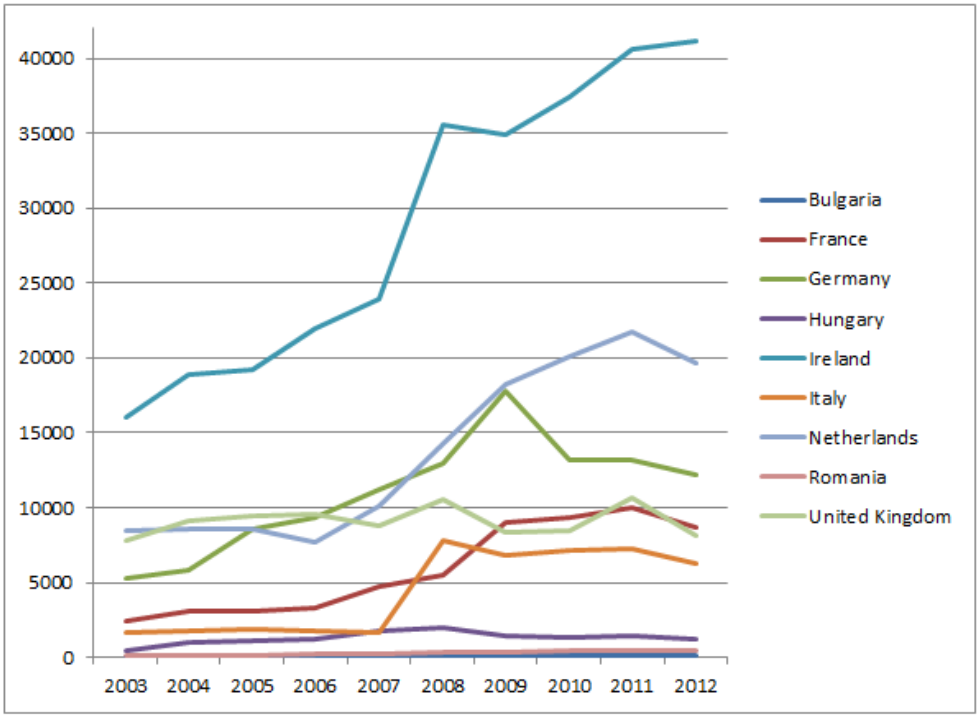


Figure 5: Royalties and license fees from import of intellectual property (million dollars)
Source: designed by the author usig data provided by UNCTADSTAD

Analysing Romania's Balance of Trade regarding the intellecrtual property rights, over the time Romania had a negative balance, except of the balance from 2010, when exports were higher than imports with 17 million dollars. The trend is ascending for the imports and oscillator for the exports. The deficit recorded over the years is caused by the lack of high technologies and the limited access to these and by a low percentage of the population with tertiary education.

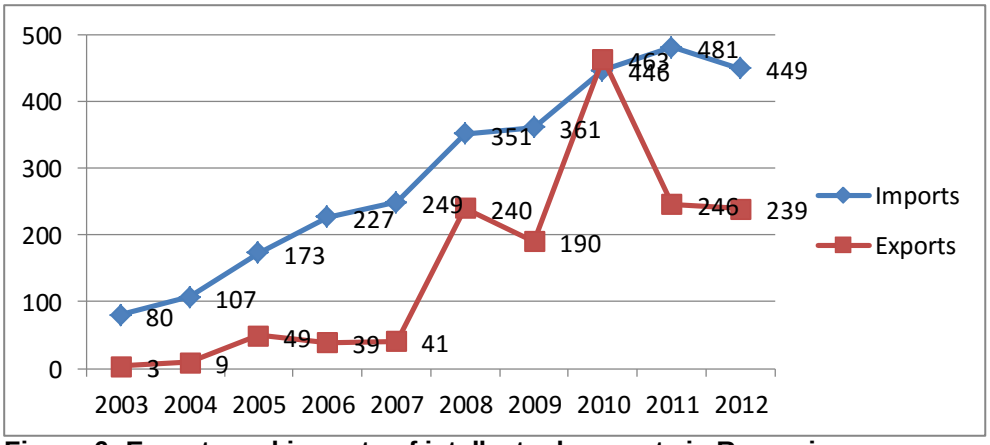


Figure 6: Exports and imports of intellectual property in Romania
Source: designed by the author usig data provided by UNCTADSTAD

5. Conclusions

Nowadays the economy has the chance to exploit an unexhaustible resource, the creativity of the human resources, the most valuable contribution a person can bring in a technological process is represented by his intellect, creativity and adaptability.

As we have noticed, the intellect represents the new main characteristic, generator of value, and it follows that its output has to be recognised and protected. Most of the world's countries recognize copyrights, patents and trademarks and the number of the applications for them can show relevant information about the issuing country. In the analyzed period we have seen favorable evolution for Romania's intellectual property rights, both in terms of patents, as well as trademarks.

Presenting the values of intellectual property rights exports and imports in the European Union, the comparison between Romania and Netherlands in terms of export value, leads to an alarm signal, due to the extremely high difference between the values recorded by each country; the human resource must be educated, trained and provided with favorable working conditions in order to work efficiently and effectively and to resist the temptation to migrate to countries where working conditions and wages are more advantageous. So the brain-drain could be diminished and the intellectual potential of the Romanians would be exploited by creating added value in their own country. Also, measures should be taken in research at both public and private, in order to stimulate the expansion of creative products.

Romania's imports' values are also low, but superior to the exports' values. The low imports show that the living standard of our country does not allow the import values of the developed countries. Even more, the Balance of Trade's deficit show a domestic demand for creative products which cannot be met by the offer of the domestic market.

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I'VE JUST GRADUATED. DO YOU WANT TO BE MY EMPLOYER? SKILLS MISMATCHES FOR TERTIARY GRADUATES

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Abstract: *This paper addresses the issue of educational contents and learning outcomes in higher education. This is an up-to-date subject, if we take into account the development of education systems and the European and national contexts in which this massification of education occurs. Europe 2020 strategy speaks of a smart economic development, which is only possible with efficient investments in education, research and innovation. Therefore, strategic objectives suppose the increase of the employment rate and the share of university graduates in the population aged 30-34 years. So far, Romania has a lot to recover in order to achieve these objectives. One of the main issues raised by the European Union aims the weak relationship between business and academia and the inconsistency between the professional training and the requirements found on the labour market. All are expressed by high unemployment rate recorded for higher education graduates. Our paper takes into account three essential pillars in training of human resources: universities as educational service providers, students, as main beneficiaries of these services and employers, who are able to assess the match between the skills acquired by graduates and those required in the socio-economic environment. Research objectives aim the descriptions of occupational standards available for two fields of study: Sociology and Social work, identification of the academic and professional careers of students who graduated the study programs from the two fields and the opinion of employers regarding their employees. Our research has three data sources. First of all it involves an analysis of the contents found in official descriptions of occupational standards, then we use the data obtained in an online survey with BA and MA graduates (N=113) and the data from a survey among employers of graduates from these study programs (N= 69 organizations, 113 graduates). This paper focuses on the analysis of competences transmitted within study programs, their correspondence in terms of occupational standards and employment of graduates. The main conclusion of our research indicate that it is recommended a closer and stronger relationship between the three entities involved in the organization of study programs (universities, students, employers), structuring the curriculum and establishing performance standards to assess the skills acquired during years of study. Educational contents and the descriptors of structural elements of professional skills must be constantly updated in this sense. Only in this way, there will be a real correspondence between university training and the demands of the labour market. Our research was conducted within SocioPlus project, Training, documentation and access services for students in BA and MA programs in sociology and social work*, funded by the European Union - POSDRU/156/1.2/G/139751.

Keywords: graduate students; employers; occupational standards; labour market; professional skills.

JEL classification: J24; J21; I21; I23.

1. Theoretical backgorund. Knowledge and skills in higher education

The insertion of graduates on the labour market is a relevant indicator for measuring the quality of higher education, but can also outline the lacks in academic and professional training. Universities are well aware of their role in training human resources, being the main provider of qualified employees on the labour market. All educational policies talk about the inclusive character of educational systems and how well-trained human resources can ensure economic and social development (Council of the European Union, 2013; Burke, 2012). European Union enforces all member countries to increase the quality of human resources, by following the priorities outlined in Europe 2020 Strategy. Overall, the strategy aims to sustain an intelligent, inclusive and solid economic development through efficient investments in education, research and innovation (European Commission, 2010). Romania has to increase the employment rate up to 75% in population between 20-64 years old and the rate of high education graduates up to 40% in the population aged 30-34 years (European Commission, 2010). These targets seem to be hard to accomplish giving the fact that in 2013 the national unemployment rate of 4.3% regarding higher education graduates was the highest from 2002 (Eurostat, 2014). Much more, European Council still identifies skills mismatches for tertiary graduates and gaps regarding the relation between academia and employment area (European Commission, 2014).

The way in which academic training meets the needs of the employment market is a problem of a permanent adjustment of the curriculum, in order to provide graduates competences which could enhance their rate of employability (Sondergaard *et al.,* 2011; Sharma, 2015). Higher education learning outcomes are represented by competencies transmitted to graduates, seen as a set of knowledge, skills and abilities (Delamare Le Deist and Winterton, 2005; Rieckmann, 2012). Research shows that educational offer does not suit labour market demands, a mismatch that is perceived both by graduates and employers (Baciu and Lazăr, 2011; Lazányi, 2012).In this sense, the link between academia, graduates and labour market, the main three pillars that are able to create social and economic development, should be reinforced by increasing a transparent and relevant collaboration, considering the real demands on labour market (Roșca, Păunescu and Pârvan, 2010).

2. Empirical research

2.1. Description of the project

Our research and analyses were conducted on data and information obtained within SocioPlus project. The project aims to improve the study programs at bachelor level (BA) and master level (MA) in Sociology and Social Work by adjusting the educational offers according to the requirements posed by the labour market. In this regard, the main objective of the project is to develop the curricula of 4 study programs from University of Oradea, namely Sociology, Social Work, Social Services Management and Human Resources Management.

2.2. Methodological framework

Our research follows data obtained within three studies, which allows us to outline a wide image regarding the integration of students on labour market.

Our first analysis focused on describing professional qualifications, based on a comparative perspective of specific occupational standards and competences for each educational field. The description of qualifications, standards and skills were retrieved from

the National Register of Qualifications in Higher Education (RNCIS). Within the two educational fields – Sociology and Social Work, University of Oradea organises study programs at BA level (Sociology and Social Work) and MA level (Human Resources Management – HRM and Social Services Management - SSM). We point out the fact that at MA level, there is only one study program (HRM), organised in the field of Sociology, even if according to RNCIS, the occupational standards for this specialization are independently described. Our second study aimed at investigating graduates` degree of insertion on the labour market. Therefore, graduates` educational and professional paths were analysed. Data was collected using an online survey. The third study focused on capturing employers` perception about graduates` professional competences and skills. We included 69 public and private institutions from Bihor which employed people who graduated at least one of the 4 study programs. Data were obtained by using two research instruments: Institutional Sheet and Employee Sheet. The first Sheet was filled in once in each institution and the second Sheet was filled in for each employee in one institution who graduated Sociology or Social Work.
Our study poses some methodological boundaries therefore results cannot be extrapolated at regional or national level. The limits refer especially to the dimension of our samples. Online surveys are limited in terms of the control over the responses rate. Also the low number of employers included in the sample is explained through the fact that our research aimed at analysing only graduates who are employed in certain positions, specific to the field of their training.

2.3. Research objectives

Our paper focuses on three main aspects that refer to the training of graduates, as outputs from the educational systems and inputs on the labor market. Therefore our analysis follows both the description of student's educational and professional profiles and the demands from employers.
1. As a first phase, in our study we looked at the formal descriptions of occupational standards available for the two fields of study. These standards clarify the link between professional and transversal competencies and possible occupations according COR (Classification of Occupations in Romania).
2. Secondly we turn to graduates. We aim to describe the academic and professional profile of students who graduated the programs from the two fields.
3. Our last objective follows the opinion of employers regarding their employees who are graduates of the two study programs.

3. Analysis and results

3.1. Description of qualifications in Sociology and Social Work

In the design and organization of study programs, academics have at hand a very useful tool that includes details about existing qualifications in different areas. The online system for recording and managing data (see www.rncis.ro) include relevant information about the educational offer, specific and transversal skills and the level descriptors related to them, minimum performance standards established for the assessment of competences acquired, possible occupations according to COR. The functionality of this system should provide clarification regarding the relationship between skills transmitted during academic training and jobs in which these skills are required. Subsequently, a proper analysis of the labour market would allow real evaluation of the number of jobs available (demand) in different fields. The system is indeed functional and according to OM 5703/2011 higher education institutions are required to enter information about the qualifications. At BA level, there is information about the main qualifications, instead at MA level, things are not so

clear. This is the case for the programs from our two fields of study. We note that, for the HRM program it is available the description of the qualification Human Resources at BA level, program that is also in sociology field.
For each qualification are provided six professional competences, each one with corresponding level descriptors - knowledge or skills - five of them in total. Therefore, each study program has a corresponding 30 specific competencies described. According to them, minimum standards of performance are described for each of the 6 competences. Our study focused on the analysis of them.
One skill, and therefore occupational standard, which is found in all study programs refers to the development and implementation of projects, plans for intervention, social diagnosis. To this one are added those related to counselling, professional and social integration. Then we can see the close relationship between occupational standards set for the BA level Social work program with SSM program. These programs involve the development of preventive services and support activities. Proposals for intervention measures in order to solve social problems are also found in the case of BA level Sociology program. Furthermore, regarding programs in sociology field, Sociology and HRM, they have in common management of database systems - using social indicators. We note that Human Resources program has specific skills that are not specified in the case of the other ones - training activities, working relations, recruitment and selection etc..
To summarize, we stress out the fact that such tools are extremely useful in organizing and analysing curricula developed by higher education institutions. Also we recommend to continuously update this information. All these should be made known for both students and socio-economic representatives.

3.2. Academic and professional profiles of graduates

In this section we present some results regarding the graduates from Sociology and Social work fields. First of all we look at their academic situations and then we describe their occupational status.
Our sample includes 113 graduates' students from University of Oradea. Their distribution according to field of training is at it follows:

Table 1: Distribution of graduates according to the level of training

Diplomas at BA level	N	%	**Diplomas at MA level**	N	%
another specialization	21	18.6	without MA degree	36	31.9
SOCIOLOGY	45	39.8	HRM	38	33.6
SOCIAL WORK	47	41.6	SSM	20	17.7
			another specialization	19	16.8
Total	113	100.0	Total	113	100.0

Source: authors' own analysis

As the data shows, there are only 36 BA level graduates who didn't continue their studies at the MA level. Regarding the other ones, most of the students who graduate from Sociology follow the HRM study program at the MA level, and those who graduate from Social work attend the SSM program. We may highlight also the number of students from Sociology which are trained in another specialization at the MA level.

Table 2: Graduates' level of training and specialization

		MA level			
		without MA	HRM	SSM	other
BA level	other	0	20	1	0
	SOCIOLOGY	17	12	0	16
	SOCIAL WORK	19	6	19	3

Source: authors' own analysis

Graduates of the programs covered in the research have less than two bachelor's or master degrees. In other words, few have followed other bachelor or master programs, compared to those analysed. Instead, in the case of life-long-learning training degrees we obtained higher mean values (above 1.60), especially in the case of graduates of Sociology (1.96) and those with other MA degree (2.63).
In the case of BA graduates, the response rates are largely focused on recent promotions. Social workers are concentrated in the promotions from 2008-2014, but Sociologists are distributed in earlier promotions (2001-2014). Regarding MA graduates, those from HRM are distributed relatively homogeneously in promotions from 2007-2014, and those from SSM are from recent promotions (2012-2014). We have to stress out that different promotions received different curricula and also there are some students who have graduated before Bologna.
The evaluation of BA study programs, in terms of training, skills offered and academic reputation, indicate differences between the two fields. Social work graduates say in a greater extent that the study program is geared towards a specific professional training and that the skills are known by most of the employers. Instead, Sociology graduates believe that the study program provides in a lesser extent appropriate training for a specific occupation. Moreover, they stated that employers are not very well informed about the skills offered within the study program.

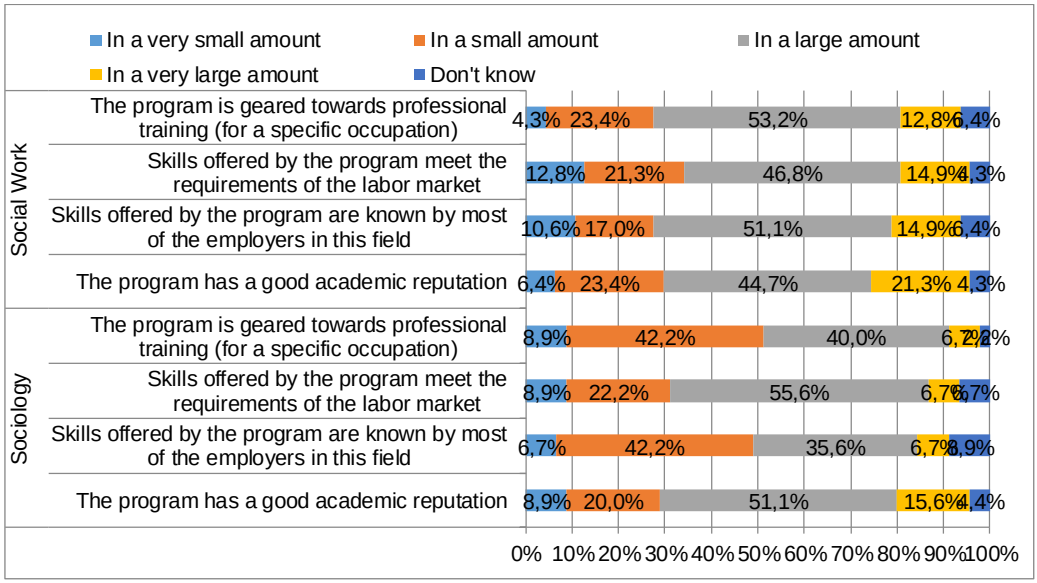


Figure 1: BA graduates opinion about graduated programs at BA level
Source: Source: authors' own analysis

The analyses regarding the MA graduated programs show also some differences. Compared to SSM graduates, those who obtained a HRM diploma consider in a smaller amount that the program addresses training for a specific occupation. Anyways, graduates from both programs appreciate the good reputation of them.
We asked our graduates if they consider that the skills and knowledge obtained through the MA programs represent a supplement of those acquired at the BA level. Most of them appreciate that the MA training provided deepened knowledge and skills. 26% of HRM graduates and 35% of SSM graduates state that MA training supplemented the BA training only in a small or very small amount.
Most graduates (over 76%) have previous professional experience, with at least one job so

far. Graduates of Sociology and Social work had an average number between 2.6 and 3.3 jobs until now. If we look at the numbers referring to the jobs obtained after graduation, than we can highlight the fact that most of them had at least one job before completing their university studies. The mean values for the number of jobs after completing their BA studies are between 1.3 and 2.5, and for completing their MA studies, values are between 1.3 and 1.4. Values are higher in the case of Sociology graduates. But this is because we registered older promotions, so the probability for them to have more jobs until now is higher.

After the graduation from BA programs, 64% of those from Sociology declare that they found a job related to their field of training and 47% of Social workers sustain this, but they've got involved in voluntary activities in a higher proportion.

Getting their first job after graduating, involved special support provided by family, friends and other acquaintances. Another way for finding their first job implied the direct contact of employers for available jobs. None of the graduates have benefited from services offered by career guidance departments from universities. 24% of Social work graduates and 29% of those from Sociology were contacted directly by an employee.

Over 80% of graduates are currently employed. Most of them have employment contracts of indefinite period, holding executive positions. Regarding the type of organizations where graduates are employed, we find differences between the fields of study. Social workers are more oriented towards public institutions and the NGO sector, and sociologists are more frequently employed in the private sector. Regarding the two MA programs, percentages do not show important differences. However, we noticed higher values recorded for those who own companies.

The analysis of the types of positions occupied by graduates, show the following results: sociologists are found in positions such as assistant manager, teacher, researcher, financial consultant, human resources consultant, manager; social workers are found in positions such as social worker, teacher, coordinator, inspector, assistant manager, sales consultant; HRM graduates work in positions such as administrator, human resources analyst, manager, inspector, teacher and SSM graduates are social workers, inspectors, coordinators, teachers.

3.3. Employers` perception about their employees

In order to give a wide image of graduates` integration on the labour market, we analyzed the opinion of employers regarding their employees. Our sample included 69 organizations from both public and private sector, from Bihor County. The majority are public institutions, followed by NGOs.

Table 3: Type of organization (N)

Private company (SRL, SA)	16
Public institution funded from the budget	22
Public institution with mixed funding (from the budget or other sources)	9
Public institution funded from its own revenues	2
NGO or foundation	20

Source: authors' own analysis

A total of 113 Employee Sheets were filled in. Data shows that the number of BA graduates, both in Sociology and Social Work (78), evaluated in our research is higher than that of MA graduates (58). We must take into account the overlapping of diplomas, namely the sociologists who also have HRM diplomas or social workers who own SSM diplomas.

Table 4: Total number of evaluated employees

	BA		MA
with BA in Sociology	42	with MA in HRM	40
with BA in Social Work	36	with MA in SSM	18
Total BA	**78**	**Total MA**	**58**
TOTAL NUMBER OF GRADUATES: 146			

Source: authors' own analysis

Most employees who graduated in Sociology at BA level are employed on positions like pre-university teaching professor, counsellor on social issues, sociologist, inspector, coordinator in various fields. The great majority of Social Work graduates is employed as social assistant, counsellor on social issues or inspector. Very few are occupying other positions which do not presume specialized training in Social Work like executive director or teacher. At MA level, the situation of HRM graduates is as follows: the majority is employed on positions as counsellor or social worker counsellor, followed by social workers, administrator and professor. Very few are holding positions like sociologist or human resource specialist. Unlike HRM graduates, SSM graduates are integrated on labour market more according to their specialization: social workers, social worker counsellors and inspectors.

Our research shows that integration on labour market depends on the BA degrees; for both fields, most of the graduates obtained their BA diplomas before their engagement on labour market (over 70%). On the opposite side, the majority of MA graduates obtained their degrees after employment (over 75%), which outlines the fact that MA diplomas are important rather for job promotions.

The fact that both BA and MA graduates needed requalification or extra-training courses could suggest that competences and skills obtained by them during university study programs are not considered sufficient by employers in accomplishing professional tasks. Over 70% of graduates for each level of studies have attended training or specialization courses after employment. In what regards qualification or requalification courses, the percentages of BA and MA graduates are lower: HRM – 21%, Social Work – 11%.

Using the special competences lists available in RNCIS for all study programs included in our research, we asked the employers from the sample to assess their employees according to the skills considered to be important in order to accomplish the working tasks. We used a four point scale where 1 is for *Not at all important* and 4 is *Very important*. We shortened the list by compressing some of the skills that were related to each other, taking into account the degree of coverage of those skills by each study program. The final list included 26 items.

The analysis for all study programs showed that some specific skills are seen as important for all graduates: *Identification of specific needs of target groups, cases monitoring and assessing the improvement of problems*, and the *Professional counselling and social integration*. On the other hand, communication skills are also considered to be important for all study programs: the *Social communication*, the *Analysis and assessment of the processes of personal, group and mass communication*, the *Communication with beneficiaries and other stakeholders*.

In the case of Sociology graduates, employers consider it is important that they know how to analyze and manage data and social indicators, and also to develop proposals in order to solve social problems that they identified. For Social work graduates, employers consider it is important to know and use specific intervention methods in dealing with beneficiaries, and develop prevention services.

Competences assessed as important in the case of SSM graduates overlap somewhat with those assessed as fundamental for social work programs. Therefore it is important for graduates to know the methods of intervention and direct work with social services

beneficiaries and the development and implementation of prevention activities. Employers believe that HRM graduates should have skills regarding career counselling and communication.

To identify the key indicators of our scale on specific skills transmitted within the study programs, we used factor analysis with Varimax rotation method (KMO 0.92). Factor analysis indicates four scores (total variance explained 28,7% first score, 15.6% second one, 15% and 13% last two). The four scores are the following: the score regarding Social work (SW)/SSM skills. It includes 13 items, such as: *Implement interventions to reduce social risks*; *Develop services and prevention activities and support for beneficiaries; Counselling and specialized intervention methods; Evaluation and monitoring of social services* etc.. The score regarding HR skills (5 items): *Identification, analysis and solving problems in organizations; Database management with personnel records: Organizing training programs; Managing working relationships; Recruitment, selection, evaluation and promotion of employees*. A score regarding specific competences considered to be important in the case of all social-sciences graduates (3 items) – *Counselling & communication*. The forth score refers to specific skills for Sociology graduates (5 items) – SOC: *Design of sociological research; Management of social data; Use of procedures and software for social indicators; Diagnosis of social problems*.

The analysis of values obtained for each scores registered for each study program show interesting results regarding the appreciation of the importance and coverage of skills offered in the academic training of graduates in different fields. The mean values of each score obtained for the four study programs stresses out the fact that for any field of specialization employers seek specific competences and skills. The figure below shows that there is a difference between the two fields of study: sociology and social work. Therefore, employers consider that Sociology graduates should have specific skills corresponding to the field that they had graduated from in order to accomplish their working tasks and almost no skills corresponding to Social Work field. On the other hand, for graduates from Social Work, employers appreciate obviously specific skills from the field, but also consider to be important some skills specific to Sociology field. Moreover, counselling and communication skills are considered by employers to be more important for Social Work graduates than for Sociology or HRM graduates. Data shows that these skills present similar values for both HRM and Sociology graduates.

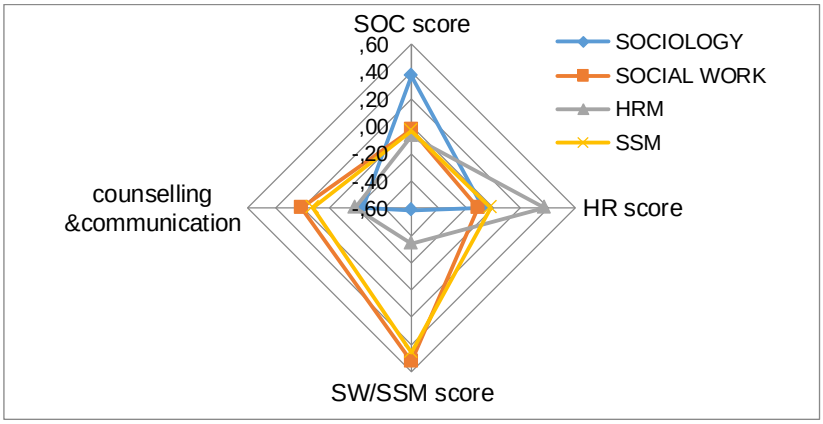


Figure 2: Mean values for competence scores, values for each study programs

4. Concluding remarks

Our research uses three data sources. We consider them as the main pillars in terms of the preparation of educational offer and presentation and analysis of the demand. We have

on the one hand, providers of educational services, on the other hand employers, and in between students and graduates. In order for the relationship between them to be functional, the information found at each level should be consistent. Therefore, if we talk in terms of skills that students need to acquire during their university training, it is important that these skills are matched with the labour market. From better cooperation between education providers, employers, employees and students everyone would benefit.

We looked in our research at study programs from two fields: Sociology and Social work. For these programs there is available relevant information regarding specific skills and standards for the assessment of these skills. Also we questioned our graduates and they said that programs they graduated from are known by employers. Most graduates are employed in jobs where they can use the knowledge and skills acquired during the years of study. On the other hand, employers believe that skills acquired by the students are important and they mark the consistency of relevant skills corresponding to each BA and MA programs.

To summarize, we recommend a stronger and better relationship between all parts involved in education (inputs and outputs), and more quality and updated information regarding the available qualifications.

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VALUE AND CHANGE IN ECONOMY

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Abstract: *This paper proposes a theoretical approach of the issue of values, especially economic ones. While philosophy defines values as being absolute, stable landmarks, criteria that guide human behavior, economics privileges the relative nature of values derived from usefulness and appreciation of goods by consumers, according to their needs, preferences, and interests.A strict delimitation of economic values can be made only on didactic considerations; there are numerous situations in which economic values are intertwined with aesthetic ones (e.g. the ones in the field of industrial design) with moral ones (i.e. social responsibility of corporations) with scientific ones (i.e. the theory of rational choice), political ones etc.*
The changes caused by globalization require an analysis of the value system in order to better understand the relationship between economic changes and the ones within the value system. The effort of reinterpretation of values, especially economic ones is a reflex of modernization, of technology. In most areas and times of economy, its stated purpose was to create wealth, often identified with happiness, a vague and highly subjective concept, so that it cannot be quantified as economy would like We have reviewed some of the fundamental papers on this subject and we have tried to capture the most important changes regarding contemporary economic values. Finally, we characterized Romania in the light of research results, respectively of estimates made by Hofstede, Inglehart and Schwartz in an attempt to explain, from an axiological perspective, the underdevelopment of Romania in comparison with other EU Member States.

Keywords: *value system, economic values, philosophical perspective, economic system, cultural dimensions*
JEL classification: *A13*

Introduction. About values

In the effort of understanding the world and himself, the human being builds, adopts, internalizes values, relates himself to values, thus giving meaning to existence and to his own behavior. The issue of values accompanied over time the philosophical discourse and established itself as an independent subject, axiology. The Romanian contributions to the theory of value belong to Petre Andrei, Vasile Conta, Lucian Blaga....

The concept of value is a complex one, so that out of the multitude of definitions, the most thorough define value through its characteristics, Schwartz (1992) even proposing an inventory of values.

Many interrogations can be formulated regarding the status of values: are they perennial or transitory, absolute or relative, objective or subjective, individual or social, static or dynamic, independent or related (value systems), which is the mechanism for the transmission of values, are values influenced by circumstances or circumstances influence values (Keller, 2008).

Responses were formulated by philosophy, anthropology, sociology, psychology and economy, focusing either on one dimension or another, depending on the perspective of each science on reality.

Analyzing the variety of human values, Morris, Ch. (1956) highlights the social determinants (cultural and religious traditions, economic, demographic factors), the psychological ones (temperament, character) and the biological ones (age) of value.

The analysis of IBM in its 64 host countries, of the values of its employees, conducted by Hofstede (2001), in the famous "Management of multicultural structures" established as criteria for analysis five cultural dimensions: Power Distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term orientation versus short-term orientation. Hofstede approached international comparative examinations from the point of view of organizations, their values and practices (rituals, heroes, symbols), analyzed on several levels: family, school, workplace, state.

Granoveter (1985) introduces the term 'embedednes" (man embedded in the community) in order to highlight the communitarian dimension of values.

The survey on value conducted by Allport, Vernon and Lindzey was based on social psychology and targeted different values (economic, religious, political, etc) using 45 items (Allport, Vernon and Lindzey, 1951). Other research in psychology indicated strong positive correlations between the values of life and the values of work (Kinnan, Gaubinger, 1963).

In economic sciences, the theory of value is formulated by representatives of classical liberalism, being elaborated and substantiated from different positions by British classics, respectively by the French ones. While Ricardo considered value as being given by work stored as a commodity (theory of labor value or objective theory of value), Jean Baptiste Say offers a different perspective, defining value according to utility (theory of utility value or subjective theory of value). The one who will "reconcile" the two different views will be Alfred Marshall, author of the famous theory of "price scissors".

The table below summarizes the specific of economic values in relation to the philosophical perspective on values, using, in this respect, characteristics and values used by Scarbrouch and Deth (1994) in defining values (to which we added, for the sake of differentiation, the nature and degree of generality):

Table1: Philosophical perspective versus economic perspective of values

Characteristics of values	**philosophical perspective**	**economic values**
Nature of values	spiritual	material
Degree of generality	+ + + (very general)	+ (mainly particular)
Latency	+ +	+ + + (virtually anything can become a value, even for a very short time, if it is well promoted, people crediting something even if out of curiosity, the desire of change)
Stability	+ + +	- (unstable, changeable, often under the impact of fashion, marketing, life cycle of the product is increasingly short)
Desirability, scales of preferences	+ + +	+ (decreased, also due to the fact that they are unstable)
Concretization	+ + + (attitudes, opinions, models, philosophical systems)	+ + + (consumption behavior, attitudes)
Social determination of individual values	+	+ + + (values are induced to the individual by increasingly sophisticated marketing activities, addressed to certain influential

		groups and used as image vectors, impact personalities, events, psychological considerations, including profiles of buyers)
Exemples	Good, Truth, Beauty, Justice	Money (Gold), Property, Economic solidarity, Wealth

Source: Own processing

While philosophy defines values as being absolute, stable landmarks, criteria that guide human behavior, economics privileges the relative nature of values derived from usefulness and appreciation of goods by consumers, according to their needs, preferences, and interests.

Based on these differences we can define the economic values by means of the appreciation that people attach to a good or service, at some point. This assessment is determined by individual, socially modelled needs. And because needs are diverse and constantly increasing, and assessments change depending on how goods and services are responding to these needs.

A strict delimitation of economic values can be made only on didactic considerations; there are numerous situations in which economic values are intertwined with aesthetic ones (e.g. the ones in the field of industrial design) with moral ones (i.e. social responsibility of corporations) with scientific ones (i.e. the theory of rational choice), political ones etc.

Economic values associated with changes in economy

According to Ronald Inglehart economic development, cultural change and political changes are, most often, simultaneous. For example, industrialized societies determine decreased gender differences. In their turn, postmodern values bring social changes, as well as democratic political institutions or the decline of state socialist regimes (Inglehart, 1997).

The history of economy undergoes through several stages in the modernization process, highlighted by famous economists of whom the best known are Rostock (1956), Kuhn (1962) who capture the most important moments of this process. More recently, other economists use phrases considered more appropriate for the modernization of the economy: Prof. E.Triyakian suggested " new modernization" (1991), Prof. W. Zapf advanced " continuous modernization", Prof. J. Huber described " ecological modernization", Prof. U. Beck raised " reflexive modernization". The Chinese economist El Chuanqi published in 1998 his paper, "Knowledge-based economy and the second modernization" and then the book "The Second Modernization" (1999), in which he approaches the modernization of economy as a complex process that takes place in two stages: the first modernization that lasted approximately 200 years (1763-1970) is represented by the transition from agricultural society to industrial society, and currently we are witnessing the second modernization that began in 1971 and will end around 2100, thus having a much shorter duration of only 100 years, making the transition from industrial civilization to knowledge civilization, from industrial economy to knowledge economy.

In turn, Inglehart considers that economic development goes through several stages (each stage focusing on a central purpose of society): from survival economy, characteristic to traditional society, to the maximization of economic growth in modern society, and then to the maximization of subjective well-being in postmodern society. These developments are associated with changes in the value system: traditional religious values and community rules - motivational values – post-material and postmodern values, respectively “from Survival Values toward Self-expression” (Inglehart 2008: 141).

Examining the effect of the modernization process on values, Keller considers that modernization is the consequence of the collapse of traditional society, being accompanied by the growing importance of values such as rationality or performance. He emphasizes that modernization is not a linear evolution, assuming positive aspects as well as an improved quality of life, but also negative ones, according to Haskins modernity causing a real crisis of values (Haskins, 1977).

The evolution of economics is divergent: on one hand it is considered an exact science, borrowing from sciences the device, the mathematical tools, formalizing economic processes, using their specific methodology; on the other hand, maybe, out of this very reason, it is removed from its humanistic dimension, by man and his needs, though claiming human needs as main object of economic activity. In *L'horroeur Economique*, the author believes that today, the unemployed, for example, is more a figure in statistics rather than a person with real problems and needs. What worries is statistics and less what lies behind it. However, if someone analyzes the situation of the unemployed person, he does it in order to complain about job loss, inducing the unemployed perhaps the most powerful and painful feeling: that of shame (p.16). the same author also underlines the growing importance given to the machine world - pure, hard, does not require social protection, economical, without doubt, emotions or aggression, in the detriment of the world of people's work - uncertain, costly, requiring social security (p.35).

If, for early modernity, economic rationality is the almost unanimously valid value, today only economy continues to capitalize profit as the almost exclusively mobile of economic actions. Even on the territory of economy, theorists of social economy shift the focus from profit to the moral dimension of economic activity, while other social sciences insist on emotional motivation, satisfaction, relationships with others.

In a globalized world, the evaluation of economic policies, of economic activity cannot be made solely in terms of economic indicators, even nuanced ones, but it also requires a normative perspective, as pointed out in DeMartino's paper *Global economy, global justice. Theoretical Objections and Policy Alternatives to Neoliberalism* (2000). Moreover, the relationship between economics and ethics is present in the works of economists such as Adam Smith who wrote not only *The Wealth of Nations*, but also *Theory of Moral Sentiments* and Max Weber who offered an explanatory model of capitalism relating it with Protestant ethics. Today, we encounter in economists' speech the theses of corporations' social responsibility, the respect of human rights in the community and at work, the promotion of ethic principles in corporative governance, in the marketing and community relations activity, respect and protection of the natural environment, of health and public safety, the increase in the quality of offered products (Wood, 1991; Archie B. Carroll, 2009; McWilliams, A., Siegel,D., 2000; Kotler P., Lee N., 2005).

Economy has its own space and time. Economic space and economic time are clearly demarcated by value coordinates. A certain economic time and a certain space provide us specific products and services that challenge us and impose assessments, valuations. The effort of reinterpretation of values, especially economic ones is a reflex of modernization, of technology. In most areas and times of economy, its stated purpose was to create wealth, often identified with happiness, a vague and highly subjective concept, so that it cannot be quantified as economy would like (Hausman, 2010).

Some reactions and value judgments arise as a result of confrontations and various interests in several systems (e.g. system of economic regulations), and then these are internalized in different ways (e.g., sanctions, internalization) at the level of individual conscience (Hankiss, 1977).

"The recent financial and economic crisis is a good pretext for meditation on the theory of values. Economists of crisis, such as Paul Krugman identified as causes of the current crisis, along with "speculative bubbles", ethical issues in banking activity, as well as the activity of "shadow banks" caused by deregulation in the field, or more precisely

outdated regulations that are no longer effective in a world in which banks create money without coverage. Authorized voices of political or economic philosophy warn about the duplication economic crisis as crisis of values, even about the possibility that one of the most important causes of the economic crisis is represented by the lack of value benchmarks in economic activity and mainly in banking. Church leaders even give a name to the main causes of economic crisis: greed. From economic perspective, greed is not necessarily seen as a non-value. Greed is often referred to as ambition, courage, desire for profit, and these are all motives of economic activity, or qualities of successful leaders. And economic development is directly beneficial to the community of employees, and indirectly, through the redistribution process, to society" (Ștefănescu, 2009).

Speaking of crisis, it is natural to wonder whether it is a crisis within us or it is outside us. The crisis itself is considered to have a therapeutic value, as it cleanses the body of economy of a number of diseases.

The crisis within us is a crisis of values that no longer lights our way, being ambiguous, leaving room for interpretation.

The crisis outside us is not independent of us, it stems from the inability of our environment to adapt to the changes that we are subjected to in our evolution (maybe that's why, the more frequent and profound crises are, the faster and more numerous changes are) the political environment is unable to understand and enforce measures, risking even "death of policy " and a return to the situation in which the individuals take on their own destiny; education is incapable of change, both in form and especially in substance; man is overcome by technology; medicine is unable to meet new challenges, which often change the rules of the "game" (Amos Oz: I recommend a low dose of schizophrenia to everybody); economy becomes more vulnerable to the most diverse phenomena: overproduction (1929-1933), energy and raw materials (70s of last century), globalization, transnational corporations (90s), banks, the service sector, industry relocation, tyranny " of creativity "(2000s).

A lot of the economic "values" are actually bivalent, according to the principle: there is a good part in evil, which endows them with a kind of cynicism. Thus, inflation and unemployment, negative economic phenomena, non-values, are desirable, beneficial within certain limits, bankruptcy, economic crisis, war, beyond negative effects also have a purification effect. The same is true in the case of "positive values", these also having negative effects. It's the case of wealth, property, profit, work or money.

The ambivalent nature of economic values derives from the very economic theories on property values: objective (based on cost, belonging to British classical economists), subjective (based on usefulness, belonging to French classical economists) and objective-subjective (which combines two different options, in the well-known theory of "price scissors" of Alfred Mashall).

Moreover, even the mechanism of organization and functioning of economic and social life is bivalent: on one hand, the main motivation of the selfish entrepreneur is profit and on the other hand, income redistribution is made on the principle of solidarity, the altruistic entrepreneur agreeing to give a part of his income in order to support the "unproductive" ones. Equally, profit is now seen not only in terms of its monetary size but also as image profit, which motivates the actions of corporate social responsibility (CSR). The idea of overcoming individual selfishness and altruism and even of acquiring behavioral attitudinal altruism is present in the work of Kaushik Basu, The Moral Basis of prosperity and oppression: altruism, other-regarding behavior and identity (2010).

In post-modernity, value turns into "values": truth into truths, beauty into beauties etc., which was interpreted as a "relativization" of values.

Inglehart (1997) distinguishes between materialist and post-materialist values derived from switching from the logic of needs (dominated by the idea of subsistence, induced by material lack), to the logic of "self-expression" (increased living standards

determine focus on post-material values).

Studies conducted by Inglehart in 2008 confirmed the predictions in 1971 according to which advanced industrial societies would undergo transformations regarding the value options of new generations as a result of changing conditions influencing their basic socialization' (Inglehart 1971: 991). He notices that while the older generation focuses on materialistic values (physical and economic security), young people choose "post-materialist" values, emphasising autonomy and self-expression, quality of life (Inglehart 2008: 131).

Romania: change and value

On the "cultural map of the world" constructed by Inglehart (1997, 2005) Romania registers "the absence of changes between 1999 and 2005, the similarity of society with other Eastern European countries, but also the distance from Western Europe." It is more conservative than most European countries included in the study and more concerned about others than about self-realization (Voicu, 2008: 24).

These conclusions are reinforced by the average values for Romania of the indices of the 10 value orientations proposed by Schwartz (2004): Tradition 8.0 Conformism 7.5 Universalism 7.3 Stimulation 4.4 Benevolence 7.1 Achievement 6.1 Hedonism 5.0 Power 5.0 Security 7.6 Self-directing 7.0. In other words, a country massively oriented towards tradition, conformism and security, and to a much less extent to stimulation, power and hedonism.

Finally, Romania's position according to five cultural dimensions proposed by Hofstede (2001), as it is estimated by the author, is the following: Power Distance Index 90, Individualism 30, Masculinity 42, Uncertainty Avoidance Index 90 Long-Term Orientation, is not estimated (for each index value ranges from 1 to 120). Out of the 21 countries (16 in the study and 5 in Eastern Europe for which estimates have been made) Romania is situated on the first place in power distance, on the last place in individualism, on the 5th in uncertainty acceptance and on the 15th in masculinity dimension.

Table2: The position of societies according to the five cultural dimensions proposed by Hofstede

	Power Distance Index	Individualism	Masculinity	Uncertainty Avoidance Index	Long-Term Orientation
Australia	36	90	61	51	31
Austria	11	55	79	70	
Belgium	65	75	54	94	
Bulgaria *	70	30	40	85	
Czech	57	58	57	74	13
Finland	33	63	26	59	
France	68	71	43	86	
Germany	35	67	66	65	31
Greece	60	35	57	112	
Hungary *	46	80	88	82	50
India	77	48	56	40	61
Italy	50	76	70	75	
Holland	38	80	14	53	44
Poland*	68	60	64	93	32
Portugal	63	27	31	104	
Romania *	90	30	42	90	
Spain	57	51	42	86	
Sweden	31	71	5	29	33
Turkey	66	37	45	85	
Great Britain	35	89	66	35	25
United States	40	91	62	46	29

* Values estimated by Hofstede (not derived from empirical data collected for this purpose). Each index varies from 1-120.

Source: Voicu, 2008: p.16

Cumulating the scores of Romania in the three studies we find that they emphasize some features of Romania from the perspective of change and values accompanying change:

- Romania seems to be facing the past, a traditionalist and conservative country, but not in the British sense of preserving recognized values not only on British territory, but throughout the world; Romanian traditionalism limits itself more in religiosity.
- It is a country that has remained with significant sequelae after the communist period, in a greater degree than other countries in similar situations; we are talking about power distance and about the feeling of state paternalism.
- Finally it is a country devoid of enthusiasm, with the vocation of victimization that seems focused mainly on short-term.
- It demonstrates certain inertia of system (political, legal, educational, health etc.) that is not necessarily caused by inactivity, but rather by fruitless efforts.
- An important feature seems to be a considerable heterogeneity of value options at individual level that determines the inability of systems of achieving specific value constructs

Under these circumstances, one can understand Romania's laggard position in relation to the EU countries in various sectors, despite its available advantages: the seventh demographic power of the EU, important natural resources, highly-qualified human resources, but with a high poverty rate, with institutionalized corruption, with a system of education and health on the borderline of survival.

We believe that overcoming some of the highlighted shortcomings is possible

through a broad and sustained action in the education plan, which would set clear targets regarding constructing and implementing an appropriate system of values for the needs of these times and contexts of life.

Conclusions

Although postmodern society is also characterized by some scholars through uncertainty and relativity of values (Nemoianu, 1995), value reference points ensure stability, confer sustainability and generate beneficial changes to the system.

In turn, values are modeled by changes that occur in one area or another, requiring their reconceptualization in agreement with new realities that define them.

Romania has a rich cultural tradition and consistent contributions in the field of axiology (see Cioran, Noica, Blaga, Petre Andrei, Xenopol, Manolescu and others) with the potential for exploitation, presently. The new socio-economic contexts require, at the same time, cultural synchronization with European and international values.

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SUB-SECTION : BUSINESS ADMINISTRATION

CITIZENS' INVOLVEMENT IN PUBLIC DECISIONS: BETWEEN NORMATIVE FRAMEWORK AND ACTUAL FINDINGS (I – THEORETICAL OVERVIEW)

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Abstract: *Public institutions should be driven both by efectiveness and financial targets, and by ethical rules principles governing their activities. In a democratic state, all public institutions and all public decisions should function based on mechanisms applying the principles of participation, accountability, transparency, rule of law, subsidiarity and equality of opportunity and treatment. This paper focuses on emphasizing main contributions in the theory of participatory democracy in local governance institutions, but also some practical considerations, including results and restrictions concerning how they are actually implemented in the Romanian public institutions.*

Keywords: local governance; citizens' participation; transparency; decision-making

JEL classification: H41; L33

1.Introduction

A modern public administration, which is of crucial importance also for Romania, involves multiple tasks for the reform of the public sector. Moreover, local institutions must reconsider their role in addressing the needs of local governments. Within this context, principles that should govern the process of provision and consumption of local public services involve: active participation of consumers of public services in making decisions of common interest, promoting transparency in the governance of public institutions, ensuring efficiency and effectiveness of public services, promoting good common consensus and equal treatment. As seen, the principle of citizens' public participation plays an important role in ensuring both an effective and a moral process of management and governance. In this paper we are approaching the theoretical background and previous researches on this issue – in the first part, and in the second part we are presenting the results of our own researches on the topic.

2. Theoretical background

According to Surendra Munshi (2004), a good governance is characterized by a "participatory governance, operating responsibly, transparently based on principles of efficiency, legitimacy and consensus to promote individual rights of citizens and public interest to ensure the material well-being and sustainable development of society". Other specialists consider democratic governance model is based on principles such as participation, accountability, transparency, rule of law, subsidiarity and equality of opportunity and treatment (UN, UN 2006).

Good governance of local public institutions means more than providing quality public services, means preserving life and liberty of citizens, creating space for democratic participation and social dialogue, promoting sustainable development and improving local

quality of life (Mila Freire, 2007). The U.S. experience reveals a governance model for public institutions based on active participation of civil society in decision making.
Creighton (2005) considers that citizens' participation is "involvement in the sphere of public concern, the needs and values are incorporated into governmental and corporate decision making. It consists of an interactive and two-way communications and end with the adoption of better decisions accepted by the public".
In the literature it is often the concept of "citizen-centred governance" obviously based on citizen involvement in public decision-making. Citizens participation in decision making is an important step in the modernization of local public institutions, rethinking the relationship between citizens and public institutions in providing public services, combating poverty and social exclusion and promotes social cohesion. The aims pursued by involving citizens in decision-making include:
- improving public services both in form and content to their terms so as to increase citizens' satisfaction;
- Increased vertical cooperation between local providers and beneficiaries and horizontal cooperation between community members thus promoting social cohesion;
- Improving the quality grounding local decisions of general interest and also promote legitimacy, accountability and democracy in the governance of local public institutions (Foot, 2009).
Although the basic goals of the active participation of citizens would be those mentioned above, in reality citizens in decision-making often have different ideas about what governance is often generating confusion and limitations of public legitimacy of its governance. Public participation in decision-making should be constructive, promoting rapprochement between the management structures of public institutions and citizens. According to real opinions, public participation in decision-making should be a definite aspect, meaning more than mere idle observation and participation of citizens. The public is not a passive actor therefore must intervene to influence the management of "public affairs" (Arnstein, 1969).
The participation of citizens should be emphasized in the planning stage of a project forecasting of local interest. In this regard, public institutions and local governments must create early participation mechanisms (United Nations Economic Commission for Europe, 2008). The quality of citizen participation is enhanced by the knowledge and experience that are endowed persons involved in the decision justification. According to the functional approach, participation is seen as a process of obtaining all relevant knowledge to the problem considered in making and implementing decisions (CIPFA, 2004). No pattern of governance of public institutions could provide maximum protection against bankruptcy risk management process. Risk mitigation can be achieved with the inclusion of a maximum number of participants in substantiating and implementing the decisions of common interest (Renn and Schweizer, 2009) and thus avoiding corruption and unfair practices (Badulescu, 2012). Participation in decision-making should not only stop the involvement of citizens, taking into account the recommendations of employees, auditors , representatives of the private sphere can increase the efficiency of public governance. According to Pierre and Peter employing several authors in decision making is the cornerstone of a style of governance based on promoting the company priorities, coherence, and accountability (Pierre and Peters, 2005).

3. Previous researches: a critical assessment

Arnstein (1969) classified interaction between citizens and public institutions on eight levels. The author presents the eight levels in the form of ladder, i.e.:
the lowest level is the participation style characterized by (1) the handling and care. This level is in fact non-participation, participation illusion;
the second level is characterized by (2) information and consultation at which emphasizes

the possibility of involvement of the marginalized or excluded;
the next level is (3) reconciliation and advice citizens that level decision makers in the public sphere, the degree of consideration of their proposals is definitely higher than the previous level;
at the next level (4), citizens can initiate partnerships with public institutions. This facilitates active involvement in specific activities of the public sphere and public accountability;
the last level is occupied by (5) delegation of power and control level is characterized by partial or total delegation of management tasks and exercise exclusive control (Arnstein, 1969; Haruţa and Radu, 2010).
Participatory democracy is a concept and a practice also increasingly used in developed countries. This is based on the direct involvement without intermediaries' citizens in solving local problems. Important role of this model of participation is to increase transparency and accountability in decision making in the public sphere (Anirban Pal, 2007). In Romania last years, experience relevant public institutions without the involvement of citizens in the decision justification interest.
Following a study of local communities in Romania has outlined the most important role in decision making of local interest is owned by the mayor and the county council. An equally important role in decision-making is played by local council, deputy mayor and council president. As long as local board members, chairman of the county mayor are elected by public vote and they perform an important role in decision making and the exercise of control we can say that there is a tendency partial consideration of options local citizens (Haruţa and Radu, 2010).
Emerged from this study, the degree of direct participation of citizens in decision making Romanian local interest is low. The study found that the relationship with the local council's citizens closer relationship compared to the county council. The study also shows that the level of participation of citizens in decision- making and implementation of public institutions in cities is higher as opposed to the level of public involvement in policy.
Although Law 52/2003 on transparency in public administration underlines the importance of timely information to citizens on the substantiation of decisions so that they have the opportunity to issue recommendations regarding possible in reality things are not so.
A stage marked the history of the relationship between citizens and local institutions are profound changes that occurred after the reform of 1990. Since the 1990s, the modernization of the administrative system has become a priority for the Government of Romania. Thus modernization of public institutions dragged itself a new approach to participatory decision-making process of local interest.
Definitely cannot deny the involvement of citizens in making and implementing the decisions of local interest, emphasizing that this phenomenon of 1990, but we must recognize that its influence is a moderate one. According to Arnstein's classification, Romanian citizen participation practices can be judged to be more consultative in nature. This suggests an early practice of involving citizens in decision-making of public policy, which reinforces the need to strengthen communication, cooperation and partnership relationship between local institutions and citizens. In the interest of promoting the common good is paramount "breaking the walls" and eliminate conflicts between community members and local institutions. The role of public participation and private sector representatives is increasing the provision of public services designed to meet local interests. In the context of the rise of competitive influences in the provision of public services, information, consultation and consideration of the needs and preferences of citizens should be a priority.
What are the effects of stimulating the participation of citizens, of the community in general, in the decision-making process, beyond legal obligations, and, in a more subtle measure, beyond providing a good public image of the representatives, always necessary in the upcoming elections? What advantages (and disadvantages) were highlighted by the field research among the population or representatives of public institutions regarding the

application of the principle of citizens' participation? To address this issue, we refer to the research titled "Is there public participation in Romania? Public participation in legislation and efficiency ", issued under the Resource Center for Public Participation in 2007, by presenting below an adaptation of the comparative picture realized by the authors (Preda et al., 2007) (see Table 1).

Table 1: Advantages / disadvantages of citizens' participation in undertaking and implementing decisions

Advantages of citizens' participation in taking and implementing decisions	%	Disadvantages of citizens' participation in taking and implementing decisions	%
Achieving objectives acordind to specific needs	26	Difficulties / delays in taking decisions	28
Better understanding / knowledge of the issues / more transparent decision-making	27	Multitude of issues / divers perspectives	10
Ideas / suggestions / proposals / new projects / expressing citizens' opinions	9	Organisational issues	8
More effective management / more effective solutions	8	Emerging personal / group interests	6
Taking responsibility / accountability and community involvement in decision making	8	Lack of participation / involvement / interest from citizens	5
Identifying disadvantages of certain decisions	5	There are no disadvantages	19
Better communication / harmony	5	Others	24
Others	12		

Source: Preda, Oana; Olteanu, Sînziana; Presadă, Florina, *Există participare publică în România? Participarea publică între legislaţie şi eficienţă*, Centrul de resurse pentru participare publică, 2007

The interpretation of these figures does not generate major changes from the existing expectations. Obviously, following legal obligations and the philosophy of ownership in the community, it was expected that they will dominate the advantages: the objectives, understanding the problems and ensure a more transparent decision-making and finding as many ideas, projects, alternatives etc. As disadvantages, authorities are obviously concerned that involving citizens in knowledge, debate and participation in decision-making would lead to lengthening the period of decision making, practical difficulties regarding the way they will organize these debates and consultations, the difficulty of collecting proposals from the community but also the fear of "the emergence of personal / group interests". Notice the somewhat curious position, according to which "greater diversity of perspectives" appears as a disadvantage rather than an advantage (probably related to delay in decision making). Equally confusing (but understandable if we consider the "filter" retrospective analysis of these actions) is "lack of participation, involvement, interest of citizens" which should not appear as an obvious disadvantage, but rather as a consequence or subsequent disappointment implementation of the principle, but conformist or disinterested answer "no disadvantage".

Before proceeding to analyze our research questions related to this principle, we bring to attention a series of statistical data provided by the World Bank reports, present on the AGI Portal (Actionable Governance Indicator), respectively, the results of research conducted by Oana Preda, Sînziana Olteanu, Florina Presadă, cited above.

Referring to World Bank data, we considered selection and processing of data relating to

Romania (and the comparison with the average member "Europe and Central Asia" and "above average income countries") presented in Figure 1. In this case, we chose a series of three indicators related to the sub-chapter "Control and balances", namely: (1) "Civil society participation in the political process" (2) "Political Participation", respectively (3) "Control of conflict of interest" (see Fig. 1).

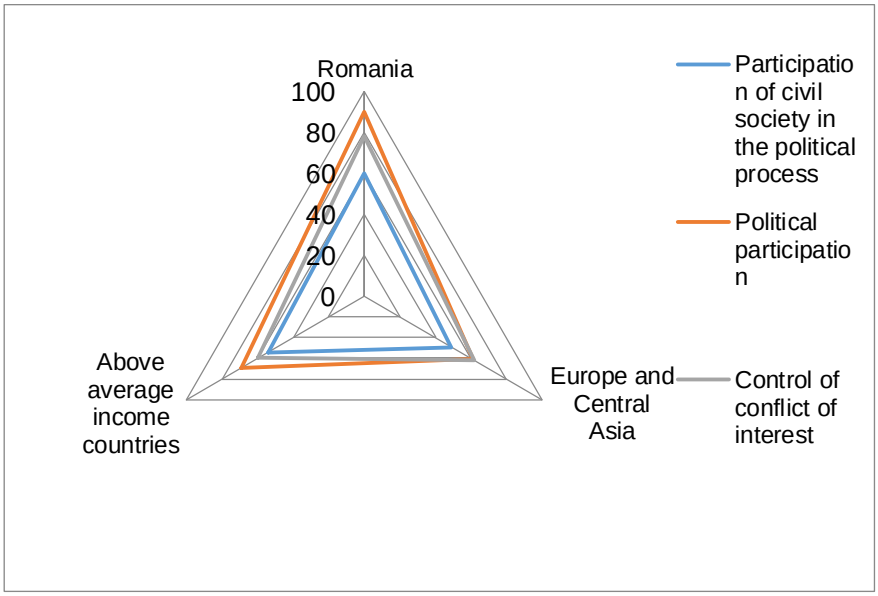


Figure 1: Control and balances
Obs. * 0=minimum, 100= maximum
Sursa: Own adaptation from AGI DATA PORTAL Romania: Governance at a Glance, https://www.agidata.org/site/Report.aspx?report=IDA_REPORT&country=168

We note that, for all three selected indicators, Romania achieve higher scores both than the average of countries in Europe and Central Asia, and countries with above average income. If the indicator (1) "Civil society participation in the political process", which is the closest to the purpose of our analysis, Romania gets a score of 60 points out of 100 (where 0 = lowest, 100 = highest) compared with 49 points obtained by group of countries in Europe and Central Asia, and, respectively, 54 points obtained by the group "above average income countries". Under these circumstances, and with the possibilities offered by comparison, we have reasons to believe that the principle of citizens' participation in making and implementing decisions is on the right path in public administration in Romania.
Referring to the research conducted by Preda et al (2007), they found (see Figure 2) that local authorities have noticed an increase in the level of public access to decision-making process (note, not necessarily actual involvement or participation in decision making), followed by mass media and associations / NGOs (Preda et al., 2007).

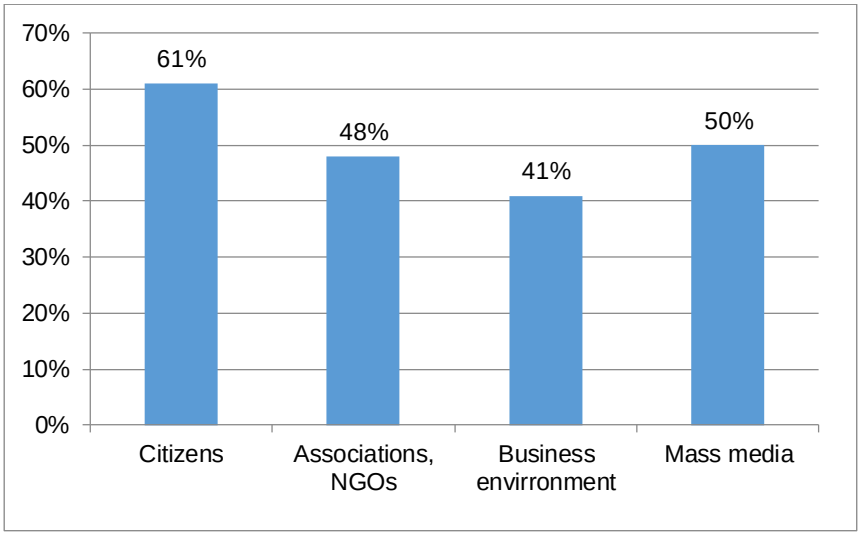


Figure 2: Evaluation of the degree of access of… to the decision taking process within public administration
Obs. After implementation of Law 52/2003
Sourse: Preda, Oana; Olteanu, Sînziana; Presadă, Florina, *Există participare publică în România? Participarea publică între legislaţie şi eficienţă*, Centrul de resurse pentru participare publică, 2007, p.34

All these authorities consider that not all partners in the discussion, all segments of civil society are equally useful and important within the consultations related to decision-making process, the most popular collaborations being the collaboration with business environment, NGOs and ethnic groups, and in a smaller extent with the unions and the media (Preda et al., 2007, p. 40).

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ENTREPRENEURIAL CAREER PERCEPTION OF MASTER STUDENTS: REALISTIC OR RATHER ENTHUSIASTIC?

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Abstract: *The importance of entrepreneurship for the economic development has been, for a long time, undeniable, and the preparation of the new generations for this reality enjoys a special attention. Understanding entrepreneurship as an option for their future career, the entrepreneurial orientation and attitudes among students, the entrepreneurial programs integration in academic curricula are theoretical and practical research topics everywhere in the world. The results can influence both the public policies aiming to stimulate entrepreneurship, and the development and improvement of academic programs, in order to meet the expectations of young people and of the economy as a whole. In this paper, we focus on investigating how entrepreneurship is regarded as an opportunity in life and career, the forms in which master students perceive their entrepreneurial future, the personal advantages and threats that will trace these career prospects. The paper is based on a survey research, carried out among post-graduate students in Business Administration (1st and 2nd year students) from a public university in Romania, namely University of Oradea. We found out that master students are attracted by riskier and difficult forms of entrepreneurship (i.e. start-ups), often in stereotyped patterns. Furthermore, in their future entrepreneurial career, they believe that they will have suitable knowledge, skills and opportunities. Furthermore, the threats are often independent of their efforts. Although a lot of expressed intentions are marked by a naive enthusiasm and an exaggeration of their personal skills and knowledge, in declarative forms, the entrepreneurship is a real and noteworthy option for the graduates, but also for the higher education institutions (HEI). Our paper, in line with other researches in the field, points once again the constant HEIs' responsibility to adapt academic programs to the requirements of a challenging economy, to the correct orientation of students and graduates potential towards an inspiring and prosperous entrepreneurship.*

Keywords: master students, business education, entrepreneurship as career, entrepreneurial orientation

JEL classification: I23, L26

1. Introduction

Entrepreneurship, as an opportunity alternative to the classic employment option, and given its role in achieving personal ambitions and projects, enjoys a special interest of young students and graduates and, consequently, stimulates theoretical research in the field.

The practical value of the theoretical research is circumscribed to designing and implementing appropriate public policies to promote a genuine entrepreneurial spirit among students and graduates, to adapt academic curricula to the expectations of young people and employers, to increase self-employment and stimulate innovation and adaptability.

Our paper substantiates on a survey-based research conducted in 2013 within master students in Business Administration from a Romanian public university, i.e. University of Oradea. The overall research aims to complement the existing knowledge in the literature on master students' ability to capitalize the academic studies by considering the

entrepreneurial career.
This paper attempts to clarify the following dilemma: to what extent the accumulation of knowledge and skills of high scientific value prepares young students for the realities of the launching and managing their own company, to what extent the graduates realistically understand the risks and challenges of such options.
In practical terms, the answers to these questions could help improving academic curricula, adapting it to future entrepreneurs. Moreover, the answers can reveal if the master studies in business administration are followed only for getting a diploma or the academic approach and political decision begin to move towards obtaining a well-prepared graduate, holder of a unique and single set of high-level knowledge, able to use them also in their entrepreneurial activity.

2. Brief literature review

The literature on the entrepreneurship education for students and graduates is consistent and diverse. It addresses diverse topics such as motivation, predictors, influences on the economic environment, the effects of economic policies etc. The approaches go from simple themes such as the propensity to association and gainful initiative, to sophisticated models taking into account the social and business influences on the chances of entrepreneurial careers (Pittaway & Cope, 2007).
Thus, Hatten and Ruhland (1995), Koh (1996), Ang and Hong (2000) or Luthje and Franke (2003) found that attitudes on self-employment and launching a venture are related to personality traits. The authors insist on identifying all contextual factors perceived as barriers and on reducing their influence. Concurrently, HEI should encourage the supporting elements by moving towards entrepreneurship. Souitaris et al. (2007) insist on a symbiosis between the proper understanding of entrepreneurship and inspired educators in order to lead to higher levels of entrepreneurial intentions among students.
According to Wang and Wong (2004), the attitude of students towards entrepreneurship is influenced by three background factors: gender, family business experience, and educational level. In general terms, male students, younger, coming from an entrepreneur's family, are more likely to start a business. They are often eager to replicate the Western model of business success (Hatten & Ruhland, 1995) or (DeMartino & Barbato, 2003).
Peterman and Kennedy (2003), in a study on a group of Australian students, have found that participation in entrepreneurship education programs significantly increases the desire to start a business and improves perceptions (in terms of desirability and feasibility) about the chances of an own business.
Krueger et al. (2000), in a research on the antecedents of entrepreneurial intentions among students, has underlined the importance of the propensity to self-employment of young researchers. This propensity, when properly guided and fuelled by adequate training and business knowledge, can help to a rapid and successful exploitation of their research results.
Carayannis et al. (2003), in a study on two groups of entrepreneurship students at the undergraduate, graduate and continuing education levels in France and the US, found in the French group (compared to the US' group) less positive attitudes and perceptions towards entrepreneurship, on its social status and economic impact, and a considerable dose of scepticism regarding institutional facilities for venture creation. In another comparative approach, this time on some groups of students from Catalonia (Spain) and Puerto Rico (US), Veciana et al. (2005), when analysing the perception on the entrepreneurs within society, found a positive perception on new venture desirability, but a significant circumspection on its feasibility. The authors have confirmed the presence of a strong correlation between the existence of an entrepreneur in the family and the intention to create a new venture. Acknowledging the increasing availability for entrepreneurship of

students with family business background, Zellweger et al. (2011) stated they are more optimistic about their efficacy to pursue an entrepreneurial career, but, in the same time, they are pessimistic about being in control in an entrepreneurial career.
The statistics for the European Union and, in particular, for Romania are suggestive. Around 7-8% of the graduates from European universities decide to start their own business immediately after graduation, in a higher percentage than first degree graduates who work as self-employers (Mora & Vila, 2009). For Romania, the share of individuals having at least post graduate degree and involved in TEA (Total Early-Stage Entrepreneurial Activity) reported a strong growth, i.e. it increased from 11.25% (2007) to 42.39% (2012) and 49.70% (2013) (Petru, et al., 2011), (Nagy, et al., 2013), (Badulescu & Vancea, 2013) and the same increase is recorded among the EB (established businesses) category, testifying the fast growing entrepreneurial activity during last years.

3. Research methodology

Aiming to investigate significant aspects of entrepreneurial attitudes, orientation and potential of young graduates from economic higher education institutions/faculties, the curricula' contribution to entrepreneurial attitudes and skills, we have performed, during February - March 2013, a study based on administering a questionnaire to a relevant sample of master students belonging to the economics faculty. We tried to find out what is the students' opinion regarding the importance of Master in Business Administration studies in enhancing employability and promoting entrepreneurship options, by revealing intentions regarding the future career, specific measures and stages of launching business initiatives and effective involvement in entrepreneurial activities
The questionnaires were administered to 123 master students in Business Administration (1st and 2nd year) from the public university in Oradea, Romania, representing all the students enrolled in this program, as follows: 56 master students (i.e. 46%) from Regional Business Administration master programme (AAR) and 67 master students (54%) belonging to the Economics and Business Administration in Tourism and Hospitality Industry master program (EAATIO). Out of them, 71 (57%) are master students in the first year of studies, and 52 of them (43%) in the second (final) year (Badulescu & Vancea, 2013). The main description of the sample is as follows (Table 1):

Table 1: Description of the sample

Occupational status	**%**	**Gender**	**%**
Full time master students	33	Males	29
Master students, with full-time job in public sector	3	Females	71
Master students, with full-time job in private sector	43	**Matrimonial status**	**%**
Master students, with part-time job in private sector	11	Single	92
Master students, entrepreneurs or self-employed	10	Married	8
		Residence	%
		Cities	66
		Small towns	10
		Rural areas	24

Source: own calculations based on questionnaires' responses

4. Results and discussion

Half of the respondents would like, after graduation, to start or to continue an entrepreneurial career; they are followed by those who intent to work in the private sector as an employee (i.e. 28%). An important share of them (i.e. 13%) wants to work in the public sector, and 7% of them take into consideration other options (not specified, probably a certain indecision, lack of options or less "standardized" alternatives, e.g. emigration etc.). The possibility of continuing studies with a doctoral programme counts few options (i.e. 2%), otherwise, a normal situation, if we consider the small percentage of people with doctorate in total employment, or the offer of the universities (Badulescu & Badulescu, 2014).

A considerable share of respondents (i.e. 91% of total) declared their interest for an entrepreneurial career in the future. However, after a deeper investigation about the preparations for such an option, the interest appears to be hypothetic. Thus, only 18% of the respondents said they had started some business before, and the survival rate of these firms is quite low: only a third of them (i.e. 6% from total) said that those businesses still operate on the day of the survey.

Does this intention has any chance to substantiate in the next years? To find the answers to this question (if the previously stated entrepreneurial options are real or merely declaratory), our intention was to ask respondents for further details and explanations on their entrepreneurial options (in terms of agreement / disagreement), by offering them five pre-defined answer options concerning the effective steps to be undertaken.

Table 2: Types of entrepreneurial / business related intentions

In the next 5 years I intend to …	Strongly disagree	Partial disagree	Partial agree	Strongly agree
develop own or family business	24%	5%	29%	41%
take-over/buy an existing business	43%	33%	22%	2%
start a franchise	45%	23%	27%	6%
invest in an existing company	47%	24%	24%	5%
start-up my own business	15%	5%	22%	59%

Source: own calculations, based on the dataset

The analysis (see Table 2) led to quite surprising and, somewhat, disappointing results. Therefore, the possibility to *develop or to continue the existent family business*, as a consolidated business at the time, seems to be quite interesting for master students. The literature addresses this particular issue under the concept of "the models in entrepreneurial decision" and many studies highlight the positive aspect, the direct correlation between the existence of an entrepreneur in the family (parents or close relatives) and the decision of young students to enter into entrepreneurship, during or after graduation (Veciana, et al., 2005), (Henderson & Robertson, 2000), (Zellweger, et al., 2011).

The answers to this question count a high number of positive responses (i.e. 41% strongly agree and 29% partial agree). It shows not only the importance of such family models, but also the realism of young respondents, whether they consider that as a turning point in their lives, or a simple stage in entrepreneurial career: for experience, direct transfer of knowledge and managerial skills, building human, social and financial capital, avoiding a tough and frustrating "apprenticeship".

However, in order to effectively achieve this option, it requires the existence of the family business “to be taken” and to be available for that. There are cases where the owner (i.e. the parents) has no intention to give up in the next future, and in (many) others, there is no family business “to be taken”!

The second option, i.e. the *takeover of an existing business*, records rather negative options: 43% of the respondents totally disagree and 33% partially disagree with this option. On one hand it appears to be a normal attitude: without any significant experience in understanding and assessing the potential of an existing (but largely unknown) business, the young people could take wrong decisions based on superficial aspects. A business could be offered because it was never profitable. Of course, an existing business for sale, if it isn't a patented fraud, could have many advantages. An existing successful company will continue to be a successful one; there is a pattern for success, satisfied customers and a verified operating system (Morar, et al., 2007). However, the responses on this alternative reached only 22% partial agreements and 2% (!) total agreements.

The third option, i.e. *starting a franchise business*, seems to have a similar response as taking over an existing business: 45% and 23% of the respondents considering it as a not at all or a hardly desirable option. Probably, the respondents assimilated it with the previous option, or interpreted it as a "less entrepreneurial" option. The aspect of a "successful recipe" was perceived rather a disadvantage in the view of enthusiastic future entrepreneurs. Although not so visible and spectacular for an entrepreneurial success story, the franchise enjoys a considerable appreciation in developed countries, especially in trade and services sector. A franchise is usually a turn-key operation where business risk is significantly lower than for a start-up. The franchisees success rate is between 80 and 97%, and, only 3% of franchises fail within 5 years after their entry into business (Arthur Andersen LLP, 1996). Franchising is recommended because basics have been developed and tested and, what is bought is, in fact, the reputation. However, as in any business, simply buying a franchise is not a warrant to success; it needs ambition, organization and competence (Morar, et al., 2007).

The fourth option, i.e. *investing in an existing business*, is rightly considered the furthermost from the spirit of "classic" entrepreneurial initiatives. With 71% strongly disagree and 24% partially disagree, this option does not appear interesting for master students. The score of 24% partially agree responses could be regarded as a neutral position, an expectation, for the future possible developments and opportunities. We assume that this choice was suggested mainly to cover the full spectrum of entrepreneurial options, even there is a lot of unbalances in real entrepreneurial content in the five suggested options.

Finally, the last option (the fifth) is *to launch a business on their own* or, more synthetic, to start-up a business. In this case, our findings looks fundamentally changed compared with the first three options: the total agreements get 59% of responses, and the partial agreements 22%. The sum of these comfortable exceeds three-quarters of all options. At the opposite side, the partial disagreements get 5% of the answers, and total disagreements 14%. The clear commitment to start a business is positive and hopeful, but we must be cautious about the practical value of this attachment, because some of these answers are the expression of a naive enthusiasm. Often this enthusiasm is not enough to transform a "formidable" idea into a successful business or to provide endurance during difficult periods in the business life. As Roger Stevens (2009, p. 12) have noticed, "creating a company from nothing other than an idea for a product or service is the most difficult and risky way to be a successful entrepreneur".

Our opinion is that the enthusiasm of young entrepreneurs for business start-ups is a dare specific for the lack of life experience, but far away from the true realities of business life. It

hampers the launch and consolidation of a new business (incomparably greater than those of taking over a family business or a franchise). The independent nature of the entrepreneurial life and the idea that new businesses can start with minimum capital are exaggerated and, sometimes, dangerous. Often, the independence is a source of errors that otherwise could be avoided, a high price paid to discover facts and ideas already known. The insufficient start-up capital condemns the company to small size, low profits and achievements for a long time, far from the original desires and hopes.

In this stage of the research, we asked ourselves how prepared are master students for the tough realities of future business career and whether master students do not remain "captive" in the theoretical sphere and do not really understand the real risks and difficulties of entrepreneurship. Another explanation may lie in the comfort of a theoretical positioning, a trendy options, fuelled by naivety or bravado.

Identifying constraints and difficulties in entrepreneurial career path completes the picture of the students' attitude towards entrepreneurial option. From the responses received (see Table 3) it seems that young students do not consider that they lack specific business skills and competencies (34% "to a very large extent" and 49% "to a large extent") or time (38% "to a very large extent" and, respectively, 44% "to a large extent"). Also, they reject the possibility of deficiency in entrepreneurial skills (44% "to a very large extent" and 39% "to a large extent"). They count on a specific and constant support from their family when starting or continuing a business on their own (i.e. 53% "to a very large extent" and 37% "to a large extent").

Concurrently, the same respondents consider that a great restriction on setting up a business is the bureaucracy (28% "to a very large extent" and 35% "to a large extent"), the financial risks (23% "to a very large extent" and 54% "to a large extent") and the lack of capital (24% "to a very large extent" and 42% "to a large extent") or the current economic crisis (18% "to a very large extent" and 41% "to a large extent"). They find “the business environment” as reasonable, as well as the possibility of finding customers for the products and services offered by the company they run / hold (for example, the lack of customers threat is rejected by 25% of respondents in a very large extent, and by 48% in a large extend) and they have valuable ideas that can attract business partners. With such considerations, it seems natural that fear of failure affect 20% of them “in a very small extent” and 51% “in a small extent”. The lack of courage is recognised by 23% “in a large extent” and only by 3% “in a very large extent”.

Table 3: What do you think there are the main restrictions on launching your own business?

Distribution of responses	**To a very small extent**	**To a small extent**	**To a large extent**	**To a very large extent**
Lack of valuable business ideas	24%	46%	24%	6%
Bureaucracy in setting-up a company	11%	26%	35%	28%
Financial risks	9%	15%	53%	23%
Lack of courage	23%	51%	23%	3%
Lack of a business partner	31%	40%	22%	7%
Lack of capital	11%	23%	42%	24%
Lack of skills and sector specific skills / business	34%	49%	13%	4%
Lack of customers	25%	48%	24%	3%
The current economic crisis	11%	30%	41%	18%
Business environment	8%	50%	36%	6%
Fear of failure	20%	51%	20%	9%

Lack of family support	53%	37%	10%	0%
Lack of time	38%	44%	15%	3%
Lack of entrepreneurial skills	44%	39%	14%	3%

Source: own calculations, based on the dataset

If the above answers express the optimism and (over)confidence as mentioned in the previous paragraphs, their distribution is acceptable and predictable. However, we believe that the answers can reveal also supplementary conclusions:

- Some assessments are age-specific, according to personal commitments and conditionalities: they have *enough time* to design and launch a business, most of them still living with their *parents* and considering their *support* also in the future, and the *business partners* are actually belonging to their circle of friends, with common interests and hobbies. This view is not as idyllic as it might seem at first glance, but it is rather the expression of a limited experience on the labour market in general, and in entrepreneurship in particular;
- Other considerations are quite formal, probably as a result of limited information and economic media stereotypes. For example, *excessive bureaucracy* in setting up a company is exaggeratedly invoked, although in reality it is bearable, and the true ugly face of bureaucracy begins sometimes after the launch of the company. In a similar way, the current *economic crisis* seems to be a stereotype of convenience. Moreover, *the business environment* is assessed as relatively permissive, although for a young small company, the business environment can be a major threat and difficulty;
- Finally, a consistent number of opinions shows a dangerously over-optimism, or a worrying ignorance of the realities of the business world, ignorance that cannot be attributed to incomplete or superficial information received through educational systems. We refer here, for example, to the assertion of *the existence of valuable ideas* easy to implement, although, from previous questions, we find that 60% of the surveyed master students declared that they had not even had in mind a business idea that deserves to be implemented. We also refer to the overvaluation of *entrepreneurial or specific business sector abilities and skills*, or to the reduced importance given to finding *customers*. Only to remember, according to European Commission reports (2013, p. 17), *finding customers* remained the most frequently-cited problem by SMEs across the EU in the last 10 years. Regarding the *availability of skilled staff or experienced managers,* the same EC reports shows that it ranked three and remained stable compared with previous years;
- Briefly, the results of the above question seem to get a major importance in the economy of our research, revealing both gaps in (entrepreneurial) education, and a state of contentment and conformism from students, an easy call to stereotypes, away from authentic entrepreneurial traits and the demands of the business world.

5. Conclusions

The interest in entrepreneurship is clear and obvious. Entrepreneurship is interesting, in different forms and for different aims: the young students and graduates - as a future career opportunity; the political and economic deciders - as a solution to development; the HEIs - in order to adapt the academic offer to the younger generations' expectations and to the real economy requirements.

The vast majority of researchers have linked the entrepreneurial motivations of young students and graduates to the existence of personality traits, favourable business

conditions (family background, patterns, social perceptions, networks etc.) and the possibility to access the best practical and theoretical knowledge in the field of business administration.

In our research we have tried to investigate to what extent entrepreneurship is a viable option for master students and the way they perceive their entrepreneurial future, how they appreciate their abilities and the obstacles following this decision. We found out that the master students perceive entrepreneurial choice often through the most risky and difficult form, i.e. launching a start-up, being less interested in taking over the family business or developing a franchise. In a self-assessment attempt, the young master students credit themselves with a very broad set of skills and opportunities (e.g. business/entrepreneurial specific skills and competencies, courage), often declaratively. Instead, risks and threats to the future business are acceptable, or independent of their efforts.

We found out that a large part of students intentions and opinions are enthusiastic, but also naive, overbidding personal skills, but ignoring dramatic realities of the business world (such as finding customers or finding a valuable business idea). However, we have reasons to consider that the overall picture is not so discouraging. It rather indicates a considerable potential of young generations for entrepreneurship, which has to be properly expressed and targeted.

In this respect, the HEI role is to provide to academic curricula in Business Administration study programs a more realistic approach, to clearly indicate both the advantages and difficulties in launching and developing a business. Thus, the entrepreneurship option of young generations would be wittingly, they would be prepared to understand the risks, to overcome difficulties, and, finally, to exploit the opportunities.

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THE CROSS BORDER COOPERATION BETWEEN ROMANIA AND HUNGARY- A BRIDGE TO THE DEVELOPMENT OF THE BUSSINESS ENVIRONMENT AND CROSS BORDER TOURISM

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***Abstract**: The novelties brought by the cohesion policy for 2007-2013 consist of: a more strategic approach, more trust within the Member States and rules simplifying the cohesion policy (European Commission, 2005; European Union, 2007). According to the multi-annual programming documents (European Union, 2007), the objectives of the EU cohesion policy for 2007-2013 are: convergence, regional competitiveness and employment and European territorial cooperation. European territorial cooperation means a balanced development of the whole community territory, trough encouraging the cooperation and exchange of good practices among all EU regions, organized on three axes: cross-border, transnational and interregional cooperation. Cross border cooperation is not only about funding and creating infrastructure, but it is also set to strengthen cooperation: one of the key ideas behind cross-border cooperation programmes is to facilitate the joint development of areas that geographically belong together, share resources but are separated by artificial borders. I use an approach that builds on a combination of evidence – vision and indicators to show the impact of the use of founds to achieve a sustainable economic development on the Hungarian - Romanian border. The consolidation of the economical and social cohesion in the border region can be accomplished by supporting the investment in the business infrastructure that is with supporting the cross border business cooperation and tourism develpment between the two countries.*

Key words: Cross border cooperation; Founds; Projects; Romania; Hungary Economic Development.

JEL Code: M 16 .

1. Introduction

The objective of the CBC Programme is to bring the different actors closer to each other in order to better exploit the opportunities offered by the joint development of the border area. Therefore, the expected outcomes are complex and the economic effects of the Programme are mostly indirect.
The purpose of the present paper is to present the Cross Broder Cooperation Programme Romania-Hungary as well as a short evaluation of some relevant indicators for the incidence of the projects on the cross border economic environment.

2.The Cross Border Cooperation Hungary-Romania Programme

The border between Romania and Hungary lays on over 443 km in the south-south-east direction. The border line starts near the Batar river (close to the border with Ucraine), on the east side of Halmeu village and ends close to Serbia and Montenegro, in corespondance with the Mures river. The towns situated in direct neighbourhood with Ucraine belong to the four counties: Satu Mare, Bihor, Arad and Timis, which have Satu Mare, Oradea, Arad and Timisoara as their main cities. The Hungarian counties situated at the border are: Szabo-Szatner Bereg, Hajdu-Bihar, Bekes and Csongrad, which have

Nyiregyhaza, Debrecen, Bekescsaba and Szeged as their main cities. The Romanian population living on the border equals 9.7% of the total population (22.327.000 inhabitants), while on the Hungarian side this equals 18.5% of the total population (10.044.000 inhabitants).
During 1996 and 2006, the PHARE Cross Border Cooperation projects have been implemented, the sums allocated to the two countries have been distributed as shown here :

Table no 1. The distribution of the total amounts allocated in the Romania-Hungary Programme during 1996-2006.

Country/ Programme/ allocated sum	**PHARE CBC 1996**	**PHARE CBC 1999**	**PHARE CBC 2000**	**PHARE CBC 2001**	**PHARE CBC 2002**	**PHARE CBC 2003**	**PHARE CBC 2004 – 2005 / INTERREG 2004 - 2005**	**PHARE CBC 2006/ INTERREG IIIA 2006**
ROMÂNIA	0 EURO	5000000 EURO	5000000 EURO	5000000 EURO	5000000 EURO	2450000 EURO	4730241.65 EURO	4453245.28 EURO
UNGARIA	4530000 EURO	5000000 EURO	5000000 EURO	5000000 EURO	5000000 EURO	5000000 EURO	16271940 EURO	1349875411 HUF

Created by the author.

The general objective of the Phare CBC programme during 2004-2006 was to consolidate contacts between the people, communities and economic actors in the cross border region in order to create a solid base for an equilibrated economical and social developement of the entire region, with benefits for both Romania and Hungary.
The eligible beneficiaries of the programme were, first of all, the non-profit organisations, such as local authorities, NOG-s, foundations, associations, education institutes. The county's road administration companies, water management companies, solid waste, used water management, river and anti-flood protection, environment protection agents, chamber of trade, euroregions, universities, colleges, research institutes, professional organisations etc. can all benefit from this programme and from its specific measures.

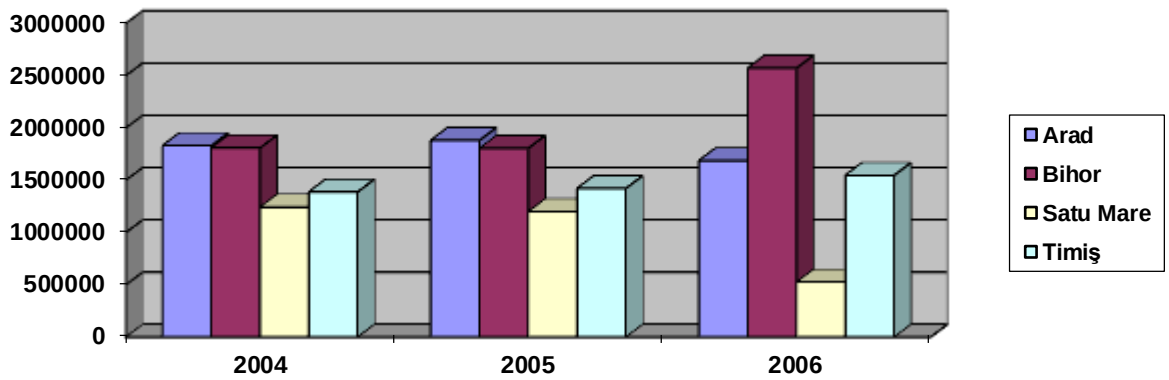


Figure no 2. Financial allocation for each county in EURO from the PHARE CBC RO-HU 2004-2006 programmes.
Source-created by the author after the BRECO data.

The 2007-2013 CBC Hungary- Romania Programme, with a total budget of 275 million EURO, was adopted by the European Union on the 21st of December 2007 This programme aims the cooperation in the eligible area consisting of four Romanian counties (Timis, Arad, Bihor, Satu Mare) and four Hungarian counties (Csongrad, Bekes, Hajdu-Bihar, Szabolcs-Szatmar-Bereg) in fields such as the transport and communication infrastructure, environment protection, economic and social development through partnerships between actors on both sides of the border line.

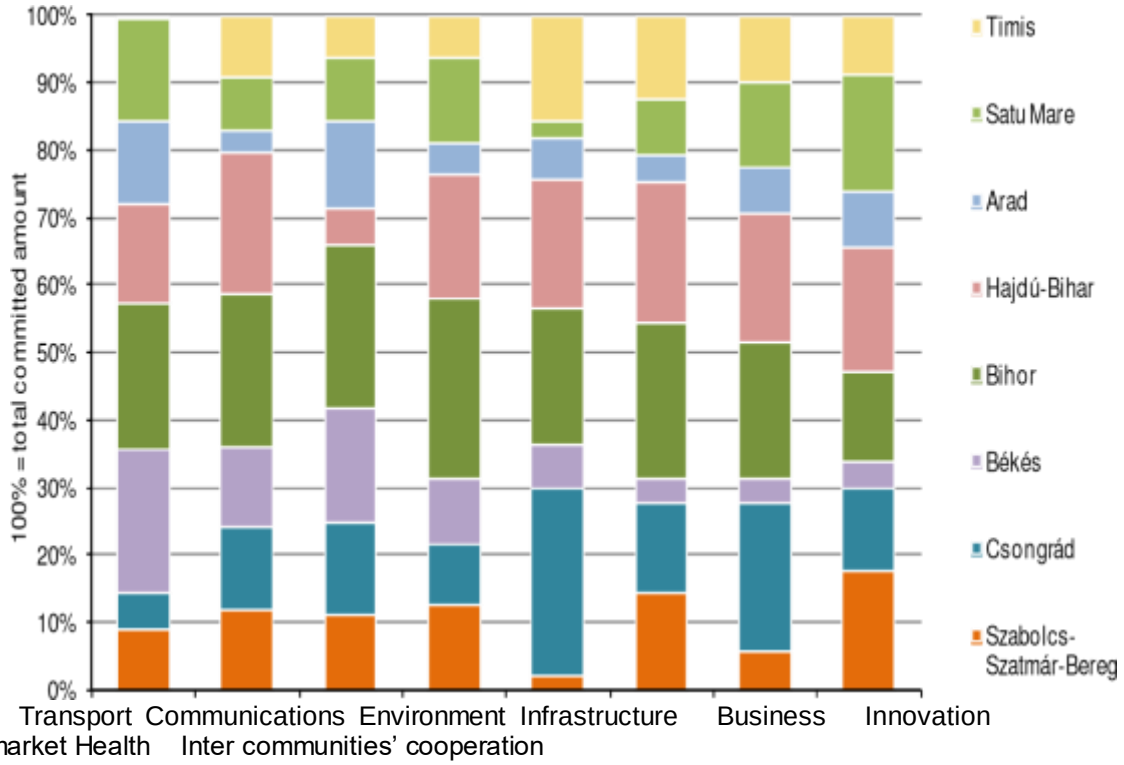


Figure no 3. Distribution of final allocated sums/county and priorities in percentage during the HU-RO Programme 2007-2013.
Source informatic system IMIS 31.12.2012.

The European Territorial Cooperation (ETC) Objective replaces the INTERREG III.A. (HU) and PHARE CBC (RO) 2004 Community Initiatives for the 2007-2013 period, reconfirming in this way the importance of promoting territorial cooperation as an integranl part of the EU cohesion policy.
The programme is financed through the Regional Development European Fund (RDEF), completed by the national co-funding of the two member states participating in the programme, Romania and Hungary. The total amount allocated to the programme consists of 275 million EUR.
In consequence, within the Third Objective of the PHARE CBC programme – European Territorial Cooperation for 1996-2003, a total amount of 28 million EURO (for the Romanian border) and respectively 34 million EURO (for the Hungarian border) were allocated for cross border projects. During 2004-2006 several projects were implemented: 40 projects in 2004, 48 projects in 2005 and 50 projects in 2006. In this period, Hungary

beneficiated from 32 million EURO and Romania from almost 20 million EURO. During 2007-2013 a number of 472 projects were approved within the CBC Hungary – Romania Programme which were selected within five auctions, with a total of 211 million EURO being allocated.The present situation is the following: from the total amount of approved projects, a number of 451 projects have been contracted in 2013.
For the 2014-2020 interval, the allocated funds for the territorial cooperation will decrease by about 15%. The way the funds will be distributed, their prioritization and the establishement of the foundamental measures and intervention domaines are still in discussion at the moment this paper has been written and there is no statement of the European Commision in this sense.

3. Evaluation indicators for the programme's incidence on the business environment and cross border tourism for the 2007-2013 interval

The indicator system includes six indicator sets (Programme level indicators, Horizontal indicators, Programme indicators, Mandatory indicators, Other indicators and Project Specific indicators). In this chapter I will present some of the most relevant indicators for the evaluation of the preogramme until present regarding the economical development of the border.
Level of economic co-operation – represents an impact indicator, defined as the percentage % of growth in the share of Romania in the annual foreign trade turnover of Hungary and vice versa.The eight counties cover 15.2% of the territory of the two countries. This indicator reached 7% in Romania in 2011 in comparison with 6,3% in 2007 (a growth of 0.7 %). In Hungary, in 2007, the indicator reached 3.3% and 4.7 % in 2011 (a growth of 1.4 % was observed). Moreover, the interventions have limited effect on the indicator value, since most of the projects have indirect economic effects.
Level of business cooperation - represents a result indicator defined as the number of businesses involved in cross-border cooperation projects. The indicator reached 10.2 thousand businesses involved in cross-border cooperation. The indicator fulfills the quantity, quality, time and target group criteria set.
Tourism co-operation – represents an output indicator (number of projects type of indicator) defined as the number of joint tourism development projects, and reached a number of 26 support joint tourism development projects from the total of 451 projects. This indicator supplements the Cross-border business cooperation indicator.
Cross-border business cooperation – represents an output indicator defined as the number of projects encouraging cross-border business co-operation. From the 451 projects, 46 projects have been encouraging cross-border business co-operation (excluding the development of tourism projects). Tourism attraction - represents an output indicator defined as the number of tourism attractions and reached 8 projects promoting tourism attractions and 25 projects developing tourism attractions from the total of 451 projects. About half of the projects support developments while the other half promotions. These two activities should be separately measured. The indicator should measure both of these activities separately.
Increase of visitors - represents a result indicator defined as the increase in the number of visitors of jointly developed / marketed destinations (%). The level reached until 2013 is 290% (727.7 thousand new visitors). The indicator's unit was defined in percentage. However, several projects are promoting or developing new tourism attractions or thematic tours which were not available before project implementation.The number of visitors reflects the characteristic of the *Development of tourism* action.

4.Conclusion

The purpose of the cross border cooperation is to stimulate reciprocal learning of cultural and traditi onal elements and to contribute to increasing the economical performance and the social cohesion. The implementation of such cooperation depends on the degree of homogeneity of the economical, political and institutional conditions within the administrative structures attached to the border regions (Roper, 2007). The European Union policy, which ensures a unique economical market by abolishing the internal borders and other barriers for trading, aims to attenuate the economical and social discrepancies between the border regions of the member states.

Within the CBC Hungary-Romany Programme 2007-2013 a number of five project auctions were organised leading to the contraction of 451 projects until July 2013. Taking into consideration that the length of the border between Romania and Hungary is of 443 km, a simple calculation shows that there is more than one project for each km of border emphasizing the high interest for the funds and the success of the CBC HU-RO Programme in both countries.

The Cross Border Cooperation Programme Romania-Hungary proved its efficiency, having until present a determing role in ensuring the territorial cohesion in the border region. It should be kept in mind that there still exist numerous obstacles in the cooperation between the two countries. These are principally determined by the excessive bureaucracy, the lack of the necessary financial resources, excessive centralization and last but not least by the insufficient harmonization of the legislation (there are several legislative obstacles in Romania as well as in Hungary).

In conclusion, taking into consideration all the risks and accomplishments existing untill present in the implementation of the cross border projects, the fact that the benneficiary of each CBC project contributes with only 2 % of the total eligible budget of the project, makes the CBC RO-HU Programme an element of durable development and a primary instrument of funding for the business environment as well as for: public administration, universities, hospitals, schools and NGOs during this period of economical crisis.

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http://www.uniuneaeuropeana.ro/

BASIC KNOLEDGE ABOUT ERP SYSTEMS

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***Abstract**: This paper aims to provide vital information about ERP systems. Study of this type of software becomes more and more important due to technological development, increasing needs in economical field and not least because of the intensive growth and expansion of IT market. (Enterprise Resource Planning) ERP (Enterprise Resource Planning) software is a tool that facilitates the integration of all information within an organization into a single platform. The purpose of ERP is to ensure transparency of data within an organization and to facilitate access to any useful information in activity. An ERP can track at the same time all the business resources such as cash, raw materials, production capacity and also the status of business commitments such as orders, purchase orders, clients, suppliers and payroll. Every company has several departments such as manufacturing, purchasing, sales, accounting, management, operational, etc. Every department usually uses an application for registering the data. In an ERP system, all the data across all the departments are shared and transparent. On the other hand, when implementing an ERP system, there are also several disadvantages. These mainly concern areas of customization, costs and training. Customization may rise several issues because of the need that the software folds on as many enterprise core processes as possible in a smoothly manner. Costs of purchase and implementation are bigger then less integrated or less comprehensive solutions. Expenses can increase due to upgrading the support and the maintenance that ERP vendors provide to enterprises when switching to an integrated system. Not least, implementation of an ERP system requires extensive training requirements and this activity takes resources from daily operations. Integration and harmonization of ERP system modules can be a mammoth task, especially for big companies, requiring a lot of time, planning, and money. Because of the limitations that commonly appeared in ERP implementation and also due to technological development, optimization is taking place in four significant areas: flexibility, web-enabled communication, inter-enterprise cooperation or partnership and e-business. Today, ERP systems make a new step in their development by using the Internet to streamline functionalities. Nowadays, developers are oriented to integrate mobile devices with the ERP system.*

***Keywords**: enterprise, resource, planning, software,management, system.*

***JEL classification**: C88; M15; O31; O32.*

1. Definitions and History

1.1. Introductory notions about computers and software

In the age of technology that we live in, increasingly more people use increasingly more computers or laptops for the increasingly various needs. Thanks to modern technology development, people's needs have diversified, their requirements being increasingly higher. Thus, it appears that the instrument that 20 years ago was a luxury - the computer (or PC - Personal Computer) became today a must.
Twentieth century, also called the century of speed, facilitated technological developments and generally a development in all areas. The need for information and especially the need

to obtain it as soon as possible had a great effect on the development of information technology, computers and, not least, the Internet, for the rapid transmission of information. This has led to the automation and computerization of many areas such as economics or accounting, for example. I refer to the automation and computerization, thinking that computers and software are used increasingly more in many areas in which the practice before the computers appeared was done only on paper.
Because of the benefits this change brought, companies today seek the most suitable choice for computerization, depending on the field of activity they have. Thus, manufacturers of computerization solutions developed.
For a software solution to be successful we need a global analysis of business needs and the kind of company that it addresses to. Also, factors that may contribute to success are qualified staff, firm resources and not least proper needs analysis of the companies' needs.
Of course, computerization once started, it becomes a permanent activity that requires financial and human resources and, of course, time. Initial investments, although consistent, are amortized over time and they are recovered due to the benefits that computerization and automation involves in the transactions of an economical entity.
With the emergence of new opportunities for recording, storage and playback of economical entities data, appeared the need of keeping and accounting with the help of computers. Therefore computer software began to appear, at first far simpler and then increasingly complex to help accounting records within a company.
On this occasion appeared increasingly more producers of IT solutions for economic entities which, in turn, tried to cover the widest possible area in terms of the operations of a firm. Software began to appear, for keeping information management, accounting software, sales software, production software, agriculture, auto services, software for company management, fixed assets register software, ERP ("Enterprise Resource Planning "), etc.
A software or all its synonyms like software product, application, software package, programme is defined in the specialty literature in several ways. Thus, A. Cozgarea (2008) defines the software as a logical sequence of instructions or phrases for their enforcement by electronic computer in order to achieve results. Niklaus E. Wirth (1976), the “father” of Pascal programming language perceive the software according to the formula: Algorithms + Data Structures = Programs in the book with the same name.

1.2. The Emergence of ERP Systems

ERP (Enterprise Resource Planning) software is a tool that facilitates the integration of all information within an organization into a single platform. The purpose of ERP is to ensure transparency of data within an organization and to facilitate access to any useful information in activity.
The history of Enterprise Resource Planning dates back to the 1960 when this type of software was used mainly to assist the production process. The first product of this type was MRP (Material Resource Planning).
Although useful in production activities, these applications do not extend their functionality also to other areas of interest of a company such as accounting, human resources, sales.
Since the 1990s ERP applications began to take the shape they have today. Although after the emergence of Material Resource Planning the functionality of these programs began to expand, the current ERP was founded at the time the information could be centralized in a common platform and its functions were integrated.
Today, ERP systems make a new step in their development by using the Internet to streamline functionalities. Customers from thousands of miles away can access the status of their orders or stock company providing facilities by integrating ERP with web applications.

2. ERP Systems

2.1. Main Purpose of an ERP System

Enterprise resource planning (ERP) is a business management software, often defined as and composed of a suite of integrated applications. The main purpose of this kind of software is giving the possibility for a company to collect, store, manage and interpret data from all business activities, like:

- Administration
- Financial
- Product planning
- Cost
- Manufacturing
- Service delivery
- Marketing
- Sales
- Inventory management
- Shipping
- Payment

ERP systems provide an integrated view of all business processes and their cores which are using common databases. These are maintained by a database management system and all the information can be viewed in real-time. An ERP can track at the same time all the business resources such as cash, raw materials, production capacity and also the status of business commitments such as orders, purchase orders, clients, suppliers and payroll. Every company has several departments such as manufacturing, purchasing, sales, accounting, management, operational, etc. Every department usually uses an application for registering the data. In an ERP system, all the data across all the departments are shared and transparent.

The main role of ERP software is optimizing all processes that take place inside a company and across all the company's departments first by reducing the need of multiple operations in order to make a modification and/or registering a document several times and thus, reducing the time the changes affect the entire information system.

Specifically, a sale is usually made by the salesman, upon the commands received from its customer. He transmits the received command to the office where the information received is passed on to the production department. Another person, after receiving the “ok” from the manufacturing department, turns the order into an invoice, and another person records the effects of that order in accounting. When using an integrated ERP system, the order, once transmitted by the salesman via the sales software, automatically generates the production in production planning module, the command is automatically converted into an invoice, the data is forwarded also in the management and administration modules from where it is transmitted automatic to the accounting module and all the process is, in this way, registered in all modules of the ERP, across all the departments. This process is automated, reducing human factor and hence the implication time of data transmission and the risk of human error.

As explained above, an ERP software is a complex software, a multi-modular system which integrates all the business processes of the enterprise in order to optimize and increase their efficiency. According to Hossein Bidgoli (2004), ERP facilitates information flow between all business functions, and manages connections to outside stakeholders.

2.2. Characteristics and Functional Areas

The acronym ERP was first used in the 1990s. At that moment, Gartner Group (1990) saw it as an extension of the capabilities of Material Requirements Planning (MRP), as well as computer-integrated manufacturing. Without replacing these terms, ERP came to represent "a larger whole that reflected the evolution of application integration beyond manufacturing" according to Sheilds (in E-Business and ERP: Rapid Implementation and Project Planning 2005: 9). Although by 2000s all core functions of an enterprise were integrated in a single ERP system, not all programme packages were, at the beginning, developed from a manufacturing core. Vendors created, in first instance ERP packages only for accounting, maintenance or human resources.

As a matter of development, initially, ERP systems focused on the automation of the functions used in back office, functions that did not directly affect the customers nor the general public. Functions that relate directly to customers, to consumers or other type of public, also called front office functions, were later integrated, while the internet simplified the communication with external parties. As examples for these type of functions we can mention the CRM (Customer Relationship Management) or SRM (Supplier Relationship Management).

ERP is a comprehensive enterprise resource planning system with additional features highly advanced and efficient which typically include the following characteristics:

- It organizes business processes and activities by providing rapid, concrete and concise results.
- It has a common database that supports all applications
- It is an integrated system that operates almost in real time without relying on periodic updates (except those updates that refer to law, economic or accounting principles, etc.)
- Has the ability to adapt quickly to permanent changes of the trade, market or economical environment with minimal disruption to business operations.
- It provides a consistent look across all modules
- Provides a modern user interface that will increase productivity by relieving working time for all the operations.
- It supports managerial decision making due to intelligent information provided in real time
- It provides innovative tools, easy to use, modern business techniques
- Improves business efficiency.

In terms of Functional Areas of an ERP system, these are usually called modules. Each area of activity of the company is covered by a specific application. An ERP system integrates this modules or applications, using a common database, or each module can operate independently.

In specialized literature are mentioned several categories of modules that serve to optimize the enterprise core processes, and increase their efficiency. They cover the following common functional areas.

- Production: manufacturing planning and tracking, engineering, bill of raw materials, production capacity, work orders, scheduling, manufacturing projects, process,, manufacturing flow, quality control, product life cycle management, product configurator, purchasing, inventory, warehousing;
- Human resources: recruiting, job offer, training, payroll, benefits, job offers market, competition in human resources, salaries;
- Financial accounting: financial Accounting records, General ledger, property, fixed asset and depreciation calculation, payments, cash application, financial consolidation, receivables and liabilities, cash management, cash flow, billing;
- Management: budgeting, track of inventory, suppliers, competition, prices of the

similar products, market, economical environment, investment plans, activity based costing, project planning, resource planning, cost of the project, performance units, time and expense;

- Sales: order processing, order entries ,pricing, marketing, inventory, shipping, sales analysis and reporting, bonuses, commissions, incentives;
- Customer relationship management or CRM: marketing, service, customer call center, contact, support.

The basic idea of the software is that information circulates quickly and accurately in the local area network (LAN) or in the online environment, providing flexibility and reducing working time in order to optimize all the processes in all functional areas of the enterprise. It provides what is called BI (Business Intelligence) which consists of reports, analyzes, forecasts, etc. These days, an ERP system can be accessed from a variety of devices such as laptops, last generation mobile phones or smartphones, tablets, through internet connection.

3. Specifically Implementation Phases of an ERP System

3.1 Preparation of the Process Configuration and Customization of an ERP

Each enterprise has existing business processes and usually, when implementing an ERP, these require some changes according to Turban et al. (2008). Brown, C. and I. Vessey (2003) consider that poor understanding of process changes that are prior when starting the implementation process could be a main reason for project failure. This is the reason why organizations must rigorously analyze all the processes of the business before they implement an ERP software. Also, the analysis can identify many opportunities for process modernization.

In case of implementation at an economical agent or a government institution, the process may be considerably difficult. Most of them have different processes, business rules or decision centers.

When **c**onfiguring an ERP system for an enterprise it is extremely important understanding and balancing the way the system was designed to work and how the organization wants the system to work. When designing an ERP system it should include some settings that modify system functionality in order to merge with actual processes. ERP producers and distributors usually offer their customers several configuration options. This is the case when organizations may incorporate their own business rules to the system. When customizing, enterprises have some improvement in user acceptance according to Meg Fryling (2010). On the other hand, it increases time and resources required to implement and maintain.

3.2. Extensions and data migration

ERP systems can be extended and can communicate with third–party software akready implemented in processes or in business functionality. Software producers and vendors typically provide access to data and features through various published interfaces. Archiving and reporting, using scanners, trend analytics, advanced planning and scheduling (APS), managing resources and transmission in real-time may be offered as extensions.

Data migration refers to process copying or moving and restructuring all the data from an existing, used system to the new ERP system. This operation is critical for implementation success. Ramaswamy Nilesh V K (2007) states that migration planning can be structured after the following steps:

5.2 Identify data to migrate
5.3 Determine migration timing
5.4 Generate data templates

5.5 Freeze the toolset
5.6 Decide on migration-related setups
5.7 Define data archiving policies and procedures

4. Conclusions

ERP systems had rapid development in the 1990s. As Ellen Monk and Bret Wagner (2006) explained, because the introduction of the euro disrupted legacy systems, many companies took the opportunity to replace their old systems with ERP. Also, Governments and non–profit organizations began to implement ERP systems in order to facilitate their work. As the needs diversified, the software producers started analyzing the opportunities they had to optimize as many processes as they could. ERP systems suffered several major improvements being capable of integration with web–based software, providing access to information both to employees and partners (such as suppliers and customers) in real–time. This way, its role expanded from traditional ERP resource optimization to helping the enterprise collaborate with other enterprises. rather than just manage buying, selling, or manufacturing, being more flexible than its first generation.

Due to the issues explained above, several advantages, benefits and disadvantages appeared when buying, owning and using an ERP software.

The main advantage for the management is that this department can saves time and expense due to shorter time for decision makinng and fewer errors during the process. All the data is transparent and it becomes visible across all departments in the organization. Another important benefit is inventory optimization which can be made because of sales forecasting. Registering every transaction and in chronological history, order and revenue tracking beginning from invoice through cash receipt, matching orders with inventory, production, costing and purchase orders automatically are some of the most important advantages that come with the buying and implementation of an ERP system. Also, according to Katherine Walsh (2009), this type of application package protects sensitive data by consolidating multiple security systems into a single structure.

Obviously, ERP software can improve efficiency of the business. It keeps company's internal processes integrated, transparent and accessible and it leads to better outputs in several areas. Also, provides important information for the top management helping the process of decision making. In what concerns data security, this area is improved giving the ability to ensure that key company data is not compromised. Because of these reasons opportunities for collaboration increased.

On the other hand, when implementing an ERP system, there are also several disadvantages. These mainly concern areas of customization, costs and training. Customization may rise several issues because of the need that the software folds on as many enterprise core processes as possible in a smoothly manner. Costs of purchase and implementation are bigger then less integrated or less comprehensive solutions. Expenses can increase due to upgrading the support and the maintenance that ERP vendors provide to enterprises when switching to an integrated system. Not least, implementation of an ERP system requires extensive training requirements and this activity takes resources from daily operations. Integration and harmonization of ERP system modules can be a mammoth task, especially for big companies, requiring a lot of time, planning, and money

Because of the limitations that commonly appeared in ERP implementation and also due to technological development, optimization is taking place in four significant areas: flexibility, web-enabled communication, inter-enterprise cooperation or partnership and e-business.

Nowadays, developers are oriented to integrate mobile devices with the ERP system. Vendors are extending application packages to these devices, along with other business applications. According to Shaul, L. and Tauber, D. (2013), ERP now covers more functions and roles, including decision making, stakeholders' relationships, standardization, transparency, globalization, etc.

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THE ALTMAN MODEL APPLICATION IN BALKAN COUNTRIES DURING THE GLOBAL CRISIS PERIOD

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Abstract *The main purpose of this study is to perform a comparing analysis of all the manufacturing public limited companies which operate in Balkan Countries from a financial distress point of view. Those companies were analysed over the period from 2008 to 2013, the global crisis period, in order to investigate which countries have better and worse react to. The sample consists of 5,986 companies belong to the manufacturing industries. By adopting the Revised Altman's model (1993), we compute five financial performance indicators over the past six years (2008-2013) in order to build five financial performance indicators in order to examine the impact of the crisis on financial distress considering all the Balkan countries. These calculations have relied on the annual reports and regard Sales Revenues, Net Profit, Operating Profit, Total Assets, Equity and Total Liabilities. The first analysis concerns the overall companies without distinguish results for each country. Afterwards, the research has implemented a comprehensive and comparative analysis among all the Balkan countries. In doing so, the study determines which companies belong to the "Safe Zone", "Grey Zone" and "Distress Zone" and how they are concentrated in each Balkan country.*

Keywords: *Bankruptcy, Altman's model, Performance measurement, Financial distress, Global economic crisis.*

JEL classification: *G30, G33, M21, L66.*

1. Introduction

The last decade has witnessed a massive and traumatic phenomenon: the global economic crisis which has generated the insolvency of many enterprises and financial instability all over the world.

The global financial crisis of 2008 is considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s. It threatened the total collapse of large financial institutions, which was prevented by the bailout of banks by national governments, but stock markets still dropped worldwide. In many areas, the housing market also suffered, resulting in evictions, foreclosures and prolonged unemployment. The crisis plays a significant role in the failure of key businesses, declines in consumer wealth estimated in trillions of U.S. dollars, and causes a downturn in economic activity leading to the 2008–2013 global recession and contributing to the European sovereign-debt crisis. In today's global economic crisis, there is much concern associated in finding the best way to measure the likelihood of bankruptcy. Many studies provided a definition of "bankruptcy" (Van Caillie, 1999; Daubie and Meskens, 2002; Charitou et al., 2004).

A more recent definition is provided by Pongsatat et al. (2014). They argued that a failed or financially distressed company is one that either: (1) had been liquidated during the current year, (2) had received an audit that expressed concern about the going concern capabilities of the firm, (3) had been closed down by governmental authorities, (4) had been asked to submit restructuring plans by governmental authorities, (5) had filed bankruptcy proceedings in one or more countries or some other notification indicating bankruptcy proceedings.

We thus decided that the aim of this study is to see whether the global financial crisis has generated the number of firms with a high likelihood of failure and, in that way, determining the impact of crisis itself. For the above purpose, we apply the Revised Altman's model (1993) to the entire population of non-listed public limited companies belonging to the manufacturing industries which operate in the Balkan Countries: Bosnia Herzegovina, Bulgaria, Greece, Croatia, Montenegro, Serbia, Romania and Slovenia. The previous criterion derives from our intention of examining Balkan countries since they have similar economic situations so that they can be comparable. In doing so, We would assess how different the related results are from country to country.

In the next section, we discuss the prior literature by going into details of the Altman's model and Revised Altman's model. In the third and fourth section we describe the sampling process, data collection and research methodology and, afterwards, we present the empirical results. The fifth section provides conclusions and comments to the paper.

2. Prior Literature

A substantial volume of the corporate failure diagnosis and financial distress signalling literature has mainly employed. The pioneers of business failure prediction using financial ratios were Beaver (1966) and Altman (1968)[14]. Beaver (1966), through the univariate analysis, showed that 5 years prior to bankruptcy, insolvent companies presented a decrease in sales volume, a decrease in cash flow and income levels and growing debt compared to healthy companies.

Altman (1968), using multivariate discriminant analysis, found that the financial ratios of healthy companies were different from those of insolvent ones and that this diversity became progressively stronger as the date of bankruptcy approached. Since the initial work of Altman, the number and complexity of studies on business failure prediction have seen an exponential increase. From the work of Beaver until 2007, there were more than 165 related models published in English alone (Bellovary *et al*., 2007). Kosmidis and Stavropoulos (2014) pointed out that, the following decades after Altman's contribution, academics were focused on finding out appropriate financial ratios that would maximise the accuracy and predictive power of their models (Altman *et al.*, 1977; Altman, 1984) and testing these models in different sectors, industries and markets.

Ohlson (1980) employed logistic regression to predict business bankruptcy, a technique that avoids some of the problems of the MDA approach. Extensions to Ohlson's technique include the development of industry-specific models (Platt *et al*., 1994) as well as the adoption of a multinomial logit approach to reduce misclassification error by adding, to the outcome space used to predict bankruptcy, a 'weak' state of financial distress (Johnsen and Melicher, 1994). Peel and Peel (1988) and, consequently, Keasey *et al.* (1990) investigated whether it is possible to discriminate simultaneously between healthy and failing firms for a number of reporting periods prior to failure, by applying multi-logit models.

Altman *et al.* (2013) apply the Z-Score through an application to Italian companies subject to extraordinary administration between 2000 and 2010. The results confirm a good predictive effectiveness, though Italian peculiarities could require the development of ad hoc parameters.

Recently, there have been several contributions on applications of Z-Scores in Balkan Countries. Ròsza (2014) proposed a financial performance analysis on Hungarian dairy sector. By using comparative analysis, he determines which companies are in favourable situations and ones in potential financial distress. Kulcsàr (2014) applied two bankruptcy

[14] The first attempts to use the behaviour of financial ratios for predictive purposes are based on statistical univariate approaches, characterised by the separate observations of various financial ratios in the years immediately prior to the bankruptcies of companies compared with those of sound firms (Hickman, 1957).

forecasting methods on Romanian SMEs and he found that, under the first method (Altman's Z Score), the investigated firms are not financially distressed, in case of second model application, the majority of firms have medium financial problems.

- *Altman's model (Z-Score)*

The most widely-used bankruptcy prediction model is the Altman's Z-score (Altman, 1968), developed using a statistical method called multiple discriminant analysis (MDA). This model was one of many multivariate analysis studies that built upon Beaver's initial findings (Beaver, 1966). MDA derives a linear combination of financial ratios that best discriminate between two groups of enterprises. In this line of research, the groups consist of the qualitative classification of bankrupt or non-bankrupt and the features are selected financial ratios. The coefficients of ratios are the appropriate weights that will separate the financial ratio values between the two groups as much as possible, while minimizing the statistical distance of each ratio from its own group mean. The discriminant coefficients can then be applied directly to the financial ratios within the discriminant function to produce an overall Z-score that can be used to classify the firm into one of the above mentioned groups.

The sample of firms used for analysis consisted of a paired set of bankrupt and non-bankrupt firms. Given 1946-1965 the time period analysis, the pairs of bankrupt and non-bankrupt were chosen to be reasonably similar in size and industry classification. The final discriminant function consisted of five performance indicators, weighted by coefficients, and is described as follows:

$$Z = 0.012\frac{WC}{TA} + 0.014\frac{RE}{TA} + 0.033\frac{EBIT}{TA} + 0.006\frac{MVE}{TL} + 0.999\frac{SR}{TA}$$

where:
WC is Working Capital.
TA is Total Assets.
RE is Retained Earnings.
EBIT is Earnings Before Interest and Taxes (Operating Profit).
MVE is Market Value of Equity.
SR is Sales Revenue.

The five ratios are following explained. The WC/TA ratio was considered the most valuable of liquidity ratios. The decline in current assets and, thus, working capital will be more likely to experience an adverse liquidity event. The RE/TA ratio indicates the cumulative profitability by only taking into account the reinvested earnings over a firm's entire life[15]. The EBIT/TA ratio, similar to ROA ratio (Beaver, 1966), shows the productivity of the firm's assets in assessing the level of surviving from short and long-term investments. The relevance of this ratio in the context of failure is straightforward. The MVE/TL is computed as the combined market value of all common and preferred shares of stock, and the combined ratio is a gauge of how much the firm's asset value can fall before the firm becomes insolvent. Finally, the S/TA ratio indicates overall sales-generating ability of the firm's assets.

According to Xu and Zhang (2009), overall, these five accounting ratios capture the company's characteristics such as liquidity, profitability, productivity, solvency and sales-generating ability. As expected, non-bankrupt firms showed higher values; by using a cut-off score of 2.675[16], the model was between 82 and 94 percent accurate in predicting bankruptcy within one year of failure. The authors' analysis (Altman, 1968; Altman &

[15] This measure penalizes start-up firms, but since as discussed earlier it is more likely that a younger firm will go bankrupt, the bias is justified.
[16] a lower overall discriminant score (i.e. "Z-Score") indicates increased potential for financial distress.

Hotchkiss, 2005; Altman, 1983) shows that the average Z-scores range from 6.2 to 0.33 for AAA-rated and CCC-rated firms respectively.

- *Revised Altman's model (1993)*

The original Altman's model (1968) has been revised along the way in order to make it more reliable and applicable to most of cases. This study considers two groups of companies of the same size and, based on a linear relationship, identifies five variables for each subject in the sample. These, weighted by coefficients, give rise to a score that should be noted the proximity to a group, rather than the other. The variables are five financial ratios covering the areas of profitability, liquidity and solvency. The model has been revised several times by Altman who has constantly updated the parameters and adapted indices in different populations. In 1993, Altman proposed a revise of his original model which consists of an adjustment in order to make it suitable for the manufacturing non-listed companies. In the original model, the cut-off is equal to 2.67 but, after the revision, the area of uncertainty is between 1.23 and 2.90. A score lower than 1.23 indicated a high likelihood of failure, a higher score than 2.90 shows a lower likelihood of failure and the area in between indicates uncertainty.

In the later model revision (1993), the retained earnings were replaced by the proxy "Net Profit" (*Retained Earnings* + *Dividends*). In addition, MVE was replaced by Book Value of Equity concentrating on only financial statements. This was made by Altman (1993) and resumed by Altman *et al.* (2011) in analysing Italian companies subject to extraordinary administration.

Original Z-Score (Altman, 1968)		**Revised Z-Score (Altman, 1993)**	
Coefficient	**Ratio**	**Coefficient**	**Ratio**
1.2	Working Capital / Total Assets	0.717	Working Capital / Total Assets
1.4	Retained Profit / Total Assets	0.847	Net Profit / Total Assets
3.3	Operating Profit (EBIT) / Total Assets	3.107	Operating Profit (EBIT) / Total Assets
0.60	MVE / Total Liabilities	0.420	BVE / Total Liabilities
0.99	Sales Revenues / Total Assets	0.998	Sales Revenues / Total Assets
$Original\text{-}Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.60X_4 + 0.99X_5$		$Revised\text{-}Z = 0.717X_1 + 0.847X_2 + 3.107X_3 + 0.420X_4 + 0.998X_5$	

Table A – Original and Revised Z-Score

In this study, we will adopt the revised Altman's model (Z' Score) within all the manufacturing unlisted public limited companies in Balkan Countries during the global financial crisis period. This with the purpose of identifying companies which are in potential financial distress situation.

3. Sampling, Data Collection and Research methodology

Financial Accounting data was gathered from *Amadeus* Bureau Van Dijk database. For each selected firm, all the appropriate ratios required by the Revised Altman's model (1993) were computed. We did not need to adjust financial data because database already provided proper and standardized data (*appendix A*). For collecting data, a coding sheet was used and developed on an Excel spreadsheet including the name of the company, the financial data required for computing the Z' Score: *Working Capital, Total*

Assets, Net Profit, Operating Profit (EBIT), Book Value of Equity (BVE), Total Liabilities and *Sales Revenues*. The Final Z' Score of a firm is the result of the average among all of its scores obtained from 2008 to 2013.

$$Z'\ Score = 0.717\frac{WC}{TA} + 0.847\frac{NP}{TA} + 3.107\frac{EBIT}{TA} + 0.420\frac{BVE}{TL} + 0.998\frac{SR}{TA}$$

WC: Working Capital.
TA: Total Assets.
NP: Net Profit (proxy for Retained Earnings).
EBIT: Earnings Before Interest and Taxes (Operating Profit).
BVE: Book Value of Equity (Shareholders' funds)

TL: Total Liabilities computed as Current Liabilities + Non-Current Liabilities
SR: Sales Revenue.

These companies are observed over a period of six years from 2008 to 2013. The sample is composed by 7,617 manufacturing public limited companies. We exclude 1,631 companies because of missing financial data and we cover the 78.59% (5,986 are available). The Table C, D and E indicate, respectively, the sampling process selection (C and D) and the frequency of companies' in each Balkan country (E).

Countries	**Balkan Countries:** Bosnia Herzegovina Bulgaria Greece Croatia Montenegro Romania Serbia Slovenia
Type of Companies	**Unlisted Public limited companies**
Industry Sector	**Manufacturing Industries**

Table C – Sampling Process

	TOTAL
Companies in total	7,617
Out of sample	1,631
Companies with data available	5,986
Coverage	78.59%

Table D – Sample selection process

Bosnia & Herzegovina	145	*2.4%*
Bulgaria	1147	*19.2%*
Greece	3750	*62.6%*
Croatia	195	*3.3%*
Montenegro	5	*0.1%*
Romania	400	*6.7%*
Serbia	199	*3.3%*
Slovenia	145	*2.4%*
Total	**5986**	***100.0%***

Table E – N° of companies for each countries

In this last regard, we apply the Revised Altman model (1993) in order to investigate the likelihood of failure among unlisted public limited companies which operate in Balkan countries. We allocate companies in one out of three areas (Altman, 1993):

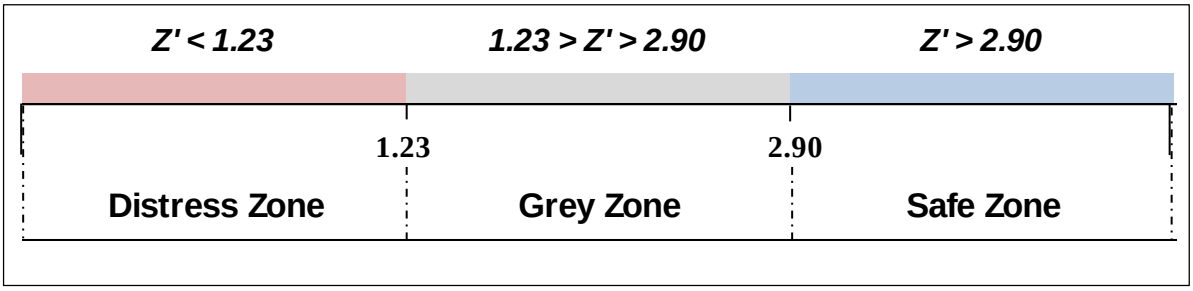


Table F – The Three Zones (Altman, 1993)

According to the above mentioned table, the zones are explained as follows:

a. *Distress Zone*. This zone is "at-risk" and includes all the firms that reached a Z-Score below 1.23. These are the companies with a high likelihood of bankruptcy.
b. *Grey Zone.* It includes the entire group of companies that reached a Z-Score in between 1.23 and 2.90. These firms are considered hybrid companies because of their condition of uncertainty. They may fall in the areas at extreme.
c. *Safe Zone*. This zone is the "lower-risk area" and contains all the companies that presented a Z-Score above 2.90. These are the firms with a low likelihood of bankruptcy.

4. Empirical Results

- *Overall Findings*

The general findings of Altman's model, conducted on Balkan manufacturing public limited companies, were compared and reported as follow:

a. Table G. It shows the computation of average EM scores (2008-2014) within three zones (safe, grey and distress).

Distress Zone	*score < 1.23*	*1660*	*27.73%*
Grey Zone	*1.23 < score < 2.90*	*2986*	*49.88%*
Safe Zone	*score > 2.90*	*1340*	*22.39%*
Total		***5986***	***100.00%***

Table G – Overall Results

The Table above mentioned show the following findings:

- In total, the 27.73% of Balkan companies have a great likelihood of failure over the global crisis period since 1,660 companies out of 5,986 show a Z' score less than 1.23.
- The 49.88% of companies belongs to the "Grey Zone" since 2,986 show a Z' Score between the values of 1.23 and 2.90.
- Lastly, the 22.39% of companies achieves Z' Score greater than 2.90 so that they can be considered "Safe".

- *Findings for each country*

By going into deep analysis, we reported the results for each Balkan country.

Bosnia & Herzegovina	Distress Zone	*score < 1.23*	*67*	*46.21%*
	Grey Zone	*1.23 < score < 2.90*	*50*	*34.48%*
	Safe Zone	*score > 2.90*	*28*	*19.31%*
		Total	***145***	***100.00%***
Bulgaria	Distress Zone	*score < 1.23*	*227*	*19.79%*
	Grey Zone	*1.23 < score < 2.90*	*450*	*39.23%*
	Safe Zone	*score > 2.90*	*470*	*40.98%*
		Total	***1147***	***100.00%***
Greece	Distress Zone	*score < 1.23*	*1075*	*28.67%*
	Grey Zone	*1.23 < score < 2.90*	*2020*	*53.87%*
	Safe Zone	*score > 2.90*	*655*	*17.47%*
		Total	***3750***	***100.00%***
Croatia	Distress Zone	*score < 1.23*	*65*	*33.33%*
	Grey Zone	*1.23 < score < 2.90*	*85*	*43.59%*
	Safe Zone	*score > 2.90*	*45*	*23.08%*
		Total	***195***	***100.00%***
Montenegro	Distress Zone	*score < 1.23*	*1*	*20.00%*
	Grey Zone	*1.23 < score < 2.90*	*3*	*60.00%*
	Safe Zone	*score > 2.90*	*1*	*20.00%*
		Total	***5***	***100.00%***
Romania	Distress Zone	*score < 1.23*	*93*	*23.25%*
	Grey Zone	*1.23 < score < 2.90*	*212*	*53.00%*
	Safe Zone	*score > 2.90*	*95*	*23.75%*
		Total	***400***	***100.00%***

Serbia	Distress Zone	*score < 1.23*	*96*	*48.24%*
	Grey Zone	*1.23 < score < 2.90*	*76*	*38.19%*
	Safe Zone	*score > 2.90*	*27*	*13.57%*
		Total	***199***	***100.00%***
Slovenia	Distress Zone	*score < 1.23*	*37*	*25.52%*
	Grey Zone	*1.23 < score < 2.90*	*89*	*61.38%*
	Safe Zone	*score > 2.90*	*19*	*13.10%*
		Total	***145***	***100.00%***

According to the analysis, this what emerged:

- Serbia is the country with more companies belonging to the "Distress Zone" (48.24%), followed by Bosnia & Herzegovina (46.21%) and by Croatia (33.33%).
- Regarding companies who belongs to the Safe Zone, we recorded Bulgaria at the first position (40.98%). The percentages of the second and third are a bit far from Bulgaria: Romania (23.75%) and Croatia (23.08).
- Slovenia is the country with more companies in the "Grey Zone" (61.38%), followed by Greece (53.87%) and Romania (53%).

5. Conclusions

Overcoming literature gap. Our contribution is to shed further light on how relevant is the impact of the recent economic crisis, in Italy and Turkey, which have caused a downward/declining trend of the Z' Scores from 2008 to 2013. Based on Altman's model upon Balkan companies that present a very similar economic status, this research has overcome the literature gap in the way that no one had investigated before.

Results Comments. Our results demonstrate the impact of global financial crisis on Balkan areas. As we demonstrate with the Revised Altman's model, the 22.39 % of Balkan companies are potentially in financial distress situation, the 27.73% of companies are in a favourable financial position and the remaining 49.88% of companies are in the "Grey Zone". In the light of our calculation, the insolvency situation embraces a low number of companies.

Limitations. Although the study is reliable, several important limitations still exist. Two important limitations should be taken into consideration when it comes to applying the research findings. At first, the prediction of bankruptcy model of Altman depends on Z-Score values lower than 1.23, in between 1.23 and 2.90 and, higher than 2.90. Since the findings depend on Z-Score values, this could make the research findings less reliable because they are strongly linked to Z-Scores and, so, the model offers little flexibility. Secondly, the period of the global financial crisis is debatable since it could vary from country to country. The period is based on the trend in GDP worldwide: as the GDP trend shows there is a huge drop in 2008, we assume it overlaps with the beginning of the crisis.
To conclude, our inferences are based on comparisons of financial metrics for a broad sample of manufacturing unlisted firms which operate in Balkans. Instead of picking a winner between them, more meaningful questions in future research are addressed in the next section.

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Appendix A - *Global Standards format from Amadeus database: Income Statement, Assets and Liabilities*

Income Statement
Operating revenue (Turnover)
Sales
Costs of goods sold
Gross profit
Other operating expenses
Operating P/L [=EBIT]
Financial revenue
Financial expenses
Financial P/L
P/L before tax
Taxation
P/L after tax
Extr. and other revenue
Extr. and other expenses
Extr. and other P/L
P/L for period [=Net income] with the indication of Ordinary Dividends
Assets
Fixed assets
Intangible fixed assets
Tangible fixed assets
Other fixed assets
Current assets
Stock
Debtors
Other current assets
Cash & cash equivalent
Total assets
Liabilities & Equity
Shareholders funds
Capital
Other shareholders funds
Non-current liabilities
Long term debt
Other non-current liabilities
Provisions
Current liabilities
Loans
Creditors
Other current liabilities
Total shareh. funds & liab.

Appendix B – *Descriptive Statistics of variables X_1 , X_2 , X_3 ,X_4, X_5 and Z' Score.*

X1 (Working Capital / Total Assets)

	N obs	Min	Max	Mean	Std Dev
year_2013	5986	-1320.000	1.000	-.032	17.068
year_2012	5986	-48.427	1.000	.249	.681
year_2011	5986	-2.996	1.000	.261	.251
year_2010	5986	-1.721	.999	.267	.229
year_2009	5986	-1.596	.999	.278	.223
year_2008	5986	-1.092	.967	.272	.219

X2 (Net Profit / Total Assets)

	N obs	Min	Max	Mean	Std Dev
year_2013	5986	-23.000	92.531	-.009	1.282
year_2012	5986	-12.372	17.370	-.018	.344
year_2011	5986	-8.206	2.076	-.022	.234
year_2010	5986	-4.559	.814	-.008	.137
year_2009	5986	-6.989	.804	-.001	.148
year_2008	5986	-1.694	1.920	.017	.108

X3 (EBIT / Total Assets)

	N obs	Min	Max	Mean	Std Dev
year_2013	5986	-23.00	92.53	.018	1.267
year_2012	5986	-3.55	17.37	.008	.296
year_2011	5986	-7.43	2.08	.003	.193
year_2010	5986	-4.57	.93	.013	.135
year_2009	5986	-6.98	1.16	.020	.157
year_2008	5986	-1.49	1.00	.041	.107

X4 (Book Value of Equity / Total Liabilities)

	N obs	Min	Max	Mean	Std Dev
year_2013	5986	-1.560	2807.820	5.151	43.930
year_2012	5986	-.997	1830.801	4.181	29.391
year_2011	5986	-.990	1831.513	3.989	30.308
year_2010	5986	-2.637	5522.200	6.395	103.017
year_2009	5986	-2.144	5000.000	6.456	100.981
year_2008	5986	-1.805	13991.873	8.649	209.712

X5 (Sales / Total Assets)

	N obs	Min	Max	Mean	Std Dev
year_2013	5986	-.003	93.793	.764	1.723
year_2012	5986	.000	17.444	.734	.677
year_2011	5986	.000	9.532	.750	.644
year_2010	5986	.000	7.721	.751	.591
year_2009	5986	.000	12.619	.769	.612
year_2008	5986	-.017	12.136	.901	.681

THE CONTRIBUTION OF SMES TO JOB CREATION AND ADDED VALUE IN THE ROMANIAN ECONOMY. THE ROLE OF ENTREPRENEURSHIP EDUCATION

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Abstract: Micro, small and medium enterprises (SMEs) play a crucial role in the European economy, representing a major source of entrepreneurial skills, innovation and job creation. The values of the main indicators of SMEs in the year 2013, the aggregate in the European Union, give a suggestive image of the contribution of SMEs in the European economy, namely 99% of all enterprises in the EU are SMEs, 66% of employees are employed in SMEs, 58% of the value added generated in the economy is achieved by SMEs. However, SMEs are often confronted with market imperfections, often having difficulties in obtaining financing or crediting, especially in the phase of newly established SMEs (start-up). Limited financial resources may also hamper access to new technologies, investment and innovation. Therefore, support for SMEs is one of the priorities of the European Commission for growth, creating jobs and economic and social cohesion. Regarding Romania, it is the eighth country in the EU, with a great number of employees in SMEs and with a contribution of 3% to the total workforce in the EU-28 SME sector. We are not better at the chapter of the added value achieved in the SME sector, ranking 17th in the European Union, with a 0.7% contribution to total value added in the EU-28, in front of Greece (0.93%) and before Hungary (0.68%), countries with a higher number of SMEs. The disparity report between the share of added value and the potential of Romania's demographic development reflects the large gap between the productivity and the competitiveness of Romanian SMEs. The example of other countries, such as Austria and Belgium, shows a greater contribution to value added (3.1% and 2.8%) compared with 2% share of the total number of employees in the aggregate European SMEs, which demonstrates a higher level of productivity. Also, this is true for the strongest European economies, such as Germany, France and Britain.

Keywords: small and medium enterprises, employment, value added, entrepreneurship education, economic performance, national economy

JEL classification: E24; J24; L25, L26

1. Introduction

The central theme of this article is the importance of SMEs seen in terms of job creation and added value in the Romanian economy. Knowing that the SME sector plays an important role in a modern economy, it turns out to be the most active sector of the economy and also an important source of skills and ideas.

In a study by P. Neck for SMEs, there are accounted over 50 definitions in statistical data from 75 countries. (http://www.academia.edu/7299602/Economia_intreprinderii, accessed 31/03/2015)

The criteria used are quantitative and / or qualitative, favoring the development of standards which vary widely from one country to another, from one branch to another, from one author to another. Each criterion reveals one side or another of SMEs, presenting advantages and disadvantages to characterize their size.

(http://economiaintreprinderii.ro/cap5/s1.htm, accessed 03/31/2015)

According to the economist Günter Verheugen, the European Commissioner responsible for Enterprise and Industry *"small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an important source of employment they contribute to the development of entrepreneurship and innovation at EU level, thus having a crucial role in increasing the competitiveness and the occupancy of the workforce. The new definition of SMEs, which entered into force on 1 January 2005, represents a step forward in improving the business environment for SMEs and aims to encourage entrepreneurship, investment and growth"*. (New definition of SMEs, User guide and model declaration, 2006: 3)

Small and medium enterprises have been for many years in the top of the European policies and are considered a key factor for the *growth, employment* and *economic competitiveness*. More than ever, in this crucial phase for strengthening the positive developments, but fragile for the SMEs, the European Commission urges the Member States to rebound with more force and determination the strategic agenda designed to exploit their entrepreneurial and competitive potential. Thus, it was decided to revise the strategic *Small Business Act (SBA)* in order to adapt to the challenges and needs of SMEs and entrepreneurs, with a consensus that this initiative will become a political and firmer tool, more efficiently and uniformly implemented in all EU countries in the period 2015-2020.

Aimed at reducing the disparities in the development between the European Union and create a better operating environment for SMEs across Europe, monitoring the progress and evaluating the results of implementation in each Member State became mandatory activities, performance of SMEs in the EU being measured and published by the European Commission in its annual reports.

The latest report of the European Commission in 2014 reflects beyond cautious optimism related to the development of SMEs in the past two years, the overwhelming role of SMEs in the economy, representing 99% of business, providing 2 of 3 employees and 58 cents for each euro of value added generated in the European Union.

At first glance, the new study by Post-Privatization Foundation (FPP) reveals three main issues concerning the contribution of the Romanian SMEs sector performance in the EU-28: the lowest density of SMEs in the EU active (21 SMEs/1000 inhabitants), 8th share in the total labor force of European SMEs (3%) and a 0.7% contribution to the total value added, the 17th place in the EU-28. (Romanian SMEs in the European Union, Post Privatization Foundation, 2015: 3)

2. SME sector - field of strategic interchangeable economies of the European Union

Action Plan *Entrepreneurship 2020*, adopted in January 2013, is the answer of the European Commission to the challenges of the worst economic crisis in half a century. *Entrepreneurship 2020* is a plan of action designed to highlight the entrepreneurial potential of Europe, to eliminate the existing barriers and revolutionize the culture of entrepreneurship in the European Union. This plan aims to facilitate the creation of new businesses and create a more favorable environment for increasing prosperity for the existing entrepreneurs.

Entrepreneurship Action Plan 2020 identifies three areas of immediate action:

a) Entrepreneurship education and training in order to support business growth

b) Removal of the existing administrative barriers and nurture the crucial stages of the business life cycle

c) Reviving a culture of entrepreneurship in Europe and educating new generations of entrepreneurs.

Knowing that SMEs are the most important sources of employment in the EU, one of the European Commission's objectives is to encourage people to become entrepreneurs and

also to facilitate the creation and business growth, targeting In particular, certain groups, such as women entrepreneurs, family businesses, professions, migrants, the elderly, etc.
As shown on the website http://ec.europa.eu/growth/smes/index_en.htm, only 37% of Europeans would prefer to be their own employees, unlike the population of the United States and China, where the percentage is 51%.
In order to encourage entrepreneurship, the European Commission has to fulfill the following objectives:
a) Support entrepreneurship education
The main objective of the Commission is to promote entrepreneurship education and to emphasize the importance at all levels, from primary school to university studies and more.
In Romania, beginning in the 2004-2005 school year, the subject *Entrepreneurial education* is provided in the framework plan for secondary education in the tenth grade at all branches, domains and specializations, with a budget of one hour per week.
The place of this discipline in the educational curriculum for compulsory education is justified by the following dimensions of entrepreneurial education: *descriptive-informative*, aimed at acquiring knowledge about the initiation, progress and success of a business; *normative*, related to the acquisition of knowledge of the legal rules governing for starting a business; *reflexive* and *interrogative appraiser*, that is developing the capacity for critical reflection on ethical principles necessary for the characteristic relations of a business environment; *practice*, following the formation of attitudes and practice of democratic and entrepreneurial behavior.
In secondary schools of economics, the most commonly used method is that of *firms training*, through which students have the opportunity to practice their entrepreneurial skills and develop them, so easing the transition from school to work.
With regard to entrepreneurship education at university level, an important role had the research on measuring the perceptions of young entrepreneurship, education and entrepreneurial culture in Romania, entitled *Barometer education and entrepreneurial culture among young people, Romania 2014, Profile of young entrepreneurial perspective*, made between 3 to 29 June 2014 on a sample of 765 students in their last year of study, of 15 universities in Romania (including the "Stefan cel Mare" University of Suceava).
b) Offering the co-financed exchange program "Erasmus for young entrepreneurs"
Erasmus for Young Entrepreneurs is a European mobility, a cross-border exchange, partially funded by the European Union, attended by the 28 European Union countries, to which it was added Liechtenstein, Norway, the former Yugoslav Republic of Macedonia, Iceland, Montenegro Turkey, Albania, Serbia, Israel, offering new or aspiring entrepreneurs the chance to learn from experienced entrepreneurs who run small enterprises in other participating countries. The exchange of experience takes place in an internship with experienced entrepreneur, which allows new entrepreneurs to acquire the skills needed in order to conduct a small company. The host benefits from fresh perspectives on the company he runs and has the opportunity to cooperate with foreign partners or to learn more about new markets. (http://www.erasmus-entrepreneurs.eu/, accessed 04/08/2015)
c) Managing the support networks for SMEs
The European Commission provides support and information for entrepreneurs and SMEs through the following networks:
- *Your Europe portal* (http://europa.eu/youreurope/business/index_ro.htm)-*Europe-business-European entrepreneurs Guide* is a practical guide to accomplish business in Europe, which provides information and interactive services to entrepreneurs in order to help them expand their business abroad;
- *Enterprise Europe Network* (http://een.ec.europa.eu/) help SMEs and entrepreneurs to access market information, overcome legal obstacles and find potential business partners in Europe;
- *SME Internationalisation Portal* - Enterprise and Industry (https://webgate.ec.europa.eu/smeip/) provides information on foreign markets and help

European businesses to expand / internationalize their activities;
- *Single portal on access to finance* (http://europa.eu/youreurope/business/funding-grants/access-to-finance/index_ro.htm) helps SMEs to apply for finance supported by the European Union, accessing European funds.
The vital contribution of SMEs to the economic growth is widely recognized today as a reality. Highlighting their economic and social beneficial effects led to the consideration of the SME sector as an area of strategic interest for the economy.
The positive effects generated by the SMEs sector in general, in an economy, are focused on:
a) Improving the competitive environment - their small size and the large number of SMEs accentuates the atomicity of the market, thus reducing the power to influence the large enterprises. Thus, the ability of SMEs to stimulate competition weakens the monopoly positions of large enterprises, reducing their ability to raise prices. Through their ability to meet local demands by detailed information on local markets, SMEs act more effectively than larger firms within and outside the city.
b) Strong individualization of products and services for SMEs and the efficiency of their activity, which contributes to enhancing the competitive nature of the market;
c) Generating the largest number of new jobs - SMEs create significantly higher number of new jobs than large firms already on the market with a lower capital cost, acting as a buffer against fluctuations of labor market and was the primary alternative to combat unemployment, this contemporary, complex, comprehensive phenomenon which includes in its sphere economic, social, political, psychological and moral aspects;
d) Increased responsiveness to market needs due to the direct contact with it, resulting in a better adaptation of their supply to the customer requirements. By their specific flexibility, innovation and speed of reaction, SMEs companies tend to be the only compatible companies with an increasingly dynamic and complex environment. (Coface Economic Publications, Radiography Enterprises in Romania, 2013: 5)
The importance of SMEs lies in the fact that they represent over 99% of the total number of companies in most economies. This is the case of Romania, where they represent 99.6% of all enterprises, the largest share, 68% of all SMEs, being held by the trade enterprises operating in the area. (http://cpo.ipa.ro/index.php?option=com_content&view=article&id=124:rolul-si-importanta-imm-urilor-in-economie&Itemid=103&lang=ro, accessed 31/03/2015)
Despite the major importance of this area of the business on the economic development, SMEs in Romania still face the effects of the crisis, the main problems being the following:
- The reduced perspective of the additional lending in the coming years;
- No strong guarantee contract;
- Low share of guarantee institutions;
- Difficulty in accessing European funds, excessive bureaucracy and lack of proper regulation;
- The late collection of receivables. (Coface Economic Publications, radiography enterprises in Romania, 2013: 5)

3. The contribution of SMEs to create jobs and added value

SMEs in Romania are in a delicate state, deepened by the accumulation of new development gaps from the global crisis manifested with maximum intensity in 2009 and 2010. Thus, compared with 2008, when the crisis broke, in 2013 there were fewer SMEs by 15.5%, the number of people employed in SMEs is reduced by 6.6% and the achieved added value decreased by 16.6%.
In general, the statistics on SMEs in Romania is below the European average and the performance profile of the country is below the EU, both because of the crisis, the significant decline in GDP in the national economy and the effect of the general instability, factors which severely influenced the progress of SMEs policy. However, the trends in

2013 and 2014 and estimates for 2015 show a return to the SME s sector near to the pre-crisis levels in terms of number of firms and employment, but less in the added value.
The situation in the 2013 of the most important indicators of SMEs in Romania compared to the European average is as follows:

Table 1: Main indicators of SMEs in Romania vs. EU-28

Class	Number of enterprises			Number of employees			Value added		
	Romania		EU-28	Romania		EU-28	Romania		EU-28
	Values	%	%	Values	%	%	Bilion EUR	%	%
Micro	373944	87.40	92.40	931091	22.90	29.10	7	13.40	21.60
Small	44682	10.40	6.40	939499	22.90	20.60	9	16.30	18.20
Medium	7669	1.80	1.00	848216	20.90	17.20	10	19.70	18.30
Total SME	**426295**	**99.70**	**99.80**	**2708806**	**66.70**	**66.90**	**26**	**49.40**	**58.10**
Large	1445	0.30	0.20	1349456	33.30	33.10	26	50.60	41.90
Total enterprises	**427750**	**100**	**100**	**4058262**	**100**	**100**	**52**	**100**	**100**

Source: Processed by *Romanian SMEs in the European Union, Post Privatisation Foundation*, 2015, p. 26.
The table above shows that the Romanian economy is dominated by small and medium enterprises and micro-enterprises are proportionally fewer than in the EU as a whole, namely 87.4% in Romania, compared to 92.4% in the EU. Despite a decrease in the number of start-ups in the recent years, the impact on the micro economy is still lower than the average SMEs, it provides about 23% of the existing jobs in the private sector (29.10% in the EU) and only 13.40% of the added value of the Romanian economy, compared to 21.60% in the European Union.
Regarding the post-crisis development of SMEs, it was greatly affected by the evolution of GDP, which decreased significantly during the crisis (-6.6%), the resumption of growth being slow, 2.2% in 2011 and 0.7% respectively in 2012. The GDP growth increased in 2013 reaching 3.5%, the highest rate of growth in five years, but the absolute value is below 2008.
In general, the large companies seem to recover from the crisis more quickly than SMEs because Romanian SMEs are less competitive, less innovative and their technological base being weaker than that of larger firms. In 2013, Romania had a similar "recovery", with scores below average in most areas, but showing some progress in recent years.
The existing gap between the productivity and the efficiency of Romanian SMEs and the European Union market is shown in the table below.

Table 2: Indicators of efficiency and productivity in SMEs in Romania vs. EU-28

Indicators	Romania	EU-28
Number of employees/enterprise	6.35	4.11
Value added/enterprise (EUR)	60601.22	169641.12
Labour productivity (EUR/employee)	9543.50	41275.21

Source: Processed by *Romanian SMEs in the European Union, Post Privatisation Foundation*, 2015, p. 27.

Despite the fact that they have a high level of the total employment (8th in the EU) and a number of 6.35 employees per SME, higher than the European average (4.11), the level of SMEs in Romania value added represents only 36% of the European average.
Also, labor productivity (measured as the ratio between the value added and employment) is about 4 times lower in Romania (9543.50 EUR/employee) than the EU-28 (41275.21 EUR/employee), which confirms the low level of competitiveness of Romanian SMEs on the EU market.

The number of economically active SMEs in the period 2008-2011 witnessed a sharp fall (-19.87%) which could not be compensated later by re-growing number of companies in 2012 and 2013.
The dynamics of economically active SMEs in 2008-2013 is shown in the following figure.

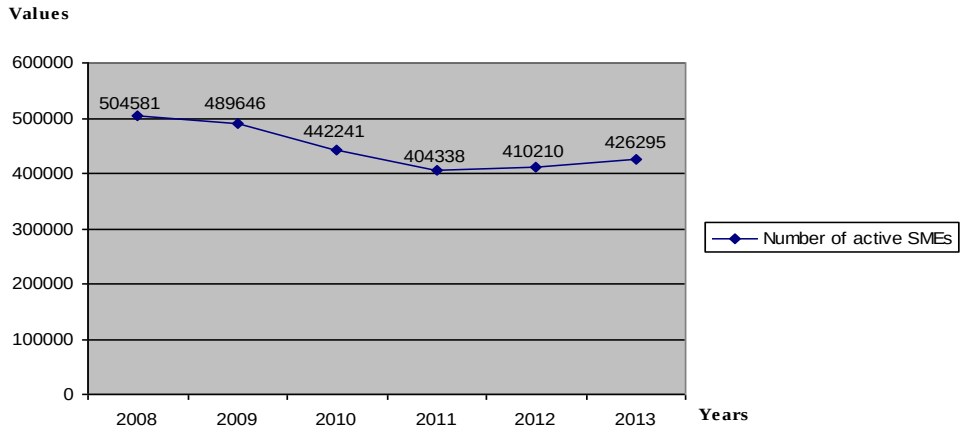


Figure 1: Dynamics of economically active SMEs in Romania
Source: Created by authors

The cumulative effect of these developments led to a decrease of 6.75% in the number of employees in SMEs and 16.52% of the value added in 2008-2013. The drastic reduction in the number of economically active SMEs (-17.42%) in 2009-2011 and hence in the number of the employees (-3.66%) was also the effect of the introduction, on 1 May 2009 by the Government of that time, of the flat tax paid by any company in Romania, regardless of their scope, except only the companies in the manufacturing sector, industry and agriculture. This controversial decision, in the opinion of most business consultants, has led companies with zero profit or loss to reduce their taxable income, by cutting fewer bills, reporting lower turnover and therefore some small enterprises have been closed or have transferred their activity on an authorized person, with all risks issuing from this decision. Other ways to avoid taxes, especially in a crisis, refer to the transfer of the registered office and place of business in other countries, such as Hungary and Bulgaria (country with a single rate of 10% at the time). Also, due to the decision to introduce the flat tax, companies were forced to make layoffs in order to reduce the cost of social security contributions and to be able to pay this tax. A less drastic solution and, on the other hand one much cheaper than dismantling the company, was suspending its business, according to business consultants.
The dynamics of the number of employees in SMEs in 2008-2013, is shown in the following figure.

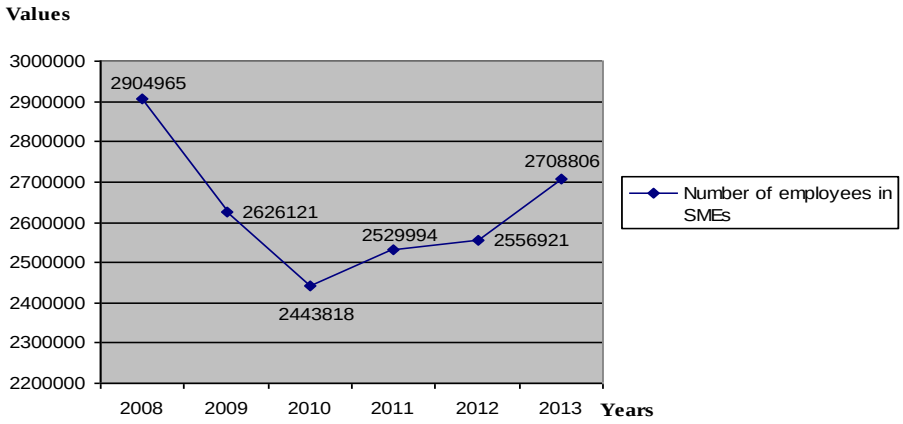


Figure 2: Dynamics of the number of employees in SMEs in Romania
Source: Created by authors

Like the EU, SMEs in Romania are the main provider of jobs, employing more than two thirds of the total number of employees active in the national economy.
The analysis of the labor evolution for the Romanian SMEs in 2008-2013 shows a loss of 200000 jobs in the post-crisis period. Since 2009, the economic crisis (and the introduction of the flat tax) led to the abolition of 9.6% of the existing jobs in SMEs in 2008, the decay process in 2010 by another 6.9%, the reduction in the number of employees.
The redressing of this negative trend started in 2011, by successive annual increases in the number of employees in SMEs but did not fully offset the loss of personnel. As a result, at the end of 2013 the number of employees in SMEs was 6.75% lower than in 2008.
The consequences of the crisis also drastically marked the added value which collapsed in 2009 with 23.75% and in 2010 to more 2.08%, the SMEs in Romania having just a little recovery in the economic performance. Thus, the value added in 2013 stood at only 83.48% compared to that achieved in 2008, preceding the crisis.
The value added generated by SMEs in the year 2013 was 25834 million Euros, almost half (49.4%) of the total achieved in the Romanian economy.
On the other hand, it should be noted that the low input (only 0.7%) that the Romanian SMEs bring to the added value of EU's SMEs sector- 28 reflects their low level of economic competitiveness in the European internal market.
The dynamics of the value added in the SME sector in 2008-2013 is shown in the following figure.

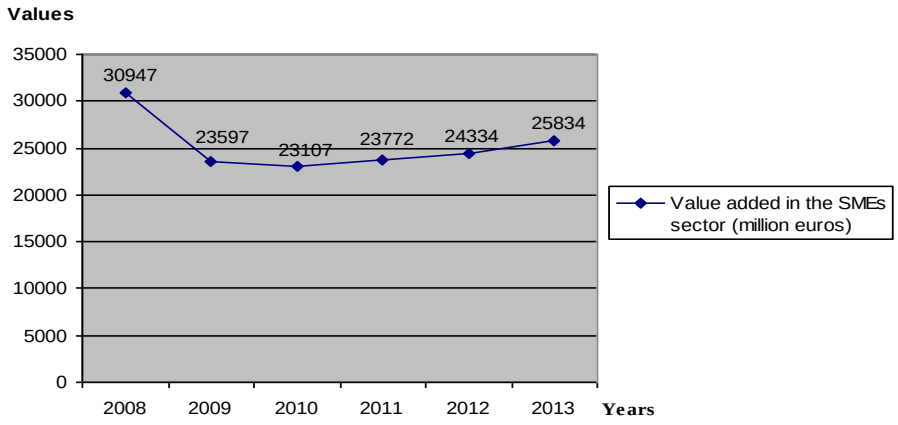


Figure 3: Dynamics of the value added in the SME sector in Romania
Source: Created by authors

Estimates for the next period on the evolution of value added in SMEs in Romania are likely to encourage the return of the performance indicator level prior to the crisis period.

4. Conclusions

The SMEs sector is, according to statistics, most affected by the financial and economic crisis, especially given the lack of implementation or the poor implementation of the Government's anti-crisis measures. SMEs representatives argue that the reduction of taxation, the elimination of the mandatory minimum tax and the direction of loans from the international financial institutions towards investment and not towards the payment of salaries are essential measures for survival in this area. (http://www.address.org.ro/art_18032010.htm, accessed 03/04/2015)

Conclusions regarding the current situation of the Romanian SMEs reveal several shortcomings of the performance and competitiveness gaps that determine their insignificant role in the overall SMEs sector in the European Union. Against this general background stand still some positive features of size class structure and economic sectors that constitute a valuable potential of competitiveness which could be realized through effective public policies and interventions in order to strengthen and improve the competitiveness of SMEs in Romania.

Even if a strategy for development of SMEs and the business environment was adopted by the Government, the implementation of measures with intended results remains a very difficult task for those responsible, given the low level of performance at this time.

The synthetic characterization made by the European Commission shows that *"Romanian SMEs are less competitive, less innovative and have a weaker technological base than that of the large firms. Romania had in 2013 a recovery profile with values below average in most areas, showing some progress in the recent years. Romania performs above average only in the entrepreneurship sector (this is due to a large number of startups and positive entrepreneurial culture). The Lack of innovation and the shortage of skilled labor are the main obstacles to the business competitiveness ".*

Therefore, the future work should continue to focus on a mix of complementary measures in order to improve the business environment, the financing needs and the facilitation of the SMEs access to the appropriate tools, with a stronger focus on business innovation and training qualifications and highly specialized professional competences. An effective mechanism for monitoring and evaluation of the implementation measures for the new

initiatives remains a business desideratum to be implemented by developing appropriate methodologies and active involvement of the SMEs representatives.

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SUB-SECTION: TOURISM

PERCEIVED IMAGE OF CITTASLOW BY TOURISM STUDENTS: THE CASE OF FACULTY OF TOURISM, ANADOLU UNIVERSITY-TURKEY

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ABSTRACT

The movement of cittaslow is one of the trend topic issues in tourism industry. It is expected that cittaslow organization, its history, philosophy and policy should be very important for tourism students as well. This study aims to investigate tourism students' knowledge and awareness on cittaslow. A questionnaire was used to determine the level of understanding of cittaslow on tourism students. For the questionnaire, the faculty of tourism students of Anadolu University (Eskişehir-TR) were selected, since many studies have been conducted on cittaslow stakeholders such as directors of cittaslow, local people, and tourists but there are a few studies on university students such as faculty of tourism who are the future of tourism. The data was collected from 1st year student to 4th grade students. Findings reveal a source of information about cittaslow based on different type of variables such as internet friends family. Besides that, identifying some substantial differences in their motivations were tourist attractions, modernism. and perceived image of the cittaslow. Although limitations of this study are linked to their explorative character, some future research lines are proposed

Keywords: *Cittaslow, Faculty of Tourism, University students, Cittaslow Principles*

Introduction

Cittaslow meaning Slow City and formed of the words Citta (City in Italian) and Slow (in English) is an international association. Cittaslow movement started with the Slow Food movement in Italy late 80s, and it has spreaded to other countries in Europe and later the world. The philosophy of the Slow Food Movement can be easily applied to tourism. "Central to the meaning and concept of Slow Tourism is the shift in focus from achieving a quantity and volume of experiences while on holiday towards the quality of (generally fewer) experiences." (Heitmann et al. 2011). The Movement of cittaslow was born in 1999 through the Paolo Saturnini's brilliant intuition, past Mayor of Greeve in Chianti, a little town of Tuscany. The cittaslow movement aims to improve urban life quality and well-being, counter globalization around the world and protect cultural diversity and the uniqueness of towns and cities while inspiring us to live a healthier life. The following years more and more cities joined the movement, currently, there are 159 Cittaslow towns across 25 countries worldwide, which collectively promote sustainable tourism development through a council – community emphasis on local, unique and historic resources (Honore, 2004; Parkins & Craig, 2006; Miele, 2008; Pink, 2008a, 2009; Knox & Mayer, 2009; Yurtseven & Kaya, 2011).

Like Slow Food, Cittaslow is a membership organization. Full membership of Cittaslow is

only open to towns with a population under 50,000. To become eligible for membership, a town must normally score at least 50 percent in a self-assessment process against the set of Cittaslow goals, and then apply for admission to the appropriate Cittaslow national network. An annual membership fee is payable by towns. (Miella 2008). To become slow cities, applicants have to meet a number of basic parameters relating to environmental policy, infrastructure, the level of local produce and crafts, services and accommodation facilities and hospitality. Once this has been accepted membership then implies constant commitment to developing projects to improve these parameters. Turkey has nine towns taking part in this movement. The list of slow cities contains over 155 towns from 31 countries.

Table 1. Number of towns members in the Cittaslow network (November 2014)

No	Country	Number
1	Australia	3
2	Austria	3
3	Belgium	6
4	Canada	2
5	China	2
6	Colombia	1
7	Denmark	2
8	Finland	1
9	France	8
10	Germany	12
11	United Kingdom	5
12	Hungary	1
13	Iceland	1
14	Ireland	1
15	Italy	74
16	Japan	1
No	**Country**	**Number**
17	Netherlands	7
18	New Zealand	1
19	Northern Cyprus	1
20	Norway	3
21	Poland	17
22	Portugal	6
23	South Africa	1
24	South Korea	11
25	Spain	6
26	Sweden	1
27	Switzerland	1
28	Taiwan	1
29	Turkey	9
30	Turkish Republic of Northern Cyprus	1
31	United States	3

Source: http://www.cittaslow.org/download/DocumentiUfficiali/CITTASLOW_LIST_november_2014.pdf

Cittaslow Policies and Goals

The six main components of Cittaslow policy are: (1) Environmental Policies, (2) Infrastructure Policies, (3) Technologies and Facilities for Urban Quality, (4) Safeguarding Autochthonous Production, (5) Awareness and (6) Hospitality. It is these areas which are the foundation and visible face of Cittaslow. These areas go beyond a basic slow philosophy to practical ways of improving the quality of life for residents, through environmental and place sustaining means. The following is a brief explanation of each of these components.

I) Environmental Policies

The first area defining Cittaslow is that of Environmental Policies. Ensuring that a city has a high quality of life is directly dependent on its environmental quality and sustainability. Cittaslow Environmental Policies include the following:

- Protection of the quality of the air, water and soil.
- Promotion and dissemination of policies for the recycling of urban refuse and other wastes – including composting, and the existence of a purification plant for sewage.
- An energy saving plan.
- Ban the use of genetically modified crops in agriculture.
- Control of electromagnetic pollution, noise pollution and light pollution.
- Regulation of advertisements and traffic signs.
- Adoption of environmental management systems (such as EMAS and ECOLABEL, ISO 9001, ISO14000, SA 8000 and Agenda 21 projects).

II) Infrastructure Policies

This second area includes elements of urban and landscape design. There is a strong focus towards a priority of alternative forms of transportation and pedestrian orientated urban design, and sustaining a sense of place which is represented in built form. Cittaslow Infrastructure Policies include the following:

- Plans for the improvement and reclamation of historical centers and/or works of cultural or historical value.
- Plans for safe mobility and traffic.
- Accessibility of public places and those of public interest.
- promotion of programs to facilitate family life and social connections,
- Recreation and assistance for those in need.
- Focus on plans for alternative transportation – including bicycle, pedestrian and mass transit.
- Plans for the distribution of locally produced merchandise and the creation of commercial centres for natural products'.
- Quality green areas and pedestrian accessibility.
- Maintaining commercial areas which are welcoming, hospitable and friendly.
- Revitalization of the city – including upgrading and redevelopment of deteriorating areas.

III) Technologies and Facilities For Urban Quality

Cittaslow's policies focusing on Technologies and Facilities for Urban Quality offer a higher quality of life to cittaslow citizens and afford new ways to attain holistic achievements on all policies. These policies include thefollowing:

- *Provision of information to citizens, including cittaslow information.*
- *Development and promotion of bioarchitecture.*
- *Equipping the city with cables for optical fibre and wireless systems.*
- *Providing refuse containers in keeping with the environment and the landscape and removal according to established timetables.*
- *Planting environmentally suitable and autochthonous plants in public and private places.*
- *Adoption of systems for monitoring electromagnetic fields.*
- *Plan for controlling noise in specifically noisy areas.*
- *provision of services for the citizens, including dissemination of municipal services via internet and plans for creating and educating the citizens in the use of an internetbased*

IV) Safeguarding Autochthonous Production

The area of Safeguarding Autochthonous Production focuses on sustaining local, traditional industries and elements which represent the local identity. This area of policy relates directly to local context and sense of place. This policy area includes:

- Development of organic farming.
- Certification of the quality of artisan produced products, objects and artistic crafts.
- Programs for the safeguarding of artisan craft products, traditional methods of work and professions in danger of extinction.
- Use of organic and local products and the preservation of local traditions in restaurants, protected structures and school cafeterias.
- Programs for taste and nutrition education in schools in collaboration with Slow Food.
- Census of the typical products of the local area and support of their commercialization (updating of markets for local products and creation of appropriate spaces).
- Census of trees in the city and enhancing the value of large or 'historical' trees.
- Favoring the activities of wine and gastronomic Slow Food Presidia for species and preparations risking extinction.
- Promoting "urban" and school gardens for autochthonous cultures grown with traditional methods.
- Promoting and preserving local cultural events.
  Provide the citizens with information on the aims and procedures of what Cittaslow is, preceded by information of the intentions of the Administration to become a Cittaslow member city.
- Programs for the dissemination of Cittaslow and Slow Food activities.
- Programs to involve the social fabric in acquiring the "slow" philosophy and the application of Cittaslow projects and in particular: educational gardens and parks, book facilities, adhesion to the project of the germ plasm bank.

V) Awareness

The Cittaslow focus on awareness includes public education and promotion of the organization. This policy area includes the following:

- Provide the citizens with information on the aims and procedures of what Cittaslow is, preceded by information of the intentions of the administration to become a Cittaslow member city.
- Programs to involve the social fabric in acquiring the "slow" philosophy and the application of cittaslow projects and in particular: educational gardens and parks, book facilities, adhesion to the project of the germ plasm bank.
- Programs for the dissemination of Cittaslow and Slow Food activities

VI) Hospitality

This section focuses on helping both residents and tourists to feel at home in a Cittaslow city; it directly relates to easy liveability. The Hospitality related policies include:

- Training courses for tourist information and quality hospitality.
- Using international signs in the tourist signs of the historical centres with guided tourist itineraries.
- Reception policies and plans to facilitate the approach of the visitors to the city and access to information and services (parking, extension/elasticity of opening hours of public offices, etc.) with particular regards to scheduled events.
- Making the tourist operators and storekeepers aware of the need for a transparency of prices and the exhibition of rates outside the business establishments.

On the other hand Cittaslows have been started to stop negative impacts of the tourism industry at the destinations. Besides that, sustainable tourism has emerged as a reactive concept, which seeks to eliminate the negative impacts (economic, social, cultural and environmental) that might outshine the benefits tourism brings to host communities. Turkey, as a historical, cultural, social and heritage center of both East and West coast, has a great impact on developing tourism. Considering the increase of slow cities in Europe and also in Turkey, they are also a perfect target for the analysis of faculty of tourism students', as well as their image perception of a destination.

Research methodology

Considering the fact that most studies focus mainly on sustainability of cittaslow or the evaluation of cittaslow directors, residents etc. The aim of this research is to analyse tourism students' perceived image about cittaslow. In order to analyse students' perceived image on cittaslow, a study was conducted. The research instrument was a questionnaire, specifically designed (in Turkish). A sample group of students in faculty of tourism, Anadolu University, Eskişehir, Turkey was chosen, as the researcher had official contacts within Anadolu University making access to responses convenient. 128 questionnaires were returned. Questions were framed in order to find out tourism students' view on cittaslow destinations and how they perceive cittaslow in relation to this. To begin with respondents were asked about their awareness of the locations of certain slow cities in Turkey. The rationale behind

this was to discover how much understanding was in students' mind of where these cittaslow destinations were. The following 5 questions were kept straightforward as 'multiple choice', finding out which are the most used sources of information for respondents when thinking about cittaslow destinations, what image they currently have of cittaslow and what they are looking for in a cittaslow destination. A question based on a Likert scale of 5 points assessing respondents' opinion.

Research limitations

It is simply not possible to access all of the other tourism students in whole Turkey. International and national statistics related to study can only give a general idea of information about Cittaslow. This is why the researcher took the approach of surveying and interviewing people directly. The interviews, took place between 20 March to 02 April of 2015.

Findings

Survey was answered by 388 Anadolu university faculty of tourism University students between the ages 18-25. Survey. This survey consisted of responses from a restricted target group, so there was no need to include too many demographic questions regarding the respondents. This survey began with questions finding out that the respondents know Cittaslow or not. As the chart below demonstrates, almost all the respondents have an idea of Cittaslow (%95,7).

Table 2. Demographic Information about the Respondents

		Frequency	(%)
Gender	Female	185	47,7
	Male	203	52,3
Know cittaslow?	Yes	354	95,7
	No	34	4,3
Age	18	10	2,6
	19	54	13,9
	20	49	12,6
	21	223	57,5
	Above 21	52	13,4
Sources of information about cittaslow	Brochure	19	4,9
	Newspaper/magazine	86	22,2
	Friends/family	96	24,7
	Internet	115	29,6
	Other	72	18,6
Main concerns that would deter from choosing any Cittaslow for a holiday destination	Nothing special for young tourists	60	60,0
	Lack of activity	25	25,0
	Distance	10	10,0
	Prices	10	10,0

For the student sample surveyed, when asked about sources of information that they have learned Cittaslow, the Internet was overwhelmingly the main factor, with 29,6% of those

who replied citing this as a main source used. The second most acknowledged source on Cittaslow was word-of-mouth, through friends and family (24,7%) while, newspaper and magazines were considered much less influential.
Main concerns that would deter from choosing any Cittaslow for a holiday destination; for this question respondents were asked to choose only one response and in this case "Not designed for young tourists" emerged as clearly the issue that most concerned the majority of respondents (60%). "Lack of activity" was seen as negative factor putting students off to a much lesser degree (25%).

Table 3: Motives to visit Cittaslow Variable %

Tourism attractions	**39**
Modernism	**33**
Visit with friends and relatives	**22**
Recommended	**22**
Local food	**18**
Proximity	**15**
Other	**8**

Initially, we focused on the findings related to students' motivations (Table 3). In general terms, Students are motivated by specific tourism attractions (39%) or modernism (33%). In this sense, the heritage of the city is the main tourist attractor, although the visit with friends and relatives (22%), and Slow city's nightlife (18%) are also important.
A relevant element to highlight is the great amount of students (22%) that have mentioned recommendation received as a motivational factor to visit Cittaslow. This situation in well documented by previous research, where is demonstrated that recommendations received from others influence both perceived tourist image (Baloglu & McCleary, 1999; Bigné et al, 2009) and tourist behavior (Lee, 2009).

Results (Table 4) show that the services provided by Cittaslow are frequently consumed by the vast majority of tourists, with a weighted average of 3,89 and 3,6 respectively, while the services provided by travel agencies and tour-operators are consumed occasionally. Transportation and entertainment services are consumed medium frequent.

The fifth question was aimed to identify the perceived touristic potential of Cittaslow on respondents (measured on a Likert scale typed from 1 "less important" to 5 "very important") on different items concerning entertainment services to cuisine taste.

Table 4: Perceived touristic potential of cittaslow

	Mean	Standard Deviation
Entertainment services possibilities	3,39	1,216
Restaurants units possibilities	**4,13**	**,798**
Accommodation units possibilities	**2,96**	**1,315**
Accessible conditions	3,72	1,198
Transport operators	2,98	1,255
Local residents behavior	**4,24**	**,757**
Employees way of communication with tourists	**2,72**	**1,139**
Booking possibilities	3,01	1,139
Internet connection availability	3,85	1,049
Methods of payment of services	3,89	1,078
Cuisine taste	3,92	,873

As seen in Table 4, according to the weighted averages computed for all the respondents (with values from 2,72 to 4,24), The highest score was obtained for "restaurants units possibilities (4,13), which indicates that students consider that restaurants in Cittaslow are "very important" in this concern. The lowest score (2,72) was obtained for employees way of communication with tourists. Particularly, we can observe that the best valued items are "restaurant units possibilities" and "Local residents behavior". In addition, these results also reinforced in an open question, where students as tourists were instead to determine two positive and two negative elements of the cittaslow. The tourists' answers remark restauranta units possibilities as positive item of cittaslows and the need of more focus on employees way of communication with tourists percieved as negative items.

Conclusion:

In this study perceived image of cittaslows by tourism students has been analyzed. As seen from the review of academic literature, previous research about this topic is limited to compare cittaslow and
Tourism students. It is for this reason that this exploratory research aimed to identify the ideas of tourism students on cittaslow, and at the same time, seeking differences in travel motivation and perceived image that allow better understanding of students. From this exploratory research some relevant issues are highlight. Firstly, it is demonstrated the homogeneity of students detecting one type profile. In addition, tourism students have different type of sources to learn about cittaslows In particular, students are mainly motivated by modernism; tourism attractions that offer the city in general; and local of cittaslow. This data put forward different ways to consume the cittaslow, prioritizing different attractions of the city. Considering image perception variables, generally experience has been positive. In particular, students value positively tourism attractions,

the local culture and authenticity of the city, among other items. However, some students consider that slow city is not enough accommodation unit possibility nor service. At the same time, findings have also validated the power of recommendations as a motivational factor for students in general. Recommendations have the capacity to influence decision-making of students and, thus their consumer behaviour.

However, further research is needed in order to examine this issue deeply. In summary, the detection of students and the existence of different motivations among them, as well as image perception, suggest differences in tourism consumption of tourism products of the destination. However, we have to take these results as preliminary, considering the explorative character of this study, which have used a limited sample.

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THE INFLUENCE OF MACROECONOMIC FACTORS ON ARRIVALS IN RURAL TOURISTIC PENSIONS IN CRISANA REGION FROM ROMANIA – PART 2

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Abstract : In this study we present an econometric analysis of the number of arrivals in rural touristic pensions based on several indicators that we believe may affect in a positive or negative fluctuations of tourists. The analysis we perform for the period January 2006 - December 2013 with a quarterly frequency. We ordered and monthly values of most of the indicators selected, but we tried from start a reduction effect of seasonality.Given the emerging crisis in the second half of 2008, we expect basically after 2008 appear a decrease arrivals in rural touristic pensions, and after 2010, the year a slight recovery from the crisis appear improved this activity.For analysis we selected eight indicators: The average national unemployment; The average national inflation; The volume index of turnover for services provided to the population (hotels and restaurants); The volume index of turnover for services provided to the population (tourist assistance activities); Net use index of accommodation in rural guesthouses nationwide; Net use index of accommodation places in the region Crişana; Average gross salary at national level; GDP. So, in this study we have tried to analyze the influence of macroeconomic factors on rural touristic pensions arrivals in Romania Crisana region. This analysis will help owners of pensions in the management.In this paper we try to find the difficulties, limitations of rural tourism development in Crisana region from perspective of local government. In this paper we try to show as well the main factors of the emergence and development of rural tourism in order to establish priorities in the joint action of local people, entrepreneurs, tourists and local and national administrations. In many countries, the tourism industry fall within government priority. Tourism has been identified as one of the primary industries with potential to support local communities in developing economic diversity.

Key-words: econometric study, rural tourism, Crisana, Romania

JEL classification: M21, R11

1.Study of relationship

Study of relationship between the dependent variable and independent variables LN_SOSCR, RMS, IUN and SALM

From the data in Table 2 we can observe that there are direct links between LOG_SOSCR_TC and RMS_TC and SALM_TC and between LOG_SOSCR_TC and IUN_TC there is a mild reverse link. The weakest link seems to be established between LOG_SOSCR_TC and RMS_TC, 0.262.

Table 2. Bivariate correlation coefficients for the variables introduced in the econometric model

	LOG_SOSCR_TC	RMS_TC	SALM_TC	IUN_TC
LOG_SOSCR_TC	1.000	0.262	0.964	-0.591
RMS_TC	0.262	1.000	0.208	-0.724
SALM_TC	0.964	0.208	1.000	-0.438
IUN_TC	-0.591	-0.724	-0.438	1.000

Source: the author using data from http://www.insse.ro

2. Estimation and testing of the model parameters.

In a first phase we will estimate the model parameters and the connection between LOG_SOSCR_TC IUN_TC, RMS_TC and SALM_TC Table 3.

Table 3. Estimation and testing of regression equation coefficients

Dependent Variable: LOG_SOSCR_TC				
Method: Least Squares				
Date: 05/09/14 Time: 12:22				
Sample (adjusted): 2006Q3 2013Q4				
Included observations: 30 after adjustments				
Convergence achieved after 9 iterations				
Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	*4.749240*	*0.444408*	*10.68666*	*0.0000*
IUN_TC	*-0.112842*	*0.017748*	*-6.357989*	*0.0000*
SALM_TC	*0.001723*	*7.90E-05*	*21.82005*	*0.0000*
RMS_TC	*-0.089243*	*0.027618*	*-3.231299*	*0.0036*
AR(1)	*1.134500*	*0.143886*	*7.884719*	*0.0000*
AR(2)	*-0.761419*	*0.158736*	*-4.796762*	*0.0001*
R-squared	***0.991468***	*Mean dependent var*		*5.874005*
Adjusted R-squared	*0.989691*	*S.D. dependent var*		*0.648278*
S.E. of regression	*0.065822*	*Akaike info criterion*		*-2.426876*
Sum squared resid	*0.103980*	*Schwarz criterion*		*-2.146636*
Log likelihood	*42.40314*	*Hannan-Quinn criter.*		*-2.337225*
F-statistic	*557.8151*	*Durbin-Watson stat*		*1.337005*
Prob(F-statistic)	***0.000000***			
Inverted AR Roots	*.57-.66i*	*.57+.66i*		

Source: the author using software EViews 7

The form of estimated model is:

$LOG\_SOSCR\_TC_t = 0.479 - 0.089\ RMS\_TC_t - 0.113\ IUN_t + 0.0017\ SALM\_TC_t + u_t$ (1.)

and

$u_t = 1{,}134\ u_{t-1} - 0{,}761\ u_{t-2} + \varepsilon_t$ (2.)

where u_t is the modeling error of the regression model equation (1) which can be expressed as an autoregressive model of order 2, AR (2), equation (2).

The parameters of the regression model are significant different from zero (prob <0.005), and the model described by relations (1) and (2) fails to explain the variation rate of 99.14% LOG_SOSCR_TC. Small values of the informational indicators AIC, SIC HQIC indicate high accuracy of the model.

Testing shows that the model is significant (prob. (F-statistic) <0.005) and can be used successfully in explaining the dependent variation of the variable into account of the variation of the independent variables.

3. Validation of the model

Validation of the model - testing hypotheses about the modeling error. For an econometric model to be validated, there have to be tested a set of five hypotheses from which four refer to the modeling error:

a. Stochastic processes that generated the error modeling follow a normal distribution. Null hypothesis (H_0) is formulated as: εt ~ N (0,1) and from its testing we use the Jarque-Bera test, fig. 16.

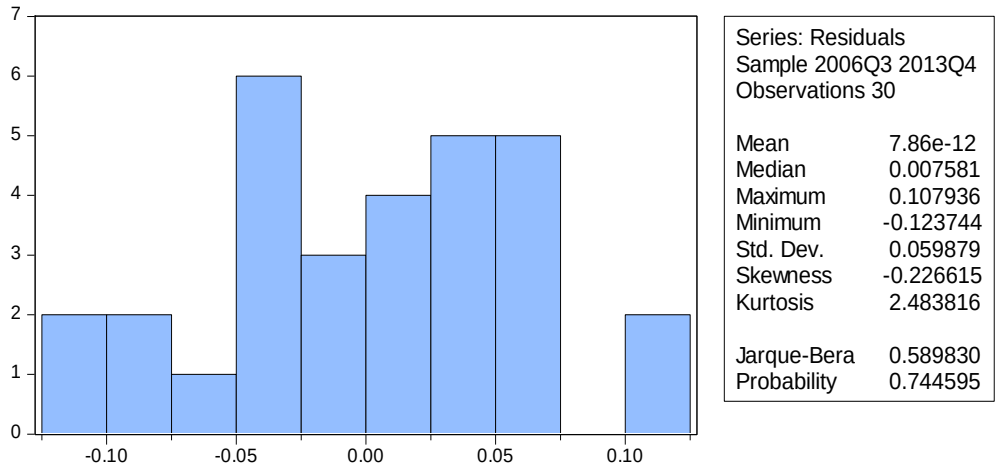


Figure16. Testing normality of errors. Jarque-Berra Test
Source: authors based on the data www.insse.ro

Because the probability associated with the Jarque-Bera statistics is greater than 0.005, it can be said that with a 95% probability, a null hypothesis is accepted which says that the distribution of modeling errors did not differ significantly from the normal distribution.

b. Modeling errors are homoscedastic, which means that the corresponding variable of the stochastic processes that generated modeling errors is constant. The null hypothesis (H_0) is formulated as follows: V (ε_t) is constant, and for its testing we can use the White test, Table 4. It is noted that the probability associated to the statistic nR^2 as well as the probability associated to statistic F is greater than 0.005, therefore both confirming the homoscedasticity hypothesis of modeling errors with a probability of 95%.

Table 4. Testinghomoscedasticity errors. White Test

Heteroskedasticity Test: White			
F-statistic	*1.183152*	*Prob. F(20,9)*	*0.4148*
*Obs*R-squared*	*21.73378*	*Prob. Chi-Square(20)*	*0.3551*
Scaled explained SS	*10.31965*	*Prob. Chi-Square(20)*	*0.9620*
Test Equation:			
Dependent Variable: RESID^2			
Method: Least Squares			
Date: 05/09/14 Time: 14:50			
Sample: 2006Q3 2013Q4			

Included observations: 30				
Collinear test regressors dropped from specification				
Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	*-1.626670*	*1.184285*	*-1.373546*	*0.2028*
*GRADF_01*GRADF_02*	*0.299968*	*0.224583*	*1.335667*	*0.2145*
*GRADF_01*GRADF_03*	*0.001134*	*0.001332*	*0.850876*	*0.4169*
*GRADF_01*GRADF_04*	*0.314223*	*0.314015*	*1.000662*	*0.3431*
*GRADF_01*GRADF_05*	*-0.767068*	*1.086157*	*-0.706221*	*0.4979*
*GRADF_01*GRADF_06*	*-0.558883*	*0.804597*	*-0.694612*	*0.5048*
GRADF_02^2	*-0.005494*	*0.005180*	*-1.060589*	*0.3165*
*GRADF_02*GRADF_03*	*-4.05E-05*	*3.53E-05*	*-1.146581*	*0.2811*
*GRADF_02*GRADF_04*	*-0.010640*	*0.009975*	*-1.066713*	*0.3139*
*GRADF_02*GRADF_05*	*0.031429*	*0.037108*	*0.846959*	*0.4190*
*GRADF_02*GRADF_06*	*0.018851*	*0.028789*	*0.654806*	*0.5290*
GRADF_03^2	*2.46E-08*	*1.42E-07*	*0.172930*	*0.8665*
*GRADF_03*GRADF_04*	*-0.000118*	*9.93E-05*	*-1.188500*	*0.2651*
*GRADF_03*GRADF_05*	*4.83E-05*	*0.000260*	*0.185591*	*0.8569*
*GRADF_03*GRADF_06*	*0.000135*	*0.000195*	*0.693311*	*0.5056*
GRADF_04^2	*0.006213*	*0.013287*	*0.467585*	*0.6512*
*GRADF_04*GRADF_05*	*0.040803*	*0.032621*	*1.250805*	*0.2425*
*GRADF_04*GRADF_06*	*0.009855*	*0.040032*	*0.246166*	*0.8111*
GRADF_05^2	*-0.375280*	*0.210436*	*-1.783349*	*0.1082*
*GRADF_05*GRADF_06*	*0.495063*	*0.238092*	*2.079293*	*0.0673*
GRADF_06^2	*-0.326218*	*0.166934*	*-1.954174*	*0.0824*
R-squared	*0.724459*	*Mean dependent var*		*0.003466*
Adjusted R-squared	*0.112146*	*S.D. dependent var*		*0.004294*
S.E. of regression	*0.004046*	*Akaike info criterion*		*-7.986031*
Sum squared resid	*0.000147*	*Schwarz criterion*		*-7.005193*
Log likelihood	*140.7905*	*Hannan-Quinn criter.*		*-7.672253*
F-statistic	*1.183152*	*Durbin-Watson stat*		*3.022724*
Prob(F-statistic)	*0.414810*			

Source: own processing software Eviews 7

c. The average of the modeling error is not significantly different from zero. Null hypothesis (H_0) is formulated as follows: M (ε_t) = 0 and for its testing we use t test, Table 5. As expected, because modeling errors came from using the method of estimation for the smallest squares, the average of the modeling errors is not significantly different from zero (prob. t> 0.005).

d. The modeling errors are independent, not corelated. The null hypothesis (H_0) is formulated as follows: corr(ε_t ,ε_{t+k}) = 0 and for any time lag k of time moments. The analysis of the autocorrelation coefficients is performed using the correlogram partial autocorrelation, Fig. 17.

Table 5. Testing mean zero of errors. t Test

Hypothesis Testing for RESID	
Date: 05/09/14 Time: 15:05	
Sample: 2006Q1 2013Q4	
Included observations: 32	
Test of Hypothesis: Mean = 0.000000	
Sample Mean = -4.76e-05	

Sample Std. Dev. = 0.058852		
Method	*Value*	*Probability*
t-statistic	*-0.004572*	*0.9964*

Source: own processing software EViews 7

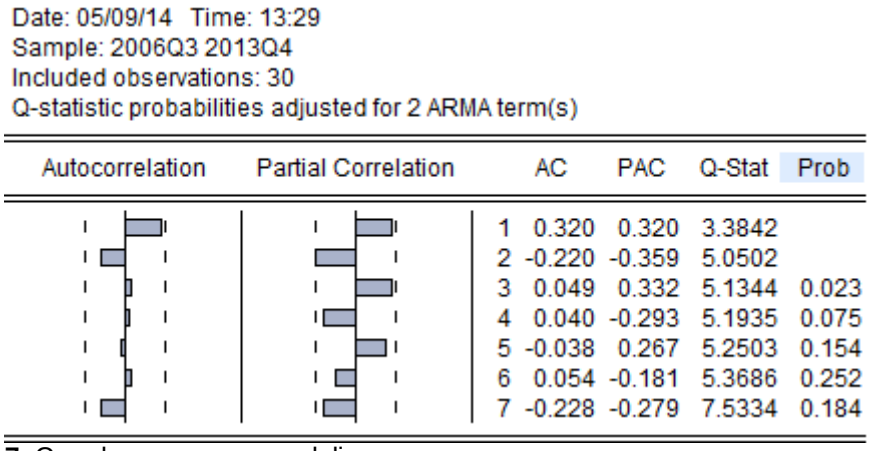


Figure 17. Correlogram errors modeling
Source: authors with the program EViews 7

From the analysis of Figure 17 it is observed that there is significant autocorrelation coefficients, different from zero, up to coefficients of order 7. In conclusion we can accept the hypothesis of not corelation / independence of the modeling errors.

e. The hypothesis aimed at a possible relationship between independent variables and collinearity is called ancollinearity hypothesis. Null hypothesis (H_0) is formulated as follows: any of independent variables can be expressed as a linear relationship of the other independent variables. Ancollinearity analysis is performed using centered indicators VIF (Variance Inflation Factor) which if they have a value below 10, that indicates no collinearity between the independent variable that is associated with remaining independent variables, Table nr.6.

Analyzing the data from Table 6 it can be seen that the independent variables are not collinear. ***In conclusion, the model estimated by the relation (1) is validated.***

Table 6. Collinearity analysis results of the independent variables

Variance Inflation Factors			
Date: 05/09/14 Time: 14:56			
Sample: 2006Q1 2013Q4			
Included observations: 30			
	Coefficient	*Uncentered*	*Centered*
Variable	*Variance*	*VIF*	*VIF*
C	*0.197499*	*537.4624*	*NA*
IUN_TC	*0.000315*	*176.3813*	*2.661130*
SALM_TC	*6.24E-09*	*59.20473*	*1.688512*
RMS_TC	*0.000763*	*63.05989*	*2.044379*
AR(1)	*0.020703*	*1.787872*	*1.786650*
AR(2)	*0.025197*	*1.933266*	*1.920736*

Source: authors with the program EViews 7

4. Conclusions

Analyzing the relationship (1) it can be said that IUN_TC and RMS_TC indicators have a negative influence on LOG_SOSCR. In other words, a variation in the value of IUN_TC by 1% induces a negative change in the relative value of LOG_SOSCR with 11.28% while variation in RSM_TC by 1% will induce a negative change relative to LOG_SOSCR with 8.92%. Instead, a growth of SALM_TC by 1 RON/month will induce an increase in the relative value of LOG_SOSCR by 0.17%.

So, overall, tourist arrivals in the region Crişana pensions are reverse proportional to the rate of unemployment, but I noticed that a very low unemployment rate does not increase the number of arrivals in rural guesthouses, tourists probably prefer a different type of tourism than the rural areas.

As for the analysis of the influence of unemployment, we deduce that arrivals in rural tourist pensions in the Crişana region are reverse proportional to the net use index of accommodation nationwide.

The arrivals in Crişana region pursue much of the same trend with the average gross salary in the sense that for both of the analyzed indicators there is an increase of the annual values averages, but seasonality remains present and keep characterizing the development of arrivals.

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SECTION: FINANCE, BANKING, ACCOUNTING AND AUDIT

SUB-SECTION: PUBLIC FINANCES

NATIONAL PUBLIC FINANCES. CONNECTIONS.

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Summary:

The importance of Public Finance for the existence and functionality of the state derives primarily from the need for public financial resources without which a modern state no longer exists

Public finances are influenced by the general policy of the state and in turn influence official policy of governments in operation.

Public finance performance is influenced at least the following variables, namely: a) the economic performance of the country's economy, expressed through macroeconomic indicators specific; b) the size or volume and capital structure underlying the economy of a country; c) the degree of cultural and civic involvement of the population of a country; d) design and reliability of budgetary policies of the government of the country concerned; e) reporting and the level of harmonization of monetary policy and financial restrictions imposed budgetary international monetary system; f) the level of regional integration and union, in our case in the European Union and g) economic policies and military influence regional and international.

Content:

Financial Science shows national financial issues as the state of public finances and deals especially with the justification taxes increasingly larger and analyze efficient use of public funds. Both issues are important to financial science, but not enough. Does not exclude or ignore the complexity of the science and financial issues adjacent and analytical as those on financial policies, component econometric science with the financial planning and financial optimization, does not exclude the importance of the study of public credit or financial history does not rule out nothing from what I read and received, the relevant information in the field, but reclame lighter treatment for certain dimensions of financial relationships and their importance in the context of integration and globalization of modern economies and societies.

Through this work I hope to highlight issues like relations between taxpayers in their capacity as citizens subject to state and state institutions, the relationship between fiscal policy and monetary policy, inevitable to emphasize here the role of state relations bank of issue.

Another issue would be the related to the importance of the doctrine of governmental policies and the ideological content of their and others related to the harmonization of Plot sectoral official policy of the European Union or imported military expenditure of states and probably many others that I consider less treated vehicle in our national literature specialist.

The purpose of this tablet is to reiterate the importance of these financial matters and not to elucidate the above issues defendant. For this I wish to ask a few questions and eventually suggest a particular answer in the context of limited public finance.

Namely, we can ask the question, how and how much of the national sovereignty of our state is respected and reinforced by public finances? Or, as circulated to widen both administrative and financial autonomy of the entities that form the basis of its criteria?

Another question would be, does not dissipate national efforts by promoting a set of objectives financed from public budget the expense of one or several important? Or, another question would be related to the degree of civic obedience or compliance of the citizen in the context escapist phenomenon? And no less important as an overview of the results and effort of integration in the European Union to realize and to design new policies for cohesion and integration? and other questions is to answer those involved in the design and operational decisions strategies, annual or multiannual.

The answer to such questions can not be devoid of ideological content, but it is not a purpose of this paper and on the other hand neither can eliminate doctrinal dimension applied to concrete situations marked by current official ideologies promoted by official government policies.

The issue of domestic finance is a matter of public official or formal policy not think we should impose our goal to eliminate ideological and doctrinal content of the actions promoted at the expense of national public finances.

Exemplary to justify explained above, it must be stressed that no taxes should be justified indefinitely, but their size, their location faulty and unfair often and equally in public spending, I think the question is too stressed not on their distribution and efficient spending of public money.

National finances reflect the degree of development of statehood in a society in a particular historical period.

National public finances as a condition of a nation existential statehood can be used as direct and indirect instrument to strengthen the nation, of course if nation states, but not only.

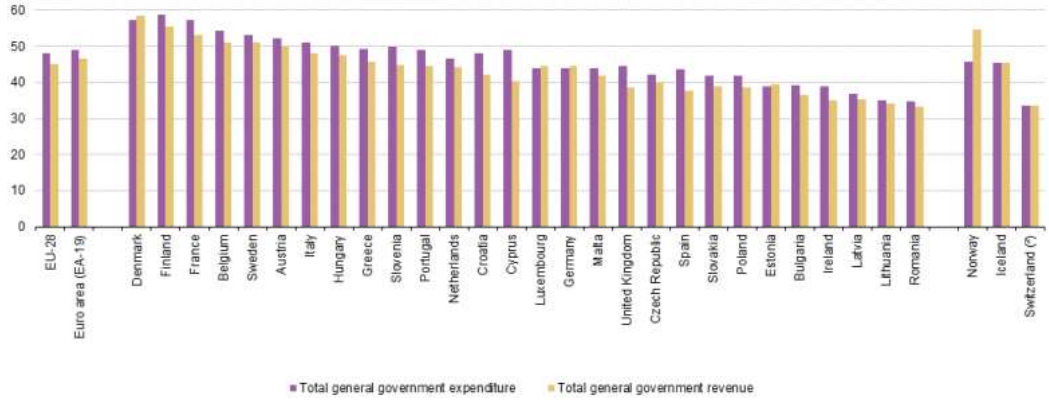
Strengthening of statehood to his own subjects is a matter treated in historically, ideologically, economically, socially and in the current context can easily be spoofed so the issue to turn into a purely ideological. From the financial point of view it is interested in the assets and potential development of absolute rule.

If, however, ask ourselves, how far to lower the state's role apparently we are more legitimate and thus put, but the answer should be ample.

In context, reiterate the answer given by Titulescu Romanian Parliament Mari with the support of the draft budget for 1921 and when asked as to where to go autonomy of local finances, the great statesman respond in context without citing as to not to endanger national finances.

Domestic finance role has not diminished even in the current situation, when we have at hand examples of developed countries in the European Union and which has a share of GDP public expenditure than us.

Exemplary:



(1) Data extracted on 21.04.2015. Data ranked in descending order according to the average of total revenue and expenditure.
(2) 2013.
Source: Eurostat (online data code: gov_10a_main)

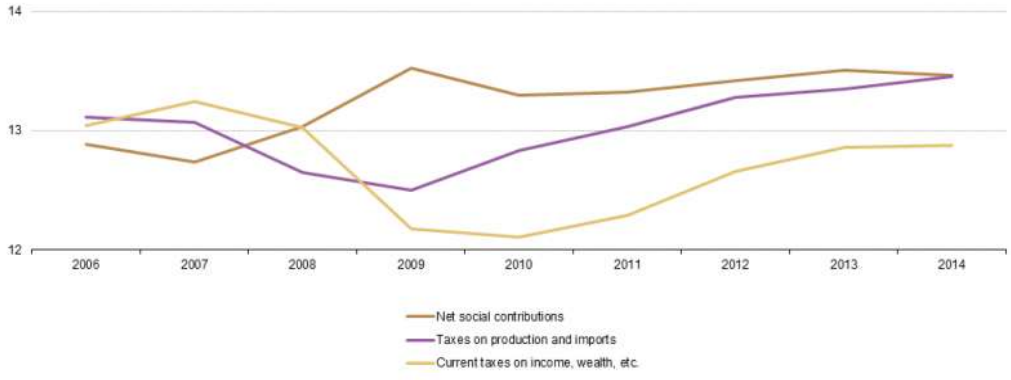
If the share of budget for our country is the smallest is a fact worthy, but not enough to ensure the performance of domestic finance.

Public finance performance is influenced at least the following variables: a) the economic performance of the country's economy, expressed through specific macroeconomic indicators; b) the size or volume and capital structure underpinning the economy of a country; c) the degree of cultural and civic involvement of the population of a country; d) the design and reliability of the government's budget policies the countries concerned; e) reporting and the level of harmonization of fiscal and monetary policy to financial restrictions imposed by the international monetary system; f) the level of regional integration and union, in our case in the European Union

g) influences economic policies and regional and international military.

Evolution of fiscal revenue ratio in P.I.B. linear over the last decade and this issue affects not determine the position of national public finances compared to other EU countries.

Development of total expenditure and total revenue, 2006–14 (1) (% of GDP) YB15 II

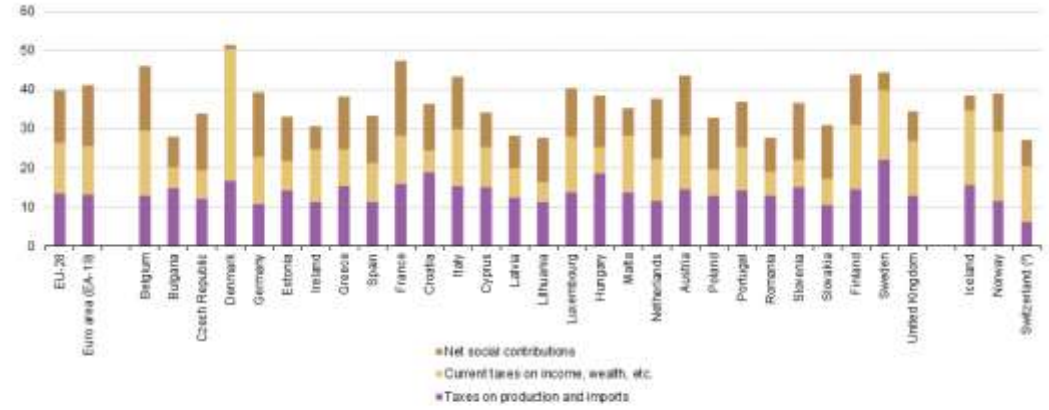


(1) Data extracted on 21.04.2015. Note that the y-axis is cut.
Source: Eurostat (online data code: gov_10a_main)

No income tax structure does not differentiate significantly from the average of the EU countries. This problem remains one unresolved official point of view of the distribution of

the tax burden. Namely, substantial social contributions, which exclusively provides financing but can not state pension funds, a problem compared to a tax burden fairly mild on income and capital to companies and individuals.

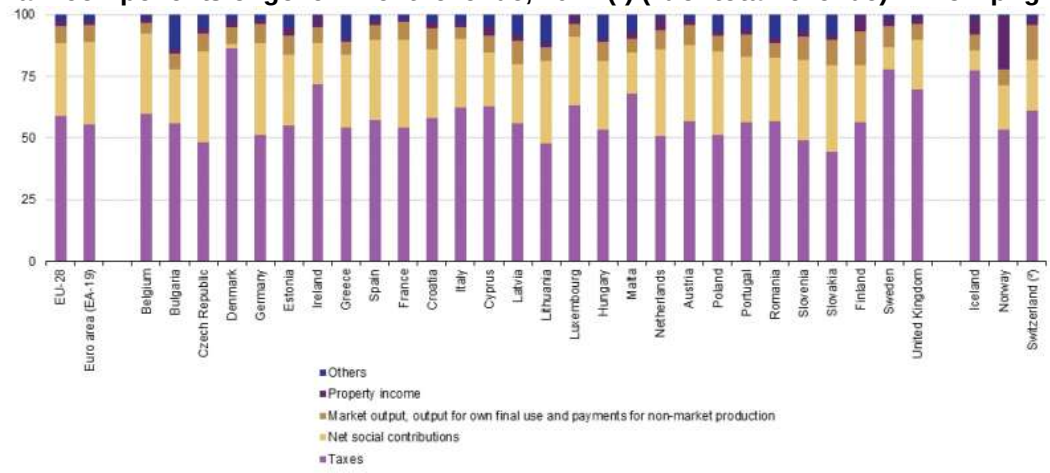
Main categories of taxes and social contributions, 2014 (¹) (% of GDP) YB15 II



(') Data extracted on 21.04.2015.
(*) 2013.
Source: Eurostat (online data code: gov_10a_main)

Imposing capital and its results in the current context of our national taxation compared with the imposition of property and consumption did not differ significantly from the other member states of the European Union. We are on the line, would not foresee problems domestic finance. We insaprobleme income levels as the tax base and the tax base that capital.

Main components of government revenue, 2014 (¹) (% of total revenue) YB15 II.png



(') Data extracted on 21.04.2015.
(*) 2013.
Source: Eurostat (online data code: gov_10a_main)

Conclusions:

The comparative analysis with other European Union member states ensure a comparative picture of the level of public revenues and expenditures, their structure, the types of taxes imposed on society, the share of social contributions in the total budget and gross domestic product. The result of this comparison reveals that our public finances are structured at European level in the context of integration into the European community economically and socially.

But we know that low income individuals and Stat is much lower than the European average and another important issue is the effectiveness of using public resources even of grants.

These two problems afflict our country's finances public by a limited tax base and a low degree of efficiency. These two facts undermines the full capacity of domestic finance to fund programs of economic crisis, or any social or military crises

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TAXATION IN FRONT OF AUDITING PUBLIC INTEREST ENTITIES

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Abstract:

An important component of public interest entities audit is the audit of the entity's tax obligations in terms of financial information need engagement with regulated financial market, especially the stock market.

Law enforcement matters and applying new International Financial Reporting Standards (IFRS) was necessary and raised the need for compatibility of financial information in financial reporting accounting information necessary for those who read stock and informs about the evolution of the performance of an entity economic listed on a regulated financial market.

From this point of view, our legislation financial accounting, in particular by OMFP.1296 / 2012 has adapted to the requirements of Financial Reporting Standards Inernational.

Issues compatible the public information on the financial statements of public entities listed on a stock market cover at least the following groups of information; structure and condition of the entity's assets and liabilities, financial results or global entity or group to which it belongs; accounting policies commonly used by the entity; entity management and performance and events that may influence ear or removed in the near future evolution of the entity's capital.

This information is covered by two aspects, namely accounting information and secondly, tax information. Both offer the reader to know the structure of capital and the potential for performing administrative entity and its management.

From the point of view of the reader interested in a possible deal on the stock exchange listed entities account information describing the historical aspect of the evolution of capital, to date, the reporting period, and the entity's capital structure.

The other aspect, namely aentitatii fiscal situation and it is included in the elements of the financial statements in accordance with International Financial Reporting Standards (IFRS).

The purpose of this paper is to reveal the importance of the two issues, the reader fiscal

accounting and the information provided by the stock market. This information must be able to provide the necessary and sought investors for the training of relevant opinions and made transparent and sufficient for decision knowingly.

A) .From accounting point of view, Romanian accounting regulations, in particular the Accounting Law no. 82/1991, republished and describing its methodological norms contained in OMFP.3055 / 2009 was aligned with the Directive IV of the European Economic Community.

Other regulations on the application of the Accounting Law no.82 / 1991, included in OMFP.881 / 2012 and 1286/2012 OMPF are meant to align the Romanian accounting regulations on provisions Financial Reporting Standards (IFRS), which in turn, for application, involving compliance of International Accounting Standards (ISA).

B). In terms of fiscal great importance has the information provided by financial statements and in particular the statement of comprehensive income for the financial year.

These financial statements and the calculation of the exercise involves something in addition to the financial statements presented for the other companies that are not listed.

Statement of comprehensive income for the financial year provides information on relative performance during the financial year in comparable terms in monetary terms and in terms of taxation.

The tax due and payable and deferred tax are highlighting two papers that require a different view of sanctioning result of economic processes.

The transition to this level of reporting is necessary to ensure a common comparison internationally to readers published financial statements, prospective investors or shareholders of the entity

Registration results restatement, reclassification of some items of heritage value and highlighting the differences in various situations, different will influence the overall outcome of the financial year equity accounts or accounts results.

The determination of deferred income tax provides another projection horizon on future results, usually using revalued amounts and fair values to defer taxation of the value differences to achieve those assets or liabilities.

From an accounting perspective. By Order 1286/2012 ensure adjustment to national accounting legislation in accordance with IFRS reporting requirements. International Financial Reporting Standards (IFRS) are standards adopted under the procedure provided for Regulation

(EC) no.1606 / 2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

"In this context the entities whose securities are listed on a regulated market, so the preparers of financial statements individual and consolidated financial statements are the groups that, according to article 8 of the Order of the above events, will prepare financial statements restatement -By the accounting information organized based accounting regulatory fourth Directive to the European Economic Community, approved by Ministry of public Finance nr.3055 / 2009 for approval of Accounting Regulations compliant with European directives, as amended and supplemented ulterioare- ... "(1).

In view of the financial statements entities apply IFRS, including IFRS 1, First-time Application of International Financial Reporting Standards. In this regard, the statement of financial position, part of the annual financial statements 31.12.2012 will include appropriate information reporting year end and the beginning of the financial year preceding the reporting. Also, statement of comprehensive income will include two columns of information corresponding to the current financial year and previous financial year of reporting.(2)

In fact entities that have reported first financial statements in accordance with IFRS beginning with the fiscal year 2012 were prepared two sets of financial statements, presented comparative financial statements restated those for the year 2011, reports that include information on at the beginning, namely, the end of 2010, following several procedures, steps stipulated in relevant legislation, namely:

1.A first procedure and that the terms of extent of the work seems to be the most important restatement process, namely preparing the opening balance sheet, an operation that involves comparison of balance sheet items from the balance sheet prepared in accordance with national regulations (OMPF 3055/2009) with BSI balance sheet prepared in accordance with the provisions of IFRS 1.

2.Adjustment of accounting policies. This requires taking policies and procedures necessary and sufficient for the preparation of annual financial statements in accordance with national regulations adjusted to IFRS. Thus, in this context, the new policy will reflect the restrictions stipulated in international standards, in which each group of assets and liabilities will be valued according to IFRS.

3) Following the adjustment accounting policies, assets and liabilities will be reclassified into two large groups, current and non-current items, according to IAS1 in general and other standards such as IAS 20 applies for grants, IAS 12 applicable deferred tax, IAS 37, for Provisions IAS 38,

intangible assets, IAS 40 for investment property and other accounting standard.

4) 'adjustment to the requirements of IFRS1 information, certain requirements of this standard involves the application of so-called mandatory exceptions and some optional. Mandatory exceptions in effect seeks accounting principles which will be continued, including by mentioning them in contabile.

These are necessary to ensure the comparability of information, that information will be presented according to previous estimates reprocessing operation.

Optional exceptions relate to retrospective application of IFRS in the treatment goal for more comparable information in financial statements of 2011 and 2010.In this context entity can choose between a measure assets and liabilities at historical cost or alternative day-adjusted values, as are these kinds of value, fair value revalued amount determined in the period considered with special events such as stock exchange transactions, privatization or other ways of trading. "(3).

5) Reclassification of assets and liabilities is a stage of preparation of the opening balance for 2012 based on reclassification actvelor and liabilities, recognition and non-recognition of others, according to IFRS1 and adjust the values of assets and liabilities by the new accounting policies adapted

Preparing financial statements under IFRS for the end of 2012 in component provided in international standards of financial reporting, ie statements of financial position, the statement of comprehensive income, the state changing capital, cash flow and the notes on accounting policies.

Annual financial statements for 2012 will comply with IFRS and must be compatible with the information presented on other regulated markets of securities internationally and with the information to be presented in the financial statements prepared for the year 2013, the first application of IFRS.

B). From a tax perspective. This problem is as immortal by influences arising from the computation of tax liabilities in accordance with IFRS reporting requirements. of switching to reporting according to IFRS sets the tax, certain deferred tax calculation.

A first problem arising is the calculation of deferred tax. This operation aimed at imposing the outcome and brings a new philosophy related to sanctioning the result of economic processes, namely the question when to recognize in profit value changes of assets or liabilities at the time of their registration in accounting or upon sale their.

Also, the same problem is the assessment Termini tax base on income tax postponement. IAS12 accounting standards establish the basic rule of Anglo-xaxone accounting systems, the result must be correlated with achieving asset or liability in question.

Pending its value differences will be recorded as deferred tax, in fact, a provisioning of future liabilities, but to identify in order to provide accurate information on the assets of the entity entirely apropos to date and in the future.

Deferred tax is determined on temporary differences value (to achieve them), between the book value and their tax base.

Tax issues arising from the adjustment of legislation, the necessary adjustment for compatibility with IFRS and IAS are marked some of the grant and through different funding programs from the European Union (POR, POS CCE, etc.). And issue audit also those projects is as important ways of achieving accordance with International Standards on Auditing agreed by nostrum professional body and requested by the management of these grant programs.

In terms of auditing such programs financing, auditing standards provide the framework for auditing in specific conditions, compared to the statutory audit missions. (ISRS 4400, ISA 805 806).

And in terms of taxation, the tax liability of the contractor will be assessed in accordance with the national fiscal rules, but the entities that apply IFRS, they will be analyzed in the context, legal provisions on enforcement.

Conclusions:

The need for coupling the necessary information on the stock exchange readers with international standards required to bring legislation stock accounting provisions of the International Financial Reporting Standards (IFRS) and completing the steps necessary to adjust the financial statements reported by listed entities regulated financial markets.

The first step was compatible by design requirements necessary procedures IFRS restatement of financial statements prepared in accordance with Romanian accounting referential in accordance with IFRS. Conceiving these procedures has highlighted a number of issues regarding the adjustments and then imposing postponed (deferred tax) value differences.

The differences are reflected in equity through a new account introduced, namely earnings after restatement and some differences such as those related to the fair valuation of intangible assets, affecting commercial backdrop.

Compliance with IFRS by entities listed on a regulated financial market involves recording the value differences liquid assets and liabilities on the period, otherwise as envisaged national accounting referential and before the adoption of rules in accordance with IFRS.

The two procedural issues related to the adjustment of the information presented in the financial statements and those relating to deferred tax are complemented by the need to adjust the procedures for auditing these financial statements, given that they are required to be audited, so that financial statements, consolidated financial statements and group companies.

By Order No.1286 / 2012 provides in article 6 that "the separate financial statements prepared by the entity under IFRS accounting regulations, audited statutory and consolidated financial statements in accordance with IFRS, prepared by the entity as parent companies." (4)

Audit procedures for reprocessing operation targeting the financial statements for the three years from 2010 and involve analytical approach procedures for reprocessing.

In conclusion obvious issue conatbila adjustment procedures and fiscal requirements of IFRS requires at least three problem solving, namely; crossing procedure at financial reports in accordance with IFRS by entities whose securities are listed on a regulated market, restating financial information accounting for a period of three years,

adjusting the value of assets and liabilities of the entity, the tax issue for determination of deferred tax and auditing and those restated financial statements in accordance with IFRS.

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SUB-SECTION: CORPORATE FINANCE

AGGREGATE RATING MODEL IN ROMANIAN TOURISM

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Abstract. *Analysis by type rating is based on a number of indicators used in financial analysis, which takes into account the financial strength of the company. Rating determined for a company with securities rating based decision granting credit, its cost (interest rate) and the decision to continue funding a company, or to stop, if rating downgrade. I made a research conducted in aggregate rating model that I tested in several Romanian tourism businesses*.

Key words: liquidity*, performance, financial ratios, rating, cash-flow, assets*

JEL: *G10, G28, G29*

1. Literature review

In financial literature there are many approaches to the construction of rating models based on financial ratios.

In the European Union, credit ratings are defined as "an opinion regarding the creditworthiness of an entity, a debt or financial obligation (…) using an established and defined ranking system of rating categories". In other jurisdictions, similar definitions apply of credit ratings apply.

Credit rating agencies use "rating methodologies" to derive the individual ratings. These methodologies describe the key factors and criteria used by a specific agency to derive its evaluation. These methodologies usually include quantitative and qualitative factors.

From a quantitative perspective, agencies usually use 3 to 5 years of financial information to derive the historic performance. Some agencies may equally include financial projections for a 3 to 5 years horizon. Financial ratios used for the assessment may differ from agency to agency (the definition of each of these ratios may equally differ and may include some adaptations by the agency).

The most ubiquitous method of performance appraisal is rating. Ratings, however, have been shown to be prone to various types of systematic and random error. Studies relating to performance rating are reviewed under the following headings: roles, context, vehicle, process, and results. In general, cognitive characteristics of raters seem to hold the most promise for increased understanding of the rating process. A process model of performance rating is derived from the literature. Research in the areas of implicit personality theory and variance partitioning is combined with the process model to suggest a unified approach to understanding performance judgments in applied settings.(Landy, F.J., Farr, J.L., 1980)

Rating agencies who strive to provide credit assessments that remain broadly stable through the course of the business cycle have been themselves affected as the growing reliance on rating mean that they are increasingly expected to satisfy a widening range of constituencies with different and sometimes conflicting interests. They have responded to this challenge largely by adding more products to their traditional product palette but also through modifications in the rating process. It is however too early to say whether these changes mean a fundamental shift in their approach to credit risk

measurement.(González, F., Haas, F., Persson, M., Toledo, L., Violi, R., Wieland, M., Zins, C., 2010)
Many author focuses on the Altman's Z-score model as an assessment and performance management tool. The model, which was also known as Altman Bankruptcy Predictor, was introduced by New York University Finance Professor Edward I. Altman in 1968. A detailed account of the model along with other strategies is explained in the book "Measuring Organizational Performance - Metrics for Entrepreneurship and Strategic Management Research," by Robert B. Carton and Charles W. Hofer. According to the author, Altman used a statistical technique called discriminate analysis in producing a financial distress prediction model. He added that strategists have not discovered the potential of the management tool despite of being accepted as a financial distress model for almost four decades.(Calandro Jr., Joseph, 2007)
It has been argued that keiretsu in Japan allows its member firms to maintain a financial structure different from that of non-keiretsu member firms. In a recent research authors use two different types of financial statement ratio analysis techniques to discover whether Kohonen's self-organizing map (SOM) is able to uncover the differences in financial structures between keiretsu and non-keiretsu firms: ad hoc financial ratios and valuation-based financial ratios. The authors have found some evidence that SOM enables both financial analysis techniques to recognize different financial structures between the two groups of the firms. (Cheh, John J., Lapshin, Evgeny A., Kim, Il-Woon, 2006).

2. Method and results

The rating took into account aggregate rating UBB model, two banking models: Carpatica Bank model and Transilvania Bank model and two credit scoring models: Ghe. Băileşteanu model and Altman model, and I tested several companies travel between SC HEBE SA Sângeorz, SC Covasna SA, SC Olimp SA and others. In this paper we present the results in the case of SC Hebe SA.

a) UBB Rating Model

Rating of UBB model is based on five categories. For each category of indicators is given a score based on the results of the fall, and after adding up the scores for each category follows category rating, according to the table below:

Table 1: UBB Rating Values

Rating A	***Rating B***	***Rating C***	***Rating D***	***Rating E***
20<25	15<19	10<14	6<9	<=5

Financial Leverage	96.64	91.85	93.53	87.00	92.25	96.83	98.80	96.33	96.60	97.34
Points	5	5	5	5	5	5	5	5	5	5
Gross Return On Sales	11.46	11.46	11.46	11.46	11.46	11.46	12.10	8.80	9.61	6.82
Points	4	4	4	4	4	4	5	4	4	3
Return On Equity	0.03	0.05	0.05	0.06	0.07	0.06	-0.13	0.12	0.19	0.08
Points	2	2	2	2	2	2	1	2	3	2
Current	5.24	2.68	3.76	2.52	4.38	9.65	19.81	12.35	15.74	21.77

Liquidity Ratio										
Points	4	3	3	3	4	5	5	5	5	5
Debts to Equity Ratio	165.36	165.36	165.36	165.36	165.36	165.36	260.52	237.44	167.39	157.94
Points	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total points	16.00	15.00	15.00	15.00	16.00	17.00	17.00	17.00	18.00	16.00

Source: Own Calculus

b) **Carpatica Bank Model**

The Carpatica Bank Model aims at employing companies in one of five categories based on financial performance indicators according to the table below:

Table 2: Carpatica Rating values

Specification	Minim	Maxim
Rating A:	16	20
Rating B:	12	15
Rating C:	9	11
Rating D:	6	8
Rating E:	4	5

Source: Carpatica calculus

Applying this model to the SC Hebe S. A. we get the following results:

Table 3: SC Hebe SA Carpatica Rating

Current Liquidity Ratio	5.24	2.68	3.76	2.52	4.38	9.65	19.81	12.35	15.74	21.77
Points	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Debts to Sales Ratio	3.14	5.68	4.05	9.08	5.43	3.32	6.53	3.88	3.96	4.09
Points	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Gross Profit On Sales Ratio	0.03	0.03	0.03	0.03	0.04	0.08	-0.70	0.15	0.25	0.15
Points	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Debts to Equity Ratio	3.47	8.87	6.92	14.94	8.40	3.27	1.21	3.81	3.52	2.73
Points	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Total points	16	16	16	16	16	16	16	16	16	16

Source: Own calculus

Looking at this model in society envisaged reach the following conclusions:

1. Current liquidity, we see that during the period under review it had an increasing trend, thus remaining above the permissible limit, which brings a score of 5 on all years analyzed.
2. With regard to solvency, the company recorded a maximum score over the period. This is because the solvency does not exceed 50%.
3. There is a less unfavorable situation in terms of profitability, it having a rather low level in all years analyzed, thus receiving society ot the total minimum.
4. The company has a low gearing ratio, with values ranging from 1.21% in 2010 and 14.94% in 2007. It can be seen an increase in equity, but also the total debt, but this does not lead to an increase in indebtedness. Because indebtedness is maintained at values below 60%, the company recorded the maximum score over the period.
In conclusion, according to the Carpatica Bank model, the company receives Class A rating, with a minimum score of 16 points for this category throughout the period.
However, we note that, according to this model, it appears that the company is having problems with profitability falling to a minimum throughout the period of analysis.

c) Transilvania Bank Model

This model seeks capital efficiency principle in loans. The analysis is customized on the type of loan requested and the type of business to be financed.

Table 4: The Significance of rating classes

Rating A Standard	Rating B In Observation	Rating C Substandard	Rating D Doubtful	Rating E Loss
41-50	26-40	11-25	1-10	0

Source : Transilvania calculus

Applying the model to the data of the last 10 years of SC Hebe S. A. we obtained the following results:

Table 5: SC Hebe SA Transilvania Rating

Current Liquidity Ratio	5.24	2.68	3.76	2.52	4.38	9.65	19.81	12.35	15.74	21.77
Points	5	5	5	5	5	5	5	5	5	5
Account Payable Turnover	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Points	5	5	5	5	5	5	5	5	5	5
Accounts Receivables Turnover	29.84	8.53	7.42	8.06	27.75	16.91	50.92	39.10	12.38	43.84
Points	5	5	5	5	5	5	3	4	5	4
Inventory Turnover	15.87	17.22	16.06	16.14	8.36	10.40	5.91	13.44	15.95	14.37
Points	5	5	5	5	5	5	5	5	5	5
Debts to Assets ratio	3.36	8.15	6.47	13.00	7.75	3.17	1.20	3.67	3.40	2.66
Points	5	5	5	5	5	5	5	5	5	5

Cash to Loans Ratio	1.22	1.44	2.11	1.78	2.51	6.01	14.45	8.69	14.01	17.93
Points	3	4	5	5	5	5	5	5	5	5
Loans to Turnover Ratio	11.30	20.43	14.58	32.67	19.54	11.94	23.51	13.95	14.24	14.71
Points	5	5	5	4	5	5	5	5	5	5
Return On Sales	2.72	3.01	3.17	3.43	4.20	6.32	-71.43	12.44	21.31	12.29
Points	2	2	2	2	3	3	1	5	5	5
Return On Sales from Operation	1.55	2.90	3.07	3.23	3.73	6.17	-74.54	14.74	23.70	12.01
Points	1	1	2	2	2	3	1	5	5	5
Total points	**41**	**42**	**44**	**43**	**45**	**46**	**40**	**49**	**50**	**49**

Source: Own calculus

Analyzing this model we can reach the following conclusions:
1. The current rate is at a good level throughout the period, recording values higher than 1.20, which brings maximum score. Per the period under review, current assets are greater than current liabilities, which leads to the high level of liquidity.
2. Indebtedness is low, with values ranging from 1.20 to 13.00% during the 10 years analyzed. It is noted that there is an annual increase in total assets, and a slight decrease in some years the debt. Because leverage is below the 50%, it receives a score of 5 for all years.
3. In terms of net margin, we see that it recorded an average in most years, receiving a score of 2 and 3 points. Low symbolizes that the share of net profit to turnover recorded a rather low level. In 2010 it is noted that this indicator has a negative value, this being due to the fact that this year the company recorded a loss. Only in the last three years the values are above 10%, which brings only in these three years a maximum of 5 points.
4. The company has a disadvantage in terms of run margin, which has values below 3% during 2004 and 2005, increasing to values slightly above 3% in 2006, 2007 and 2008. Although this indicator is not very high 2008 it is awarded 3 points, and drastically reduce next year, reaching a negative value as a result of registering the loss from operating activities (company receives one point for this indicator) the situation is improving in the last three years later, which is awarded a maximum score.
We see thus that, according to Transilvania Bank Model, SC Hebe S. A. fits almost all years in the category rating with a score of over 41 in 2010 to obtain a lower score only 40, because the company made a loss, so for 2010, employment will be to class B. in subsequent years, the company recorded a net profit and a higher turnover, which resulted in a favorable appreciation and net operating margin.

d) Ghe. Băileşteanu Model

This model requires several steps, by calculating the indicators to analyze the risk of bankruptcy.
The score is obtained using the following formula:

$$B = 0,444\ G1 + 0,909\ G2 + 0,0526\ G3 + 0,0333\ G4 + 1,414$$

Table 6 *:* **Ghe. Băileşteanu values**

	If:
A	B> 2: the company is in a favorable area at risk of bankruptcy unlikely
B	1,1 ≤ B ≤ 2: the company is in an intermediate zone in which the uncertainty is manifested;
C	0,5 ≤ B ≤ 1,1: the company is in a limited area with high risk of bankruptcy;
D	B < 0,5: the company is in an area of imminent bankruptcy;

Source: **Ghe. Băileşteanu calculus**

Applying this model to the SC Hebe S. A. we get the following results:

Table 7: SC Hebe SA **Ghe. Băileşteanu Rating**

G1.Current Liquidity Ratio	5.24	2.68	3.76	2.52	4.38	9.65	19.81	12.35	15.74	21.77
Variable	0.4440	0.4440	0.4440	0.4440	0.4440	0.4440	0.4440	0.4440	0.4440	0.4440
Score	2.3266	1.1899	1.6694	1.1189	1.9447	4.2846	8.7956	5.4834	6.9886	9.6659
G2.Solvency Ratio	0.00	0.00	0.00	0.00	0.00	2.11	-4.77	1957.05	0.00	0.00
Variable	0.9090	0.9090	0.9090	0.9090	0.9090	0.9090	0.9090	0.9090	0.9090	0.9090
Score	0.0000	0.0000	0.0000	0.0000	0.0000	1.9180	-4.3359	1778.9585	0.0000	0.0000
G3. Accounts Receivables Turnover	12.06	42.20	48.52	44.69	12.97	21.29	7.07	9.21	29.09	8.21
Variable	0.0526	0.0526	0.0526	0.0526	0.0526	0.0526	0.0526	0.0526	0.0526	0.0526
Score	0.6344	2.2197	2.5522	2.3507	0.6822	1.1199	0.3719	0.4844	1.5301	0.4318
G4. Return On Costs from Operation	0.02	0.03	0.03	0.03	0.04	0.07	-0.43	0.17	0.31	0.14
Variable	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333	0.0333
Score	0.0007	0.0010	0.0010	0.0010	0.0013	0.0023	-0.0143	0.0057	0.0103	0.0047
B = 0,444 G1 + 0,909 G2 + 0,0526 G3 + 0,0333 G4 – 1,414	x	x	x	x	x	x	x	x	x	x
TOTAL SCORE	1.5477	1.9966	2.8086	2.0566	1.2142	5.9108	3.4033	1783.5180	7.1150	8.6884

Source: Own calculus

According to this model, the company SC Hebe S. A. falling under categories A and B. Thus, in 2004, 2005 and 2008 the company made the score is between 1,1 and 2, which falls under Category B company, being in an intermediate position. In other years the company is classified as A, which has a good financial situation, with a risk of bankruptcy unlikely.

e) Altman Model

Probably the most well-known model of financial distress is Altman's Z-score. Altman's Z-score uses multiple ratios to generate a predictor of distress. (E.Altman,E. 1968; Begley,

J., Ming, J. and Watts, S. 1997)
Altman's Z-score uses a statistical technique (multiple discriminant analysis) to produce a predictor that is a linear function of several explanatory. This predictor classifies of predicts the likehood of bankruptcy or nonbankruptcy. Five several ratios are included in Z-score:
X_1 = Working capital/Total Assets -reflects liquidity
X_2 = Retained earnings/Total assets-reflects age of firm and cumulative profitability
X_3 = Earnings before interest and taxes/Total Assets-reflects profitability
X_4 = Shareholder's equity/Total Liabilities-reflects financial structure
X_5 = Sales/Total Assets-reflects turnover rate
The Altman Z-score is computed as:

$$Z = 1{,}2\,X1 + 1{,}4\,X2 + 3{,}3\,X3 + 0{,}6\,X4 + 0{,}999\,X5$$

A Z-score of less than 1.20 suggests a high probability of bankruptcy while Z-scores above 2.90 imply a low profitability of bankruptcy. Scores between 1.23 and 2.90 are in the gray or ambiguous area.
Applying this model the SC Hebe S. A. We get the following results:

Table 8: SC Hebe SA Altman Rating

Liquidity		0.14	0.14	0.18	0.20	0.26	0.23	0.19	0.42	0.50	0.55
Variable X1	1.200	0.17	0.17	0.22	0.24	0.31	0.28	0.23	0.50	0.60	0.66
Age of firm and cumulative profitability		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Variable X2	1.400	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profitability		0.03	0.04	0.05	0.05	0.06	0.07	0.13	0.15	0.22	0.09
Variable X3	3.300	0.10	0.13	0.17	0.17	0.20	0.23	0.43	0.50	0.73	0.30
Financial structure		28.78	11.27	14.44	6.69	5.70	12.19	4.41	16.21	15.01	13.87
Variable X4	0.600	17.27	6.76	8.66	4.01	3.42	7.31	2.65	9.73	9.01	8.32
Assets Turnover Ratio		1.07	1.44	1.60	1.43	1.43	0.95	0.18	0.95	0.86	0.65
Variable X5	0.999	1.07	1.44	1.60	1.43	1.43	0.95	0.18	0.95	0.86	0.65
Score "Z"		18.60	8.50	10.64	5.85	5.36	8.77	3.48	11.67	11.19	9.93

Source: Own Calculus

According to the Altman Model, SC Hebe S. A. is in category A rating, Z score value is greater than 2.7, the risk of bankruptcy is low-existent.

In order to establish aggregate rating model took into account three levels of rating:

- UBB Rating Model
- Banks Rating Model of Carpatica Bank and Transilvania Bank
- Scoring Rating Model based on Ghe. Băileşteanu Model and Altman Model.

Table 9: The synthesis of rating analysis at S.C. Hebe S.A. Sângeorz Băi

A. UBB RATING MODEL										
Points	12	12	12	12	12	12	12	12	12	12
UBB Rating Model	B	B	B	B	B	B	B	B	B	B
B. BANKS RATING MODEL										
Carpatica Bank Model										
Rating	A	A	A	A	A	A	A	A	A	A
Points	5	5	5	5	5	5	5	5	5	5
Transilvania Bank Model										
Rating	A	A	A	A	A	A	B	A	A	A
Points	5	5	5	5	5	5	4	5	5	5
Total Banks Points	10	10	10	10	10	10	9	10	10	10
Banks Rating Model	A	A	A	A	A	A	A	A	A	A
C. SCORING MODEL										
Ghe. Băileşteanu Model										
Rating	B	B	A	A	B	A	A	A	A	A
Points	4	4	5	5	4	5	5	5	5	5
Altman Model										
Rating	A	A	A	A	A	A	A	A	A	A
Points	5	5	5	5	5	5	5	5	5	5
Total Points SCORING	9	9	10	10	9	10	10	10	10	10
Scoring Rating Model	A	A	A	A	A	A	A	A	A	A
Qualifying Synthesis										
UBB Model Rating	B	B	B	B	B	B	B	B	B	B
Points (Percentaje 35 %)	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Banks Model Rating	A	A	A	A	A	A	A	A	A	A
Points (Percentaje 35 %)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Credit Scoring Rating Model	A	A	A	A	A	A	A	A	A	A
Points (Percentaje 30 %)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
TOTAL POINTS	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
GENERAL RATING	A	A	A	A	A	A	A	A	A	A

Source: Own calculus

■ According UBB rating model, the company is in category B rating;

■ According to the company bank model is in category A of standing, which means that presents a financial standing and a good repayment capacity. Is unlikely to occur irregularities in payments to creditors but if they occur, are minor and can be solved quickly. No records foreseeable losses and related risk exposure is low.

■ According to the two credit scoring models, the company is in category A of standing, indicating a risk of bankruptcy unlikely.

■ To establish the overall rating aggregate the categories of rating scores were weighted 35% for Aggregate Rating 35% to 30% Aggregate Banks and Credit Scoring thus the overall rating obtained by the company during the whole period is A, an overall score of 4.65 per year.

3. Conclusions

►Building a rating aggregate model is a step forward in economic research.
►The rating captures movement, the transformation that takes place in the economic system of the company.

►Multi-procedural approach and multi-criteria is in our opinion a viable solution in financial analysis of the company.

►Merging banking models, statistical and rating models constitute a solution to finding the causes that can cause loss of the business. On this basis, decisions may be made to counteract the harmful effects of negative factors.

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INFLATION ADJUSTED CHAIN LADDER METHOD

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Abstract:*Claims reserving is one of the basic actuarial tasks in the insurance industry. Based on observed claims development figures (complete or incomplete development triangles or trapezoids) actuaries have to predict the ultimate claim amount for different lines of business as well as for the whole insurance portfolio.*
In order to fulfil the commitments at any time arising from contracts insurance, insurance companies are required to establish and maintain certain technical reserve. As a result, these technical reserves have a major role in ensuring stability, the financial insurance companies being completely necessary to estimate as correctly. Also the technical background operation is an essential part of insurance companies as related funds are invested and earnings are an important source of income.
Calculation of technical provisions is achieved by actuarial methods and their overvaluation or underestimation distorts business of insurers. The overvaluation reserves leads to reduced solvency margin and the company may be unable to make to commitments at a time, and undervaluation influence and profit taxes paid may be higher.
The inflation-adjusted Chain-Ladder methodology incorporates an explicit allowance for past and future inflation. This method requires a triangle of paid claims and credible estimates of past and future inflation assumptions. Incremental payments in each calendar period are adjusted by past inflation to the same money terms. This way it assumes that the inflation-adjusted development is stable – so that the Chain-Ladder assumption can hold. Then the incremental values are restated again as a cumulative development triangle and the Chain-Ladder method is applied. Finally, as the payments will actually be paid in the future, incremental cash flows will be adjusted by the future inflation assumption to allow for this.
All the economic actors active in a market consider and analyse permanently the evolution of the business cycle by using available data in order to make rational choices in their business decision. In other words, the decision making relies in all its phases and in all circumstances on data, here including statistical data.
It is important for an insurance company that, through its programming for how they will achieve security, aware of the risks that may arise for them commensurable, ie probabilistic estimate them, so things will market the normally.
In this way, for damage or for those that are outstanding or unreported or random propose a methodology based on which one who engages in this way to know what to do.

Key words: claims reserving, chain-ladder method, damages, premium rates.

JEL Classification: G22

1. Introduction

Based on the probability theory is an attempt to investigate indeterminacy, insurance companies must calculate insurance premiums so as to cover all operating expenses and achieve anticipated profit, preserving the principle of equity and solidarity. With this in dealing with the insurance company actuary, using various actuarial statistical methods.
Actuary knowledge in finance and risk management are fully utilized in insurance. Actuaries have a decisive role in the design, pricing and product evaluation. The actuaries have a key role in decision making in the management of insurance companies and pension funds.

Knowledge conduct commercial insurance business requires measurement, structuring and aggregation phenomena and processes in insurance, taking place in the insurance market.
Depending on the subject phenomenological research, statistics as a scientific discipline and practice of social-economic tool, separate the fields in which insurance actuarial analysis plays an almost unknown, while the insurance share in the national economy maintained an upward trend.

Actuarial analysis contributes to decision making in an insurance company because they are determined based on the size and value risk (risk premium), which is considered an essential element of both life insurance and general insurance. The professionalism in determining the risk depends mostly insurer's financial result.

In business insurance plays a particularly statistical research on estimation of insurance business and prospects of achieving them. To this end, the events taking place in insurance are measured, orderly, systematic and aggregated by observation (collection), processing and analysis.

2.Claims Reserving With Inflation Adjusted Chain Ladder Method
Chain ladder reserving methods have been discussed in the actuarial literature for many years. Taylor (1986) dates the original methodology back to Harnek (1966). Taylor, describes chain ladder models for reserving as those that chain a sequence of ratios together „into a ladder of factors ... which enable one to climb from experience recorded to date to its predicted ultimate value" (Taylor,2000). Taylor provides a detailed overview of traditional chain ladder reserving methods, as does Booth, Chadburn, Cooper, Haberman, and James (Booth et al., 1999).

Current techniques can be applied to so-called run-off triangles containing either paid losses or incurred losses (for example, the sum of paid losses and case reserves). In a run-off triangle, observable variables are summarized by arrival (or origin) year and development year combination. An arrival year is the year in which the claim occurred, while the development year refers to the delay in payment relative to the arrival year (Bente&Bente, 2011).
The most popular approach is the "chain ladder" approach, largely because of its practicality. However, the use of aggregate data in combination with (stochastic variants of) the chain ladder approach (or similar techniques) gives rise to several issues.
Chain Ladder method involves taking inflation into account inflation index applied to damage from previous years and projected rate applied to estimate damages.

The basic Chain Ladder Method apply data on damages updated inflation index to estimate the damages to be paid in subsequent years, after applying the index forecasted to convert that amount into monetary values for each year. Therefore, this method differs

from the basic one by the fact that the data are expressed in terms of current, while in the method using the data base in real terms.

Damages paid for accumulating insurance company taken as an example are presented in the following table development (data are expressed in thousand euros).

Table 1: Incremental Paid Claims

Year of origin	Development period				
	0	1	2	3	4
2010	8.410,235	7.270,643	5.320,650	2.897,506	1.400,000
2011	7.320,109	4.985,105	1.109,354	640,000	
2012	7.965,205	6.805,305	3.205,000		
2013	8.210,250	4.890,000			
2014	10.578,000				

Source: Processed by authors

The annual inflation rate in the middle of each year in the period under review were:

Table 2: Annual inflation rate

Year	**Inflation**
2010	6,09 %
2011	5,79 %
2012	3,33 %
2013	3,98 %

Source: http://www.insse.ro/cms/ro/content/ipc-serii-de-date

This model requires the following steps to find the reserve for outstanding claims taking into account inflation.
The first stage inflation matrix calculated above, starting from the previous inflation.

Table 3: Inflation matrix

2010	**2011**	**2012**	**2013**	**2014**
0,0609	0,0579	0,0333	0,0398	0,00
1,0609	1,0579	1,0333	1,0398	1,00
1,2058	1,1366	1,0744	1,0398	1,00

Source: Processed by authors

The cells were calculated as follows:
1,2058 = 1,0609 x 1,0579 x 1,0333 x 1,0398
1,1366= 1,0579 x 1,0333 x 1,0398
1,0744 = 1,0333 x 1,0398
Table of development for inflation is shown below:

Table 4: Table of development

Year of origin	Development period				
	0	1	2	3	4
2010	1,2058	1,1366	1,0744	1,0398	1,00
2011	1,1366	1,0744	1,0398	1,00	
2012	1,0744	1,0398	1,00		
2013	1,0398	1,00			
2014	1,00				

Source: Processed by authors

Damage adjusted by inflation is calculated by multiplying the data cell by cell development in tables containing initial damage and inflation. Obtained new table containing the damage expressed in current prices.

Table 5: Table of development

Year of origin	Development period				
	0	1	2	3	4
2010	10.141	8.264	5.717	3.013	1.400
2011	8.320	5.356	1.154	640	
2012	8.558	7.076	3.205		
2013	8.537	4.890			
2014	10.578				

Source: Processed by authors

Further, it is applying the Basic Chain Ladder Method, with the last input data table development. This cumulative damage to yield development following table:

Table 6: Table of development

Year of origin	Development period				
	0	1	2	3	4

2010	10.141	18.405	24.122	27.135	28.535
2011	8.320	13.676	14.830	15.470	
2012	8.558	15.634	18.839		
2013	8.537	13.427			
2014	10.578				

Source: Processed by authors

We are calculating the development factors for each period:

$$r_{0,1} = \frac{18.405+13.676+15.634+13.427}{10.141+8.320+8.558+8.537} = \frac{61.142}{35.556} = 1,7195$$

$$r_{1,2} = \frac{24.122+14.830+18.839}{18.405+13.676+15.634} = \frac{57.791}{47.715} = 1,2111$$

$$r_{2,3} = \frac{27.135+15.470}{24.122+14.830} = \frac{42.605}{38.952} = 1,0937$$

$$r_{3,4} = \frac{28.535}{27.135} = 1,0515$$

We are estimating the unliquidated cumulative damage using growth factors calculated previously.

Table 7: Table of development

Year of origin	Development period				
	0	1	2	3	4
2010	10.141	18.405	24.122	27.135	28.535
2011	8.320	13.676	14.830	15.470	16.266,705
2012	8.558	15.634	18.839	20.604,2143	21.665,3313
2013	8.537	13.427	16.261,4397	17.785,1365	18.701,0711
2014	10.578	18.188,871	22.028,5416	24.092,6160	25.333,3857

Source: Processed by authors

For 2014:

C2014,1 = 10.578 x r 0,1 = 10.578 x 1,7195 = 18.188,871

C2014,2 = 10.578 x r 0,1 x r 1,2 = 10.578 x 1,7195 x 1,2111 = 22.028,5416

C2014,3 = 10.578 x r 0,1 x r 1,2 x r 2,3 = 10.578 x 1,7195 x 1,2111 x 1,0937 = 24.092,6160

C2014,4 = 10.578 x r 0,1 x r 1,2 x r 2,3 x r 3,4 = 10.578 x 1,7195 x 1,2111 x 1,0937 x 1,0515 = 25.333,3857

For 2013:

C2013,2 = 13.427 x r 1,2 = 13.427 x 1,2111 = 16.261,4397

C2013,3 = 13.427 x r 1,2 x r 2,3 = 13.427 x 1,2111 x 1,0937 = 17.785,1365

C2013,4 = 13.427 x r 1,2 x r 2,3 x r 3,4 = 13.427 x 1,2111 x 1,0937 x 1,0515 =

18.701,0711
For 2012:

C2012,3 = 18.839 x r 2,3 = 18.839 x 1,0937 = 20.604,2143

For 2011:

C2011,4 = 15.470 x r 3,4 = 15.470 x 1,0515 =16.266,705

To determine the estimated damage simple values, are subtracted from the cumulative damage the table above, column by column, and then obtain:

Table 8: Table of development

Year of origin	Development period				
	0	1	2	3	4
2010	10.141	8.264	5.717	3.013	1.400
2011	8.320	5.356	1.154	640	796,705
2012	8.558	7.076	3.205	1.765,2143	1.061,117
2013	8.537	4.890	2.834,4397	1.523,6968	915,9346
2014	10.578	7.610,871	3.839,6706	2.064,0744	1.240,7697

Source: Processed by authors

Inflation in the analysed period is between 3.33% and 6.09%, and the forecast for the period 2015-2018, in the middle of each year is shown below:

Table 9: Table of development

2014	2015	2016	2017	2018
0	0,03	0,04	0,05	0,05
1	1,03	1,04	1,05	1,05
1	1,030	1,0712	1,1247	1,1809

Source: Processed by authors

The data in this table were obtained as follows:

1.0712= 1.03 x 1.04
1.1247 = 1.03 x 1.04 x 1.05
1.1809 = 1.03 x 1.04 x 1.05 x 1.05

Table of development for future inflation builds on data:

Table 10: Table of development

Year of origin	Development period				
	0	1	2	3	4
2010					1,00
2011				1,00	1,030
2012			1,00	1,030	1,0712
2013		1,00	1,030	1,0712	1,1247
2014	1,00	1,030	1,0712	1,1247	1,1809

Source: Processed by authors

We are adjust the accumulating damage to future inflation by multiplying the data cell by cell, development of tables for future inflation and expected damage in simple values:

Table 11: Table of development

Year of origin	Development period				
	0	1	2	3	4
2010	10.141	8.264	5.717	3.013	1.400
2011	8.320	5.356	1.154	640	820,6061
2012	8.558	7.076	3.205	1.818,1707	1.136,6685
2013	8.537	4.890	2.919,4728	1.632,1840	1.030,1516
2014	10.578	7.839,1971	4.113,0551	2.321,4644	1.465,2249

Source: Processed by author

Based on the table above is determined by summing the cumulative damage data column by column.

Table 12: Table of development

Year of origin	Development period				
	0	1	2	3	4
2010	10.141	18.405	24.122	27.135	28.535
2011	8.320	13.676	14.830	15.470	16.290,6061
2012	8.558	15.634	18.839	20.657,1707	21.793,8392
2013	8.537	13.427	16.346,4728	17.978,6568	19.008,8084

2014	10.578	18.417,1971	22.530,2522	24.851,7166	26.316,9415

Source: Processed by authors

The reserve for unliquidated claims at 31.12.2014 is:
RDN = (26.316,9415 - 10.578) + (19.008,8084 - 13.427) + (21.793,8392 - 18.839) +(16.290,6061 - 15.470) = 25.096,1952
RDN = 25.096,1952

The unliquidated damage estimated to pay during the period 2015-2018 can be calculated from the penultimate development table:

2015 = 13.397,4467
2016 = 6.881,9076
2017 = 3.351,616
2018 = 1.465,2249

Adding outstanding damage during 2015-2018, we obtain reserve for outstanding claims NDR = 25096.1952. This value is reflected in the balance sheet of the company.

3. Conclusions

Actuarial analysis contributes to decision making in an insurance company because they are determined based on the size and value risk (risk premium), which is considered an essential element of both life insurance and general insurance. The professionalism in determining the risk depends mostly insurer's financial result.
In business insurance plays a particularly statistical research on estimation of insurance business and prospects of achieving them. To this end, the events taking place in insurance are measured, orderly, systematic and aggregated by observation (collection), processing and analysis.
Risk estimation and obligations of the insurer on the basis of inadequate or inaccurate data is an extremely dangerous situation. Therefore, the insurer is extremely important to establish the best possible observation and use of data.
Data processing by determining risk and compliance, with a special role to characterize the state insurance business and to assess economic performance must be based on a proper filing system correspondingly able to provide reliable data on the one hand and, on the other hand, to be based on a concept and methodology to enable the ordering, structuring and aggregation of data by scientific principles.
Therefore, observation, collection and recording of information are key elements in the business insurance actuarial estimates. Background premium rates and reserves is an important activity for insurance companies. If insurers do not establish premium rates that accurately reflect the size of the risk they may incur losses due to financial imbalance created between raw or damages due to adverse selection.
I also believe that insurance companies who do not substantiate scientifically premium rates and adapts them those of other insurers in the market are made in the face of danger have a small volume of insurance premiums too high or because a large resulting in loss insurance since premiums are too small.
Technical substantiation must be based on specific methods because of the possibility that insurers use two different calculation techniques for similar obligations and get completely different results thus disturbing profitability and financial strength.
Sometimes true values of the records though not real financial picture illustrates the insurer reserves the right to not substantiate the due.
The Chain Ladder method predicts the right total reserve if the payment is multiplicative in

the occurrence year dimension. It predicts the right reserve of known claims if the payment is multiplicative in the “run-off after reporting” time dimension. Therefore it is a matter of structure or symmetry of the claim payments if the Chain Ladder method is an appropriate estimation method for the reserves or not. These arguments concerning the structure of the claim payments are of course also valid for the claim numbers. Therefore Chain Ladder estimates of claim numbers are biased, if the data structure does not have the right form. This is of importance because in practice Chain Ladder estimates of the ultimate claim numbers are sometimes used for IBNR calculation

It is noted that if the analysed company reserves were based rigorously taking into account inflation. Setting up a reserve for damage inadequate outstanding imbalances could lead to the insurer by distributing dividends unfounded because it influences the size of the profit, and your company to make losses in reality. However, the insurer may seem creditworthy, but solvency is also based on improper establishment of reserves for outstanding damage.

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CONSIDERATIONS REGARDING VALUATION OF PRIVATE PROPERTIES USING THE AUTOMATED VALUATION MODELS BASED ON GIS

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Abstract: *The current paper deals with an issue of extreme novelty for the property assessment market from Romania: usage of automated valuation models in order to obtain the market value of real estate properties located in Romania. ANEVAR – Asociatia Nationala a Evaluatorilor din Romania in order to fasten the re-assessment of the guarantess owned by the Romanian banks introduces the Methodological Guide - GME 520 and its annexes opening for the first time the discussions about the opportunity of using mass property appraisal procedures and automatic valuation models for properties situated in Romania. The first chapter of the paper deals with the main instrument in mass property appraisal is considered to be the Automatic Valuation Model (AVM). The AVM is using different statistical and mathematical models: regression, neural networks, fuzzy, adaptive estimation in order to estimate the value of a singular property of the value of a set of properties with common characteristics. The annex 2 of GME 520 edited by ANEVAR(2014) considers that the creation of a Automatic Valuation Model (AVM) should be a solution for revaluation of the real estate's collateral portfolios held by banks. In the literature, there are a lot of different types of Automatic Valuation Model (AVM) based on statistical analyses. However the AVM cannot use the spatial and locational component of the real estate. Since the specialists suggest Geographical Information Systems can be used to improve the accuracy of the Automated Valuation Model (AVM) the second chapter of the paper constructs several elements of a GIS based Computer Assisted Mass Appraisal based on public information from the city of Oradea and tests them in order to obtain the best usage, comparative elements and correction prices for a property situated within the city. At the end of the article and assessment will be made regarding the usage of GIS based CAMA in Romania.*

Keywords: property valuation, ANEVAR, Automated Valuation Model(AVM), Computer assisted mass appraisal (CAMA), GIS

JEL classification: G32, G30, C31, C15, C63

1. Introduction

As Royal Institution of Chartered Surveyors - RICS (2015) considers valuation of property "as both an art and a science: an art, because of the need to make value judgments concerning the intangible features that attract certain buyers; and a science, because it is possible to establish trends and analyze how these are interpreted by buyers and sellers, including the value placed on particular property characteristics". Under these

circumstances usage of computer models to assist in the science of valuation is considered to be extremely important since the volume of data collected increased significantly in the last years and delivering to the assessors' excellent decisional instrument.
The valuation of properties in Romania has known a significant increase in importance in the last years. ANEVAR, the main body which regulates the valuation activity has done an increasing effort to bring the Romanian standards as close to international standards as possible. One of these efforts has been realized towards introducing mass property appraisal as a technique of valuation. The Methodological Guide - *GME 520 – Valuation for ensuring guarantees for the loans* is mentioning the fact that global assessment of properties can be realized only for properties which can be organized as statistical populations (ANEVAR, 2014).

These types of properties are considered to be:

- real estate such as: apartments, residential land, individual housing units;
- mobile goods such as: vehicles, trains, technological equipment;
- other types of goods which can be classified and organized as statistical populations.

Mass appraisal of the real estate properties is also an important discussion at the level of the major valuation associations such as: International Association of Assessing Officers(IAAO) which issued Standards on Mass Appraisal of Real Property in 2013. These standards consider that "market value for assessment purposes is generally determined through the application of mass appraisal techniques". IAAO(2013) defines the mass appraisal process as a valuation of "a group of properties as of a given date and using common data, standardized methods, and statistical testing". In order to determine a parcel's value, the assessor must rely "upon valuation equations, tables, and schedules developed through mathematical analysis of market data"(IAAO, 2013). The values for individual parcels should not be based only on the sale price of a property; these standards suggest that valuation models should be applied to property data with the condition to be correct, complete, and up-to-date.
The main instrument in mass property appraisal is considered to be the Automatic Valuation Model (AVM). The Automated Valuation Model was defined by RICS(2015) as an instrument which uses "one or more mathematical techniques to provide an estimate of value of a specified property at a specified date, accompanied by a measure of confidence in the accuracy of the result, without human intervention post-initiation".
The AVM is using different statistical and mathematical models: regression, neural networks, fuzzy, adaptive estimation in order to estimate the value of a singular property of the value of a set of properties with common characteristics.
The annex 2 of GME 520 edited by ANEVAR(2014) considers that the creation of a Automatic Valuation Model (AVM) should be a solution for revaluation of the real estate's collateral portfolios held by banks. In the literature, there are a lot of different types of Automatic Valuation Model (AVM) based on statistical analyses.
The AVM is applicable only in evaluation of the real estate in an active market with sufficient amounts of trading in order to use comparative methods.
A Computer-Assisted Mass Appraisal (CAMA) system is an automated system for maintaining property data, valuing property in order to ensure tax equity and uniform valuations. The Computer Assisted Mass Appraisal was very popular for tax purposes, and many municipal tax assessors have been using CAMA since 1980's.
Using CAMA the mass appraisal analysis must beg with the assignment of properties to use classes based on highest and best use, which normally equates to current use(IAAO, 2013). Zoning and other land use controls normally dictate highest and best use of vacant

land. In the absence of such restrictions, the assessor must determine the highest and best use of the land by analyzing the four components—legally permissible, physically possible, appropriately supported, and financially feasible— thereby resulting in the highest value (IAAO, 2013).
However the AVM or CAMA cannot use the spatial and locational component of the real estate. AVM and CAMA are trying to model the sale value of the properties. As the specialists suggest Geographical Information Systems can be used to improve the accuracy of the Automated Valuation Models (AVM).
The integration of spatial technology into traditional Automatic Valuation Model allows users to combine the locational effect on the value of the property with the statistical evaluation methods.
There are two basic types of econometric valuation used to estimate the price of a property: hedonic models and repeat sales models. Repeat sales model is based on the historical database of previous same property or similar properties over time. In Romania we do not have such a database therefore this model cannot be used.
On the other hand the hedonic pricing model calculates the value of a real estate property by decomposing into characteristics like number of bedrooms, number of stories; size of lot and summing the estimated the price per characteristics. These method was easily automatized but in this case two similar real estate properties with similar characteristics: distance to the centre, size of lot, building material, number of bedrooms, similar surface have closer value(Sibel 2008, Watcher 2005, Lisi 2013). Based on the hedonic model two similar properties situated at the same distance from the centre but one in a very good neighbourhood and the other in a zone with high criminality should have similar value. The hedonic model should be corrected by incorporating specific geospatial information. Therefore, introduction of GIS technology into statistical real estate assessment models has been considered to be highly efficient..

2. Case study – construction of a GIS based CAMA for the properties located in Oradea, Romania

The geographical informational system is used to improve the efficiency of the real estate statistical valuation models in different ways. Cadastral maps as part of GIS are very useful in correcting the hedonic models or in Computer assisted Mass Appraisal. A GIS permits graphic display of location, neighborhoods, land usage, utilities, risk zones, dynamic of the area and market trends. In a GIS based CAMA information like inspection dates, assessed values, sale price can be geocoded and displayed graphically. Such a map can show the difference between the assessed value and final sale price in order to identify potential area with big difference between valuation and final price. In addition, a GIS permits high-level analysis of nearby sales, neighborhoods, and market trends. These types of thematic map are crucial to improve the model.

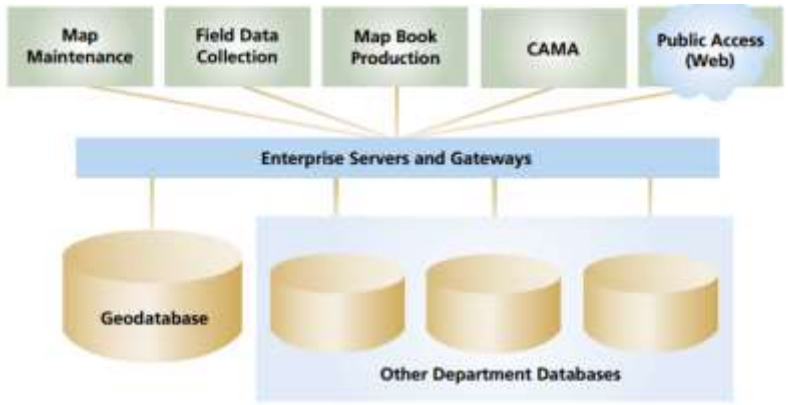


Figure 1 - Sistem Arhitecture for Gis based CAMA (source ESRI, 2008)

Integrating GIS and CAMA allows to create and maintain more accurate and complex database useful not only for valuation purpose but for a fair tax valuation. In this case, GIS provides a single geodatabase functioning as a repository of parcel geometry, descriptive data and mass appraisal input(ESRI, 2008).

The data collection for analysis supposes several steps: a physical inspection is the best way to obtain initial property characteristics data and, at a minimum, should include a comprehensive exterior inspection. However, there are several other data collection options(IAAO, 2014):

1. Use of previously captured data (data conversion)
2. Field canvasses
3. Targeted inspections (properties with building permits, sold properties, properties under appeal)
4. Imagery (e.g., aerial, oblique, and street level photography)
5. Returns submitted by property owners or taxpayers.

Physical inspection should be performed either by valuers or by trained data collectors. Depending on the data required, an interior inspection might be necessary. In some cases owner-provided property information can be used.

After the initial data collection a CAMA can be established and operated. The main criteria (RICS, 2015 and IAAO, 2013) which should be used for modeling selection are considered to be the following:

- Property Type
- Living area(number of rooms, bedrooms, bathrooms)
- Architectural style
- Construction quality or key components thereof (foundation, exterior wall type, and the like)
- Effective age or condition
- Building design or style
- Secondary areas including basements, garages, covered porches, and balconies
- Building features such as bathrooms and central air-conditioning
- Public parking
- Significant detached structures including guest houses, boat houses, and barns
- Lot size
- Available utilities (sewer, water, electricity)
- Location (e.g. geographic co-ordinates or allocation of a ‘locality’ identifier)
- Market area

- Submarket area or neighborhood
- Site amenities, especially view and golf course or water frontage
- External nuisances, (e.g., heavy traffic, airport noise, or proximity to commercial uses).

Since all these elements are included in a Geographic Information System based on CAMA, in the next part of the article, we will present the influence of each of the indicators over the value of commercial properties: buildings or land within the city of Oradea, Romania. First we will present the initiation phase: the raster containing the 3D model of the city.



Figure 2 – 3D Model of Oradea city
Source: Generated by the author

The 3D model allows a more suggestive analysis over the aspect of the area and it highlights the slopes, the landscape and the sunlight with direct influences over the property value.

The second step constitutes to introduce in the CAMA information regarding zoning, neighbourhood information, access to public transportation, leisure areas which have a direct influence over the price of a particular property. As can be seen the property selected for valuation is marked with green and it is compared with all other similar properties. In this stage is analysed also the functionality of the property compared to best possible usage. Also information regarding number of rooms, bathrooms, etc. is provided



Figure 3- CAMA Generation - Visualization of cadastral information regarding a specific property situated in the city of Oradea
Source: Generated by the author

The third step of the analysis is to introduce information regarding the building itself: Construction quality and effective age or condition which are analyzed.



Figure 4- *CAMA Generation* - Visualization of the construction quality and effective age
Source: Generated by the author

An important factor in assessing the value of a property is given by the impact of the environmental hazards such as floods areas or possible land sliding areas.



Figure 5 CAMA Generation – Impact over property valuation of the flood and land sliding areas in Oradea
Source: Generated by the author

Other important factor in CAMA are for Oradea are considered to be access to central heating network(red color), gas network(light red color) and thermal water networks(yellow color). For certain properties presence of these public infrastructure elements are essential to the final price of property.

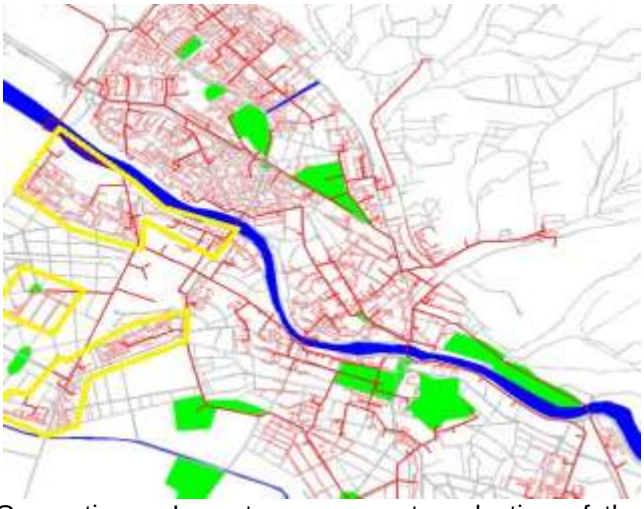


Figure 6 CAMA Generation – Impact over property valuation of the central, gas and thermal heating
Source: Generated by the author

As can be seen, in the generation above a CAMA system based on GIS can assess similar properties in a faster way. These assessments can allow fast and accurate usage of the data in order to reassess properties in a large scale. However a hybrid GIS – CAMA system should be used in order to allow to the valuer to correct discrepancies of the AVM. It cannot be denied that a prime influence over its value can be directly considered to be the function of the building: residential, industrial or commercial and its compliance with the zoning of the city.

3. Conclusions

ANEVAR – Asociatia Nationala a Evaluatorilor din Romania in order to fasten the re-assessment of the guarantess owned by the Romanian banks introduces the Methodological Guide - GME 520 and its annexes opening for the first time the discussions about the opportunity of using mass appraisal procedures and automatic valuation models for properties situated in Romania.

The main instrument in mass property appraisal is considered to be the Automatic Valuation Model (AVM). The Automated Valuation Model was defined by RICS(2015) as an instrument which uses "one or more mathematical techniques to provide an estimate of value of a specified property at a specified date, accompanied by a measure of confidence in the accuracy of the result, without human intervention post-initiation".

The AVM is using different statistical and mathematical models: regression, neural networks, fuzzy, adaptive estimation in order to estimate the value of a singular property of the value of a set of properties with common characteristics.

The annex 2 of GME 520 edited by ANEVAR(2014) considers that the creation of a Automatic Valuation Model (AVM) should be a solution for revaluation of the real estate's collateral portfolios held by banks. A Computer-Assisted Mass Appraisal (CAMA) system is an automated system for maintaining property data, valuing property in order to ensure tax equity and uniform valuations. However the AVM or CAMA cannot use the spatial and locational component of the real estate. However Geographical Information Systems can be used to improve the accuracy of the Automated Valuation Model (AVM).

A GIS system permits graphic display of location, neighborhoods, land usage, utilities, risk zones, dynamic of the area and market trends. In a GIS based CAMA information like inspection dates, assessed values, sale price can be geocoded and displayed graphically.

The main conclusion of the paper is that: a CAMA system based on GIS can assess similar properties in a faster way. These assessments can allow fast and accurate usage of the data in order to reassess properties in a large scale. However a hybrid GIS – CAMA system should be used in order to allow to the assessor to correct discrepancies of the AVM. It cannot be denied that a prime influence over its value can be directly considered to be the function of the building: residential, industrial or commercial and its compliance with the zoning of the city. However a careful analysis should be realized periodically over the correction of the data composing the CAMA, since the market, urban, social and the environmental conditions can change significantly over time.

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ANALYSIS OF RELATIONSHIP BETWEEN RISK AND FINANCIAL RATIOS IN CASE OF ROMANIAN SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract: *According to imperfect market principle, in small and medium sized enterprises' business activity, the phenomenon of risk is always present. As a consequence of last great recession, the importance of risk management has accented. Enterprises and financial institutions handle more carefully their finances and pay more attention to their partners. The aim of present research consists in examination of relationship between risk and financial ratios. In this paper, we considered that the risk could be divided into operating risk, which is calculated by using Degree of Operating Leverage (DOL) and financial risk, expressed by Degree of Financial Leverage (DFL). The reason why we chose Romanian small and medium-sized enterprises is they are important on aspect of GDP stimulation and jobs creation. The data used for present analysis is ensured by simplified financial reports of 204 small and medium-sized enterprises registered in Bihor County between 2009 and 2012. The selected enterprises are operating in manufacturing (22,55%) and trading (77,45%) industry. The used financial ratios could be listed in four categories: liquidity, financial leverage, profitability and turnover. The used statistical methods for illustration of relationship between risk and financial ratios are: correlation analysis, multivariate linear regression, and stepwise linear regression. In case of correlation analysis, we could observed a weak relationship between these two types of leverage and financial ratios, both for manufacturing and trading firms. The result of applying multivariate regression model shows in case of manufacturing sme's greater relation between operating risk and current, quick liquidity, receivables turnover, return on sales (ROS) and return on assets (ROA). Degree of financial leverage (DFL) could be well explained by receivables turnover, as an independent variable. In case of trading firms, operating risk is related with current and cash liquidity, receivables turnover, return on sales (ROS). Degree of financial leverage could be characterized by total debt ratio. We could find similar results with few exceptions if the stepwise regression analysis is applied. The difference between last two methods consists in levels of significance of the explanatory variables, which are more favorable in the case of last method. Overall, we could state, from the investigated three methods, the stepwise regression analysis is the most appropriate for examination of relationship between operating, financial risk and above mentioned 12 financial ratios.*

Keywords: risk, degree of operating leverage (DOL), degree of financial leverage (DFL), financial ratios, correlation, multivariate linear stepwise regression,

JEL classification: G3, G30, G32, G33

1. Introduction

As a consequence of the great recession of last years, the operational and financial risk increased significantly in case of corporate' an financial institutions' sectors. As an answer to this, both financial institutions and private companies try to handle it their finances more carefully and pay more attention for those external resources. Taking into account this aspects, the risk management, proven one of the most valuable and useful pillars of the

corporate decision-making. Therefore, the article aims to examine the corporate' operating and financial risk, and as well theirs managing possibilities by financial ratios based on the annual financial reports.

2. Review of literature

In many international articles, we can read about the relationship between risk and financial indicators. According to Huldah (1996), there are more financial ratios which explain well the risk; some of these are liquidity and leverage ratios. The size of assets and their growth trend also affect the corporate risk (Ohlson, 1980).

Proper values and stable trend of financial indicators reflect a less risky activity. According to Bajkowski (1990), the high level of quick liquidity ratio indicates a lower level of financial risk. Those companies which are less liquid and profitable are able to manage more actively their risks (Rochet and Villeneuve, 2010).

In domestic and foreign literature two components of corporate risk are mentioned, financial and operating or business risk. Appointing of risk components is not randomly, the corporate risk is influenced by the way of company functioning, cost policy and external sources funding types and conditions. Company specific risk also could be included in operating, or business risk. In corporate finance, the leverage effect appears in results, so the operating and financial leverage ratios are often used for risk quantification. These leverage indicators are sensitivity and elasticity indices and their calculation are based on historical data. Although, these are declared traditional risk quantification methods, could be considered reliable risk measurement methods in comparison with modern risk quantification methods. The degree of operating leverage (DOL) shows the effect of turnover changes compared with operational results changes. This indicator shows that the 1% sales rise how many percentage of change produces in operational results.

However, the degree of operating leverage (DOL) could be considered the function of fixed costs of company (Ross et.al, 2007). It is also well-known the break-even point based calculation of this indicator. According to Illés (2007), more noticeable correlation could be found between break-even point and degree of operational leverage (DOL).

The degree of financial leverage (DFL) shows how many percentage change of net result is caused by operational result change. The degree of financial leverage (DFL) is greatly affected by the external capital costs.

In the investigation of relationship between risk and financial ratios we used ratios which could be listed in four categories: liquidity, financial leverage, turnover and profitability. The mentioned financial ratios are presented is the following table.

Table 1. List of financial ratios used in present analysis

Ratio category	Ratio
Liquidity	Current liquidity
	Quick liquidity
	Cash liquidity
Financial leverage	Total debt
	Debt/Equity
	Equity multiplier
Turnover	Inventory turnover
	Receivables turnover
	Payables turnover
Profitability	Return on Sales (ROS)

Ratio category	Ratio
	Return on Assets (ROA)
	Return on Equity (ROE)

3. Research methodology

The aim of article is studying the relationship between corporate risk and financial ratios. In present research we studied two basic types of risk, the operational and financial risk. We analyzed the relationship between operational and financial risk and financial ratios by using of simplified financial reports of 204 small and medium-sized enterprises' registered in Bihor County. The companies included in present research are operating in various sectors of Romanian economy, 46 of them in manufacturing (22.55%) and 158 in trading (77.45%). The financial annual reports of studied companies were collected for four years between 2009 and 2012. The main reason why we chose Romanian small and medium-sized enterprises is the fact that they are important on aspect of GDP stimulation and for jobs creation, cause 90% of Romanian active population work in small and medium-sized enterprises. The analysis of small and medium-sized enterprises it is also important because 97% of OECD member countries' companies are small and medium-sized enterprises. Due to their specific characteristics, small and medium-sized enterprises are more sensitive and vulnerable to the changes of economic environment, so their restructuring or transformation is much more difficult. In the analysis of relationship between risk and financial ratios we explored three statistical methods. Firstly, we used the correlation analysis, where the Pearson's correlation coefficient was determined. Furthermore, the multivariate linear regression were applied to determine the relationship between operational and financial risk, as dependent variable and 12 above mentioned financial ratios, as explanatory, independent variables.

The regression models of degree of operating leverage (DOL) and degree of financial leverage (DFL) the 12 financial ratios are presented below:

$$DOL = X_0 + X_1*\text{Current liquidity}_i + X_2*\text{Quick liquidity}_i + X_3*\text{Cash liquidity}_i + X_4*\text{Total debt}_i + X_5*\text{Debt/Equity}_i + X_6*\text{Equity multiplier}_i + X_7*\text{Inventories turnover}_i + X_8*\text{Receivables turnover}_i + X_9*\text{Payables turnover}_i + X_{10}*\text{Return on Sales (ROS)}_i + X_{11}*\text{Return of assets (ROA)}_i + X_{12}*\text{Return on Equity (ROE)}_i$$

$$DOL = X_0 + X_1*\text{Current liquidity}_i + X_2*\text{Quick liquidity}_i + X_3*\text{Cash liquidity}_i + X_4*\text{Total debt}_i + X_5*\text{Debt/Equity}_i + X_6*\text{Equity multiplier}_i + X_7*\text{Inventories turnover}_i + X_8*\text{Receivables turnover}_i + X_9*\text{Payables turnover}_i + X_{10}*\text{Return on Sales (ROS)}_i + X_{11}*\text{Return of assets (ROA)}_i + X_{12}*\text{Return on Equity (ROE)}_i$$

After the estimation of parameters of multivariate linear regression model, we used the coefficient of determination and correlation for estimation of relationship between operational and financial risk and financial ratios. We also appreciate the validity of models by using variance analysis, the F-test value. After that we apply the stepwise regression analysis in "backward" direction that helps to determine those independent variables, which explain in better way both of investigated corporate risk indicators. The "backward" method differs from the "forward" method, because this withdraws those variables, which have the smallest effect on the dependent variable (Fenyves, 2014). The essence of stepwise regression is to determine those independent variables, which are most closely related with dependent variable. The scope of this method consists in determination of the simplest and most appropriate model that could be used for dependent variable prediction (Garcia and Filzmoser, 2015). At the application of stepwise regression analysis, the independent variables were determined by taking into account the Akaike Information Criterion (AIC). During the execution the stepwise method, this method tries to reduce the

achieved AIC value by the original model (Rawlings et. al., 1998). The great part of calculation was performed in R statistics program system. In the program are available all the packages (modules) required for present research. Several modules were used for current calculations: cor() module for correlation analysis, lm() function for regression analysis, which was completed by step() command for performing the stepwise regression analysis.

4. Results of research

As we mentioned above, in the analysis of relationship between operating and financial risk and financial ratios, first we used correlation analysis. The calculations were carried out both for manufacturing and trading firms separately. The results are presented in the following table.

Table 2. Correlation analysis for **manufacturing** and **trading** firms (2009-2012)
Source: Own calculation

	Manufacturing firms		**Trading firms**	
	DOL	**DFL**	**DOL**	**DFL**
Current liquidity	-0.0605	-0.1318	0.0000	0.0360
Quick liquidity	0.0250	-0.1588	0.0304	0.0222
Cash liquidity	0.0754	-0.0911	0.0484	0.0496
Total debt	-0.1638	0.1456	-0.1115	-0.1578
Debt/Equity	0.0459	-0.1843	-0.0022	-0.0910
Equity multiplier	0.0446	-0.1819	-0.0009	-0.0928
Inventory turnover	0.0064	-0.1199	-0.0078	-0.0253
Receivables turnover	-0.0031	-0.2231	-0.0495	-0.0025
Payables turnover	0.0482	-0.0662	-0.0269	0.0054
Return on Sales (ROS)	0.1089	-0.0486	0.1508	0.0355
Return on Assets (ROA)	0.3227	0.0325	0.0394	0.0553
Return on Equity (ROE)	-0.0687	-0.0181	-0.0001	-0.0351

As we can see from the table, the results of the correlation analysis show a relatively weak, low correlation between degree of operating leverage (DOL), degree of financial leverage (DFL) and 12 financial ratios. In case of manufacturing firms, we can see a low-intensity connection between degree of operating leverage (DOL) and total debt ratio, return on sales (ROS) and return on assets (ROA). In case of degree financial leverage (DFL) there can be see a low relationship between first two liquidity ratios, total debt ratio, and receivables turnover ratio. At trading small and medium-sized enterprises, the degree of operating leverage (DOL) is in indirect relationship between total debt ratio and in direct relationship with return on sales (ROS). At the degree of financial leverage (DFL) we detected only a weak, indirect correlation with total debt ratio. As a result of this analysis, we can see that correlation analysis is not the best method for determination of the relationship between risk indicators and financial ratios. In the next step, we used multivariate regression analysis both for two risk indicators for manufacturing and trading firms. The following table presents the degree of operating (DOL) and financial leverage (DFL) multivariate regression functions' coefficients and their significance levels for manufacturing companies.

Table 3. Estimation the parameters of DOL and DFL multivariate linear regression function in case of **manufacturing** firms

	DOL		DFL	
Statistical attributes	**Estimation**	**Pr(>|t|)**	**Estimation**	**Pr(>|t|)**
Intercept	1057.357	0.40437	-25.81057	0.634
Current liquidity	-847.323	0.01640	-2.26289	0.876
Quick liquidity	958.554	0.05926	-3.95427	0.852
Cash liquidity	-68.271	0.89256	7.02922	0.746
Total debt	-696.631	0.38334	39.22627	0.255
Debt/Equity	309.324	0.61996	-14.55807	0.587
Equity multiplier	-325.404	0.60292	14.09962	0.600
Inventory turnover	-5.780	0.40840	-0.04188	0.888
Receivables turnover	16.789	0.03594	-0.45820	0.174
Payables turnover	-11.419	0.82420	1.38349	0.532
Return on Sales (ROS)	-4068.430	0.07118	56.56759	0.550
Return on Assets (ROA)	5569.755	0.00261	-9.20593	0.901
Return on Equity (ROE)	-238.418	0.38019	0.14806	0.990
Standard error of regression	688.4		29.56	
Determination coefficient (R^2)	0.3595		0.1653	
Correlation coefficient (R)	0.5995		0.466	
Variance analysis F-value test	1.544	0.158	0.5448	0.8689

Source: Own calculation

According to significance levels of regression coefficient, the degree of operating leverage (DOL) dependent variable is explained by the evolution of 5 indicators from 12. This affirmation is not true in case of degree of financial leverage (DFL), where only one indicator explained the dependent variable evolution. For manufacturing companies, degree of operating leverage (DOL) could be significantly explained by return on assets (ROA), receivables turnover, current and quick liquidity ratios and return on sales (ROS). At the degree of financial leverage (DFL) dependent variable we could see that regression coefficient significance levels take higher values, which isn't favorable. We could observe the lowest value at the receivables turnover independent variable, what means that this ratios is well related with degree of financial leverage (DFL). Table 3. shows the coefficient of determination (R^2) for each functions, that is 0.3595 for degree of operating leverage (DOL) and 0.1653 for degree of financial leverage (DFL). This means that in case of degree of operating leverage (DOL), the dependent variable variance could be explained by independent variable in proportion of 35.95%, while in the case of degree of financial leverage (DFL), this is only 16.53%. We could also see in table 3. the results of coefficient of correlation (R), which is 0.5995 in case of degree of operating leverage (DOL) and 0.466 in case of degree of financial degree (DFL), so in operational risk case we could see a medium-strong relationship and a medium-weak correlation in financial risk case.

Table 4. Estimation the parameters of DOL and DFL multivariate linear regression functions in case of **trading** firms

	DOL		DFL	
Statistical attributes	**Estimation**	**Pr(>|t|)**	**Estimation**	**Pr(>|t|)**
Intercept	7.680e+01	0.2218	1.218e+01	0.0291
Current liquidity	-7.290e+00	0.0973	9.076e-02	0.8143

Quick liquidity	-4.682e+00	0.6228	-8.267e-01	0.3258
Cash liquidity	3.871e+01	0.0753	1.547e+00	0.4188
Total debt	-8.678e+01	0.2791	-1.276e+01	0.0724
Debt/Equity	-5.639e+00	0.5939	1.168e+00	0.2119
Equity multiplier	5.860e+00	0.5897	-1.253e+00	0.1925
Inventory turnover	-9.526e-04	0.9147	-3.228e-04	0.6811
Receivables turnover	-2.240e-03	0.6875	9.180e-05	0.8519
Payables turnover	-7.159e-01	0.5376	-1.038e-01	0.3117
Return on Sales (ROS)	6.514e+02	0.0953	-1.373e+01	0.6891
Return on Assets (ROA)	-2.454e+02	0.2488	7.719e+00	0.6806
Return on Equity (ROE)	8.501e-01	0.9441	-1.693e+00	0.1150
Standard error of regression	124.1		10.96	
Determination coefficient (R^2)	0.06219		0.06466	
Correlation coefficient (R)	0.2494		0.2542	
Variance analysis F-value test	0.8013	0.6487	0.8353	0.6141

Source: Own calculation

At the trading firms, the evolution of degree of operating leverage (DOL) variable is explained by three financial ratios from liquidity and profitability ratios groups. In this case, the dependent variable is defined by current and cash liquidity, return on sales (ROS). In the case of degree of financial leverage (DFL) variable only one independent variable effect could be considered significantly, namely total debt ratio that is indirectly related with dependent variable. The coefficient of determination (R^2) related to operating (6.219%) and financial (6.466%) degree of leverage functions, are in both of cases lower than at manufacturing firms. This also means that the variance of dependent variable couldn't be explained with variance of independent variables' variance. The coefficients of correlation are also lower, 24.94% for operational risk and 25.42% for financial risk, so this shows a low-intensity relationship between risk and financial ratios.

After the examination of risk models for both two sectors' companies, we could state, that the multivariate regression analysis, as risk management and anticipation method, could be considered much more effective in case of manufacturing firms. In order of more accurately estimation of regression model's parameters, we used the "backward" version of stepwise analysis. The method starts from the first multivariate regression model and eliminates step by step those independent variables, which are not related with dependent variable.

Table 5. The results of multivariate linear stepwise regression in case of **manufacturing and trading** firms

	Manufacturing firms		**Trading firms**	
	DOL	**DFL**	**DOL**	**DFL**
Intercept	-77.185 (0%)	25.834 (1%)	12.900	8.366 (1%)
Current liquidity	-712.306(0.1%)		-7.118 (5%)	
Quick liquidity	831.687 (1%)	-9.8320		
Cash liquidity			29.506 (5%)	
Total debt				-11.219 (1%)
Debt/Equity				
Equity multiplier				
Inventory turnover				
Receivables turnover	10.827(1%)	-0.3670 (5%)		
Payables turnover				

	Manufacturing firms		Trading firms	
	DOL	**DFL**	**DOL**	**DFL**
Return on Sales (ROS)	-3324.717 (5%)		751.252 (1%)	
Return on Assets (ROA)	5417.965 (0%)		-225.185	
Return on Equity (ROE)				
Correlation coefficient (R)	0.5544	0.3259	0.2165	0.1578
Variance analysis F-value test	3.551	2.556	1.882	3.985

Source: Own calculation

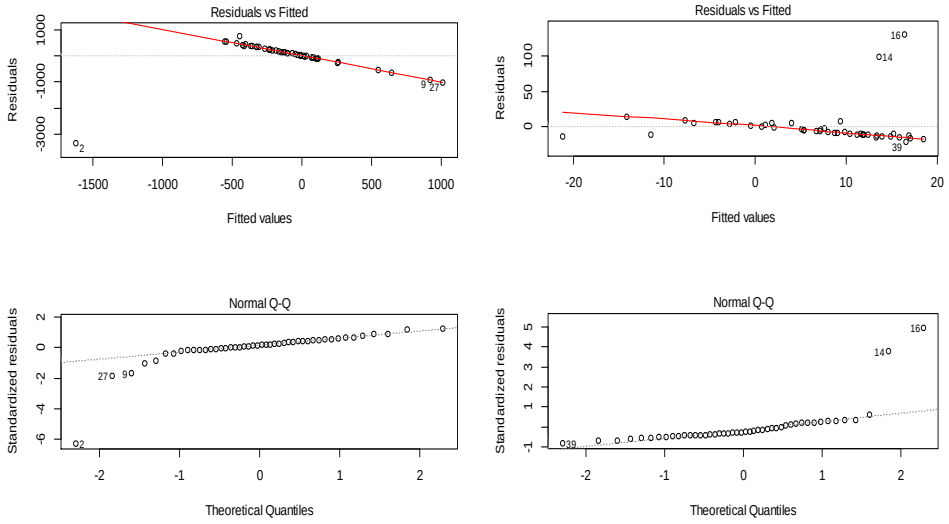
By applying of stepwise regression analysis, we could see that degree of operating leverage (DOL) of manufacturing firms is well explained by current and quick liquidity, receivables turnover, return on sales (ROS) and return on assets (ROA). We could observed, that the group of independent variables are the same with that resulted after applying multivariate regression analysis, but the great difference consists in fact that significance level linked to regression coefficients' are better in the last case. At degree of financial leverage (DFL) only one indicator could be identified as explanatory variable, receivables turnover.

In case of trading small and medium-sized enterprises, the operating risk is mainly determined by the following ratios: current and quick liquidity, return on sales (ROS) and return on assets (ROA). In comparison with regression analysis, here is present the slight influence of return on assets (ROA). In case of degree of financial leverage (DFL), as the multivariate regression analysis, the total debt corresponds to an explanatory variable. By the examination of correlation coefficient, excepting the manufacturing small and medium-sized enterprises, where a medium-strong correlation could be observed, we could found a low-intensity relationship between risk and financial ratios.

Although, may be some overlap between two applied methods, in term of explanatory variables, in our opinion, the stepwise regression analysis allows a more precise, more transparent and more comprehensive approach, so we believe that the last used method is one which suit best for examination of relationship between risk and financial ratios.

Further, we check the availability of models by representing in the following graphs the residuals as a function of observed values (Huzsvai, 2012). This method helps to show the relationship between the dependent variables and residuals (Everitt and Hothorn, 2014)

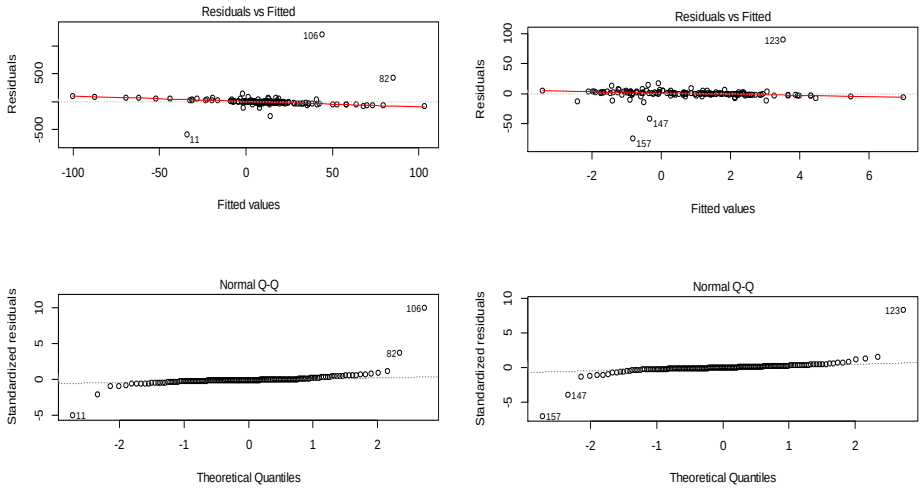
Graph 1. Plot of residuals against fitted values and normal probability plot of residuals for DOL and DFL for **manufacturing** firms



Source: Own calculation

In case of manufacturing firms, we can see the linear shaped correlation both at degree of operating (DOL) and financial leverage (DFL). As we demonstrated with previous methods, in case of operating risk we could see from the graph. 1 a closer relationship. Both of two models, we can detect outlier values, which clearly influence the quality of models.
The normal distribution test was performed using Q-Q charts. It is evident in both models, the majority of the residual values are located along the theoretical diagonal, only few outliers can be seen.

Graph 1. Plot of residuals against fitted values and normal probability plot of residuals for DOL and DFL for **trading** firms



Source: Own calculation

In the case of trading firms, both of two leverage show acceptable linear relationship, but here we can see much more number of outlier values than in case of manufacturing firms.

Degree of leverage (DOL) establishes stronger relationship.
Q-Q representations show that most of residual values are situated along the theoretical diagonal, excepting few outliers.
Overall, it could be concluded, after applying the independence test that in case of manufacturing small and medium-sized enterprises, both at two investigated models it is a closer relationship between dependent and independent variables.

5. Conclusion

Examination of relationship between risk and their affecting factors is an important tool of corporate risk management. In present article the relationship between risk and financial indicators was analyzed with three methods: correlation analysis, multiple linear regression and stepwise regression analysis. The results of first method show weak, low-level relation between degree of operating (DOL) and financial leverage (DFL) both for the manufacturing and trading small and medium-sized enterprises, so the analysis could be expanded. By applying the multivariate regression analysis, we could found that in case of manufacturing companies, current and quick liquidity ratios, receivables turnover, return on sales (ROS) and return on assets ratios are decisive in operating risk estimation. At financial risk, the receivables turnover is the independent variable. By analyzing the trading firms, we could found that current and cash liquidity, receivables turnover and return on sales explain well the operational risk. Degree of financial leverage (DFL) is well represented by total debt ratio.
Similar results were obtained, with few exceptions by applying the stepwise analysis, but in this case the significance levels linked by explanatory variables were much more favorable.
Overall, we consider that from the three investigated methods, the stepwise regressions analysis is which treat in most convenient way the context of relationship between operational and financial risk and the examined 12 financial ratios.

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INTERNALLY GENERATED GOODWILL OF A COMPANY

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Abstract: *Goodwill is seen as an important element in a business enterprise. Goodwill is perceived an intangible asset that arises from other intangible assets of the company. Its presence can be indicated by relatively high levels of return on invested capital. During the twentieth century the concept and sources of goodwill has changed significantly. In the present, goodwill comprises the complete set of unidentifiable intangible assets held by a company. Function of modality of obtaining, goodwill can be divided in two categories: internally generated goodwill and purchased goodwill. This working paper represents a theoretical research about internally generated goodwill of a company. The purpose of this paper is to clarify the concept of goodwill, components, sources and characteristics of internally generated goodwill of a company.*

Keywords: *goodwill, value, enterprise, profit, asset, intangible*

Jel classification: G32

1. The Concept of Goodwill. Types of Goodwill

Goodwill is seen as an important element in a business enterprise. Goodwill is perceived an intangible asset that arises from other intangible assets of the company. Its presence can be indicated by relatively high levels of return on invested capital.

Many researchers have defined GW as the ability of the company to make excess profit in comparison with another company. The excess profit is attributable to certain intangible elements of the company that are considered sources of goodwill. Intangible resources allow a company to produce above expected normal earnings.

During the twentieth century the concept of goodwill has changed significantly. The comprising elements of goodwill have been subject to change over time, along with the creation of institutions or accounting bodies which regulated their valuation.

A long period of time, goodwill was thought of as the good and valuable relationships of a proprietor of a business with his customers. Goodwill was used to reflect the value created by customer loyalty.

Other authors have related goodwill by the favourable attitudes of the stakeholders towards the company. According to Nelson (1953, 491), „Goodwill ... refers to favourable attitudes towards an enterprise. It includes the favourable attitudes of customers, employees, credit grantors, investors, suppliers, governmental regulators, politicians and the general public".

Hendriksen (1982, 407) interpreted goodwill as **„**the valuation of intangible attitudes towards the firm", including attitudes from employees, suppliers and customers.

During the time GW included many intellectual property elements. Leake (1921) defined goodwill as „any or all such property as business connections associated with names, persons and places of business, trademarks, patents and designs, copyrights, and the right to exercise monopolies"

However, in recent years, the interpretation of goodwill has narrowed.

Grinyer (1990, 229) interpreted goodwill as „the worth of all such valuable intangible assets

that are not separately identified on the balance sheet"
According to International Accounting Standards the capability of an asset to be identifiable distinguishes goodwill from other intangible assets (IAS 38, 2007)
Intangible assets of the companies can be divided into two types:

- Identifiable intangible assets
- Unidentifiable intangible assets

According to IAS 38 (2007), an asset is identifiable if it either:
(a) is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
(b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Identifiable intangible assets are those assets whose future economic benefits can be clearly distinguished (separable or with legal right upon them). Identifiable intangibles include patents, copyrights, brand names, customer lists, trade names, and other specific rights that typically can be sold separately from the company that own them.
Intangible assets that cannot be separately identified are grouped under the heading of "goodwill". Goodwill comprises the complete set of unidentifiable intangible assets held by a company.
Function of modality of obtaining, goodwill can be divided in two categories:

-internally generated goodwill (or, non-purchased goodwill);
-externally generated goodwill (or, purchased goodwill)

Purchased goodwill arises with occasion of the acquisition of a company by another. It includes the value of unidentifiable intangible assets from the acquisition of another company. It represents the excess of the purchase price of the acquired business over the fair value of its net tangible and identifiable intangible assets. Purchased goodwill is defined as ``an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized``(IAS 3, 2007).
Internally generated goodwill includes the value of internally generated unidentifiable intangible assets of the company. This is the goodwill that a company develops in the normal course of business operation being attributable, directly or indirectly, to the efforts of the company.

2. Internally Generated Goodwill of a Company

2.1 The Concept of Internally Generated Goodwill in Economic Literature

The internally generated goodwill was defined by many economic researchers.
Johnson and Petrone(1998) define internally generated goodwill (named as going-concern goodwill) as: "the ability of a stand-alone business to earn a higher rate of return on an organized collection of net assets than would be expected if those assets had to be acquired separately".
The going concern goodwill represents the stand-alone value of economic benefits arising from the combined net assets of the target firm (Johnson and Petrone,1998).
Johnson and Petrone(1998) highlighted that goodwill reflects „the synergies of the net assets of the business and factors related to market imperfections, such as where a business has the ability to earn monopoly profits or where there are barriers to entry to the market by potential competitors."
Ma and Hopkins (1988) highlighted that internally generated goodwill is the result of the synergies in which the assets of a company are engaged. In the opinion of Ma and Hopkins (1988, p. 77) "the use of an asset in combination with other assets is often

assumed to lead to an interaction affecting favourably the productivity of the other assets as well as its own productivity. This is the so-called synergy from asset interaction, which results in superior earnings".
These synergies were groped in two categories:
- synergies that arise between the firm's assets;
- and, synergies that arise between the assets of the company and its environment.
These generated synergies determine that the value of the company based on a discounted future earnings stream (going concern value) to be higher than the sum of the fair values of its assets.
According to Ma and Hopkins (1988) internally generated goodwill consists of:
- the present value of expected synergistic benefits from the interaction of assets within the firm;
- the present value of expected synergistic benefits from the interaction of the firm with its environment.

2.2 Unidentifiable Intangible Assets of the Company

Internally Generated Goodwill is viewed, in the present, as the additional value generated by internally generated unidentifiable intangible assets of the company

International Accounting Standards (IAS 38, 2007) highlight that:
„Differences between the fair market value of an entity and the carrying amount of its identifiable net assets at any time may capture a range of factors that affect the fair value of the entity"
The important question is the following: what include unidentifiable intangibles of the companies?
According to Harner (2014) unidentifiable intangible assets of the companies include:
-the people of the company (employees, managers) their respective talents and ideas;
-the synergies created by operational efficiencies among divisions and affiliates, as well as strategic decisions, business plans, and applicable law;
-the company`s relationships with its customers, suppliers, and the community.
These are named as the soft assets of the company and are viewed as "economic resources with the ability to provide future benefits to a firm" (Stickney&Weil, 2006) that exist in every company.
These assets enhances the value of the collective assets and distinguishes the company from its competitors (Harner, M., 2014).
The presence (existence) of a these assets determine that the value of the company as a whole (the going concern value) to be higher than the sum of its parts. Also, the presence (existence) of a these assets determine that the value of the company determined on a going concern basis to be higher than the value on a liquidation basis. The value of soft assets is lost when a corporation ceases to be a going concern**.**
The sources of internally generated goodwill can be grouped into two categories:
- synergies between identifiable assets of the company;
- other unidentifiable intangibles that cannot be recognized separately in financial situations of the companies.
The sources of internally generated goodwill are represented by many unidentifiable intangible assets that significantly contribute to the creation of profit and value at the level of the company but do not meet the accounting recognition criteria.
These include: the business's reputation; customer loyalty; human resources (knowledge and experience of employees) and good management team; organization structure and operating methods; corporate culture; the company`s relationships with its employees and

lenders, investors, suppliers and customers; unique market position; good location; outstanding credit ratings; favourable government regulations; efficient commercial channels etc.

2.3 Characteristics of Internally Generated Goodwill

The most important characteristics of internally generated goodwill that, many time, distinguishes it by other intangible assets of the company are the following:

1) Internal goodwill is created internally on the base of activities undertaken to develop and maintain intangible assets. According to Johnson and Petrone (1998) internally generated goodwill is the result of synergies within a company and of particular expenditures in research and development, human resources activities improvement, new marketing strategies, which lead to an increase in value of the company's assets.

2) Internal goodwill is the product of combining the tangible and identifiable intangible assets of a company. Goodwill represents additional value created by individual assets of the company because these are used in combination with each other. Goodwill is often described as the extra value of assets used in combination (Johnson, T., 2005).

3) Internal goodwill is based upon earning capacity of the company. Goodwill is an intangible asset that represents the ability of a company to generate earnings over and above the operating value of the company's other tangible and intangible assets. The presence of goodwill and its value, therefore, rests upon the excess of net earnings over and above a fair return of the tangible and identifiable intangible assets.

4) Goodwill is a composite asset that is attached to the whole company**.** It can only be identified with the business as a whole. It has not value in isolation from the other assets of the company. For this reason goodwill is often referred to as the most intangible of the intangibles.

5) It is not a separable asset. It cannot be transferred without selling the business that it is associated with. This is the reason for which goodwill is considered the riskiest component of the company`s value. Johnson and Tearney (1993, 59) state that "if you can sell what you are calling goodwill, then it is something other than goodwill".

6) Goodwill is related to the future. The presence of goodwill reflects the business potential to generate future benefits and growth. Goodwill may be created by investors' expectations of future capital expenditures, future mergers and acquisitions, future products or services, and future customers or clients (Reilly, R.F.,2008). The presence of the goodwill is reflected in the higher rates of return on the capital invested in companies (above the weighted average cost for capital) and, in the acquisitions premiums paid for the companies and their stocks.

5) Internally Generated Goodwill is, in present, an invisible asset of the company. Even it is likely to be present in most of the companies it does not appear in the financial situations of these. For accounting purposes, goodwill arises only with the occasion of an acquisition (of a business combination), when the purchase price of the company acquired is higher than the sum of fair market value of the identifiable assets. This implies that goodwill arising from an external acquisition (purchased goodwill) is accounted for, whereas internally generated goodwill is not. But its economic nature is completely independent from a business combination.

According to International Accounting Standards (IAS 38, 2012)" internally generated goodwill is not recognized as an intangible asset because "it is not separable nor does it arise from contractual or other legal rights". Internally generated goodwill is the result of expenditures incurred to generate future economic benefits but it does not meet the recognition criteria required by the standards. It is not an identifiable resource controlled by the entity that can be measured reliably at cost.
The impossibility to isolate the cost of the internally generated goodwill and the difficulty to make accurate and reliable valuation for this represents the most important arguments reflected by the standards for justifying lack of recognition of internally generated goodwill. The expenditures implied by internal activities that generate goodwill are recorded as current expenses and are reflected in the income statement (IAS 3, 2007), (IAS 38, 2007)).

Conclusions:
Goodwill is seen as an important element in a business enterprise. Goodwill is perceived an intangible asset that arises from other intangible assets of the company. Its presence can be indicated by relatively high levels of return on invested capital.
During the twentieth century the concept of goodwill has changed significantly. The comprising elements of goodwill have been subject to change over time, along with the creation of institutions or accounting bodies which regulated their valuation.
According to International Accounting Standards, in the present, the capability of an asset to be identifiable distinguishes goodwill from other intangible assets (IAS 38, 2007). Intangible assets that cannot be separately identified are grouped under the heading of "goodwill". Function of modality of obtaining, goodwill can be divided in two categories: internally generated goodwill and purchased goodwill.
In this paper I have concerned on the internally generated goodwill of a company. I have tried to identify the sources of this type of goodwill and its characteristics.
Internally generated goodwill includes the value of internally generated unidentifiable intangible assets of the company. This is the goodwill that a company develops in the normal course of business operation being attributable, directly or indirectly, to the efforts of the company.
The sources of internally generated goodwill can be grouped into two categories:
- synergies between identifiable assets of the company;
- other unidentifiable intangibles that cannot be recognized separately in financial situations of the companies.
Among the most important characteristics of the internally generated goodwill can be reflected the following: it is generated inside of the company as result of its efforts; is the product of combining the tangible and identifiable intangible assets of a company; can be identified only with the business as a whole and, has not value in isolation from the other assets of the company; it is not a separable asset; its presence is reflected in the higher rates of return on the capital invested in companies (above the weighted average cost for capital) and, in the acquisitions premiums paid for the companies and their stocks; in the present, it is an invisible asset, in the sense that, it does not appear in financial situations of the companies.

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SUB-SECTION: BANKING

DID THE ECONOMIC CRISES INFLUENCE THE STRUCTURE OF ASSETS-LIABILITIES IN BANKS?

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Abstract: *Due to the important role of the banks in the financial sector and their systemic importance it is imperious to understand the relation and the influence between banks assets and liabilities.*
We apply the canonical correlation analysis, developed by Hotelling (1936), on a dataset of 59 banks for the 2005-2011 period, we observe that after 2009 there is a decline in the level of loans from 61% to 58% of total assets. We find that the correlation between asset and liabilities remains strong in the 2008-2009 period.
The use of derivatives is affected in 2009-2010, but the pre-crisis level are exceeded in 2011; also for the analysed banks the proportion of fixed assets decline from over 1.2% in 2005 to under 0.9% in 2011, this may be due to the use of technology and automation on a larger scale, this trend is not influenced by the financial crises but by structural factors.
Regarding the level of capital and equity it can be observed that there is an upward trend between 2008-2010 due to regulatory and market conditions. The level of customer deposits is over 40% for all the analysed period, with a change in dynamic after 2007 when the proportion of deposits has an upward trend.
We find that exists a moderate and inverse correlation between Loans and Loans and advances to Banks, Trading Securities, Derivatives and Deposits from Banks; also the level of deposits is correlated directly and moderately with the level of loans, also we observe that deposits are moderately and inverse correlated with the level of deposits from banks.
This shows that the analysed banks adapted their strategies and manage to maintain their balance sheets at values similar with those before the crisis.

Keywords: bank assets-liabilities, correlation, financial crises, balance sheet

JEL classification: C31, G21, G01

1. Introduction

Asset liabilities management (ALM) is defined as the strategic management of the balance sheet by (Rosen & Zenios, 2006), (Romanyuk, 2010) considers that ALM (asset-liabilities management) purpose is the "optimal investment of assets in view of current goals and future liabilities", (Novickytė & Petraitytė, 2014) considers that ALM is an important risk management measure for the banking sector. (Zenios & Ziemba, 2007) classify the ALM (asset-liabilities management) models as : single period-static models, multiple period static mode, single period stochastic model, multi period stochastic model; these models are treated extensively in (Markowitz, 1952) , (Sharpe & Tint, 1990) , (Carino et al. 1994) , (Dempster & Consigli, 1996) , (Consiglio, Flavio, Cocco, Zenios, & others, 2007) .

În order to measure the relation between asset and liabilities different methods have been used. (DeYoung & Yom, 2008)□, (Simonson, Stowe, & Watson, 1983)□ , (Obben & Shanmugam, 1993), (Obben, 1992)□ , (Jaiswal, 2010)□ , (Cocozza, Curcio, & Gianfrancesco, 2010)□ uses canonical correlation analyses to study the assets-liabilities dependency in banks.
While (Lai & Kabir Hassan, 1997)□ uses a simultaneous equation model to determine the net interest margin and maturity gaps.
(Memmel & Schertler, 2010)□ uses two measures derived from the pairwise correlation coefficients: a weighted sum of squared pairwise correlations and the coefficient of determination R^2 for a linear equation with the dependent variable being a single asset/liabilities position and the independent variables being the structure of liabilities/assets.
The level of bank profitability depends on bank specific variables (Alexiou & Sofoklis, 2009)□ , macroeconomic factors (Alper & Anbar, 2011; P Athanasoglou, Delis, & Staikouras, 2006)□ , economic cycles (PP Athanasoglou & Daniilidis, 2011; Bolt & Haan, 2012), also the structure of financial institution has an impact on banks performance (P Athanasoglou et al., 2006).
The differences in the structure of asset-liabilities influences the levels of bank profitability (DeYoung & Yom, 2008), others factors being the regional context and local conditions (Flamini, McDonald, & Schumacher, 2009)□ , the industry concentration (Perera, Skully, & Chaudrey, 2013), while the difference between regulation seem to be uncorrelated to banks performance (Beltratti & Stulz, 2012)□ □ .
Analysing the structure of asset-liabilities of commercial banks in U.S. between 1990 and 2005 (DeYoung & Yom, 2008) found that for smaller banks the dependence between asset-liabilities is lower compared to larger banks, for all analysed banks there is a decline in time between asset-liabilities dependence. They observe that the correlation between long-term loans and core deposits are constant over the analysed period, also there is a convergence in the structure of asset-liabilities for large banks and small banks.
(Memmel & Schertler, 2010) analysed the structure of asset-liabilities for German universal banks for the 1994-2007 period, observing a similar pattern with U.S. (DeYoung & Yom, 2008), respectively the dependence between asset-liabilities and liabilities declined over time, this decline seems to be related with the use of derivatives instruments.
The rest of the paper has the following structure section 2 presents the data and the methodology. Section 3 describes the main results, and Section 4 provides some concluding remarks.

2. Data and the methodology

The dataset used consists of annually financial information for 59 banks (Annexes 1), the analysed period is from 2005 until 2011, the dataset is from the Bankscope database.
We apply the canonical correlation analysis, developed by (Hotelling, 1936)□ , this techniques extends the correlation analysis from two variables to a set of two variables, respectively $X = [X_1, X_2, \ldots, X_p]$ and $Y = [Y_1, Y_2, \ldots, Y_n]$.
The assets/liabilities set of variables are presented in Table 1. With the exception of total liabilities/assets all the variables all calculated as proportion of total assets.

Table 1. Variables description

Assets		Liabilities	
v1	Loans	v11	Total Customer Deposits
v2	Loans and advances to Banks	v12	Deposits from Banks
v3	Trading Securities	v13	Other:deposits/short-term borrowings
v4	Derivatives	v14	Total Long Term Funding
v5	Available for Sale Securities	v15	Derivatives and Trading Liabilities
v6	Cash and Due From Banks	v16	Non interest bearing liabilities
v7	Fixed Assets	v17	Hybrid Capital
v8	Goodwill	v18	Common Equity
v9	Other non-earning assets	v20	Total assets/ Total liabilities

(DeYoung & Yom, 2008) show that the canonical correlation can be interpreted as follow: if there is a canonical correlation between assets/liabilities and also there exist a strong connection between the canonical loadings and the linear combination of assets/liabilities then it can be concluded that exists a dependence between the X_i and Y_j variables.

3. Results

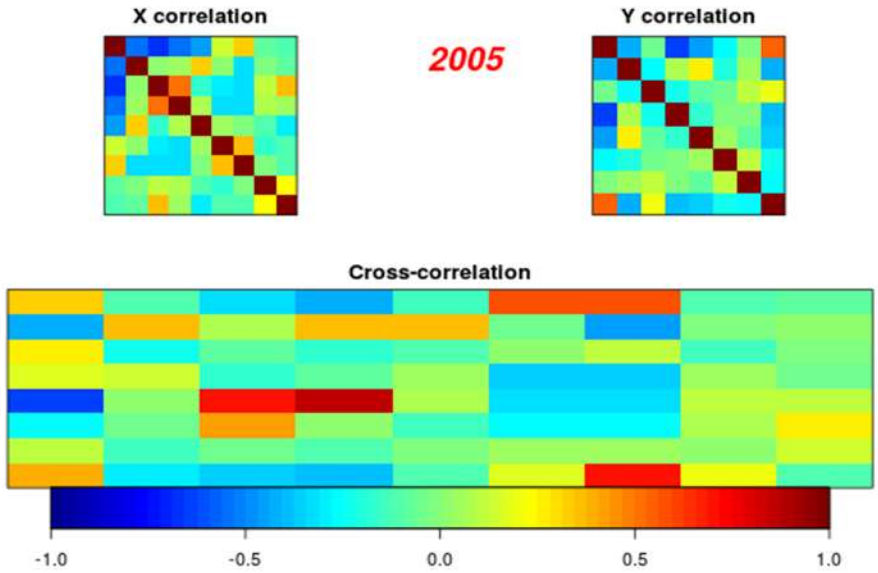
The assets/liabilities set of variables presented in Table 1 are calculated as proportion of total assets, with the exception of total assets/liabilities.

For assets the biggest component are loans with a mean value of 59.08% of total assets, also Loans and advances to Banks, Trading Securities, Derivatives, Available for Sale Securities have a mean value between 5% and 9% of total assets, with the rest of the variables representing under 3% of total assets. In the case of liabilities the highest component is represented by Total Customer Deposits with a mean value of 40.98% of total liabilities, Deposits from Banks represents 10.49% and Total Long Term Funding represents 20.64% of total liabilities, the rest of the liabilities variables: Other deposits/short-term borrowings, Derivatives and Trading Liabilities, Non interest bearing liabilities, Hybrid Capital, Common Equity representing under 10% of total liabilities.

Table 2. Summary Statistics, using the observations 1:2004 - 59:2011

Variable	Mean	Median	Minimum	Maximum
v1	59,0838	61,6867	17,5373	88,7894
v2	7,65929	6,07342	0,397919	44,2439
v3	7,51029	4,64180	0,00000	41,0035
v4	5,05425	1,96248	0,00000	47,9694
v5	8,68860	7,79627	0,00000	37,6212
v6	2,15294	1,56335	0,00528082	10,2616
v7	1,01283	0,862508	0,0266193	3,94236
v8	0,633171	0,341777	0,00000	5,68247
v9	2,99358	2,49843	0,311273	41,0081
v11	40,9842	42,8192	2,31570	83,7711
v12	10,4890	8,46339	0,124582	38,3089

v13	7,42866	6,27819	0,00000	45,4141
v14	20,6430	19,5038	0,00000	82,9171
v15	7,28800	2,79549	0,00000	50,0514
v16	6,73188	4,14270	0,885306	41,3902
v17	0,813204	0,668539	0,00000	3,94729
v18	4,99731	4,67106	0,00000	15,5639
v20	506187,	133738,	763,200	3,54397e+06
Variable	**Std. Dev.**	**C.V.**	**Skewness**	**Ex. kurtosis**
v1	15,7198	0,266059	-0,708871	0,0320590
v2	6,09592	0,795886	2,46616	9,18338
v3	8,60950	1,14636	1,72177	2,85563
v4	6,96158	1,37737	2,50260	7,68741
v5	6,28013	0,722801	1,08123	1,89438
v6	1,82374	0,847094	1,45451	2,05295
v7	0,773061	0,763268	1,13203	1,30423
v8	0,848932	1,34076	2,37829	6,59562
v9	3,08407	1,03023	7,07196	71,6398
v11	15,1304	0,369177	-0,00674687	0,0180519
v12	7,99165	0,761907	1,07678	0,669515
v13	7,45616	1,00370	1,17697	1,99835
v14	12,5066	0,605850	1,34707	4,11320
v15	9,75927	1,33909	1,98040	3,84285
v16	6,44075	0,956754	2,60729	9,47275
v17	0,753401	0,926460	1,28749	1,83444
v18	2,56090	0,512455	0,853451	0,874887
v20	713676	1,40990	1,84374	2,95162



In Fig. 1 we present the evolution of the mean of total assets and it can be observe that the highest level of assets is in 2008, with a mean value of the analysed sample of 5.7 billion; after an initial shock in 2009 the mean value drops to 5.4 billion. In 2010-2011 the

evolution of total assets is upwards with a mean value of the analysed sample of 5.6 billion in 2011, this shows that the analysed banks adapted their strategies and manage to maintain their balance sheets at values similar with those before the crisis.

Fig. 1 Evolution of Total Assets 2005-2011

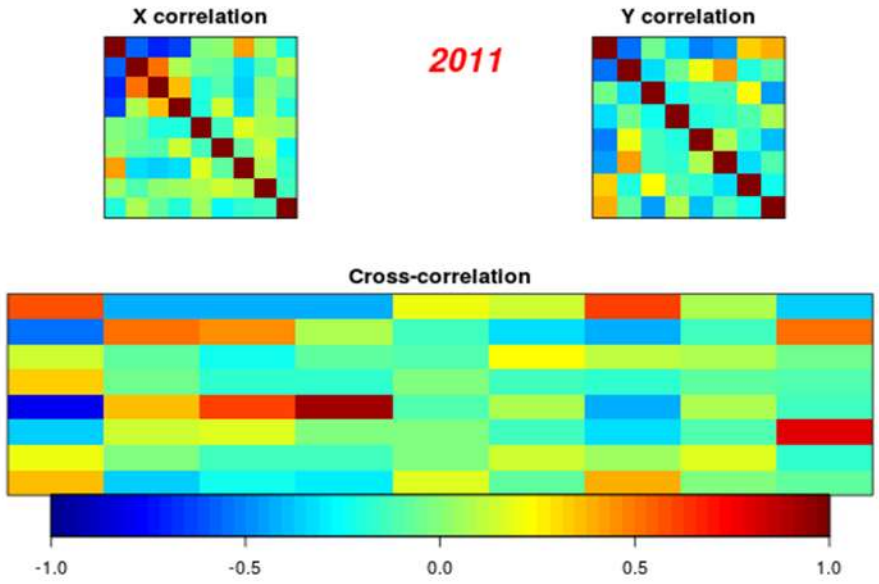


The canonical correlation analysis presented in Table 3 show that for the analysed dataset the dependence between asset and liabilities increases slightly after the financial crisis.

Table 3. Canonical correlation

	2005	2006	2007	2008	2009	2010	2011
1	0.95	0.946	0.95	0.966	0.964	0.976	0.979
2	0.76	0.75	0.79	0.80	0.75	0.78	0.92
3	0.60	0.72	0.67	0.63	0.66	0.68	0.62
4	0.58	0.52	0.65	0.52	0.55	0.54	0.49
5	0.45	0.40	0.44	0.44	0.50	0.46	0.34
6	0.27	0.32	0.31	0.26	0.39	0.40	0.19
7	0.15	0.21	0.20	0.23	0.23	0.15	0.08
Wiks test	0.0122*	0.011*	0.007*	0.007*	0.007*	0.004*	0.002*

Fig. 2. Correlation and cross-correlation of assets-liabilities



In Fig.2 we present the correlation and cross-correlation between asset-liabilities, it can be observed that exists a moderate and inverse correlation between Loans and: Loans and advances to Banks, Trading Securities, Derivatives and Deposits from Banks; and a strong and inverse correlation to Derivatives and Trading Liabilities. The level of deposits is correlated directly and moderately with the level of loans, also we observe that deposits are moderately and inverse correlated with the level of deposits from banks.
For analysed sample of 59 banks we find that Equity is weakly and directly correlated with: Loans, Fixed Assets, Customer Deposits; and weakly and inversely correlated with: Loans and advances to Banks, Trading Securities, Derivatives, Derivatives and Trading Liabilities and Hybrid Capital.

4. Conclusion

Due to the important role of the banks in the financial sector and their systemic importance it is imperious to understand the relation and the influence between banks assets and liabilities.
We observe that after 2009 there is a decline in the level of loans from 61% to 58% of total assets. The use of derivatives is affected in 2009-2010, but the pre-crisis level are exceeded in 2011; also for the analysed banks the proportion of fixed assets decline from over 1.2% in 2005 to under 0.9% in 2011, this may be due to the use of technology and automation on a larger scale, this trend is not influenced by the financial crises but by structural factors. Regarding the level of capital and equity it can be observed that there is an upward trend between 2008-2010 due to regulatory and market conditions. The level of customer deposits is over 40% for all the analysed period, with a change in dynamic after 2007 when the proportion of deposits has an upward trend.
This shows that the analysed banks adapted their strategies and manage to maintain their balance sheets at values similar with those before the crisis.

5. Annexe

Dataset

Bank	ID	Bank	ID
Raiffeisen	RAI	Espirito Santo Financial Group	ESF
Erste Group Bank AG	EGB	OP-Pohjola Group	OP
Oesterreichische Volksbanken	OVB	BNP Paribas	BNP
Dexia	DEX	Crédit Agricole S.A.	CRA
KBC Bank NV	KBC	Société Générale	SC
Cyprus Popular Bank Public	CPB	Royal Bank of Scotland	RBS
Bank of Cyprus Group	BC	HSBC Holdings Plc	HSBC
Commerzbank AG	CB	Barclays Plc	BAR
Portigon AG	PT	Lloyds Banking Group Plc	LLO
Landesbank Berlin Holding	LB	Eurobank Ergasias SA	EBE
DekaBank Deutsche	DBD	National Bank of Greece SA	NBG
Danske Bank A/S	DB	Alpha Bank AE	AB
Jyske Bank A/S (Group)	JB	Allied Irish Banks plc	AIB
Sydbank A/S	SB	Bank of Ireland-Governor	BI
Nykredit Realkredit A/S	NR	Permanent TSB Plc	PER
Banco Santander SA	SAN	Intesa Sanpaolo	INT
Banco Bilbao	BIL	UniCredit SpA	UNI
Banco Popular Espanol SA	ESP	Banca Monte dei Paschi di Siena	BMP
Banco de Sabadell SA	BSA	Unione di Banche Italiane	UBI
Bankinter SA	BKI	ING Bank NV	ING
Rabobank Nederland	RBD	Nova Kreditna Banka Maribor d.d.	NKB
SNS Bank N.V.	SNS	Nordea Bank AB	NB
Caixa Geral de Depositos	CGD	Banco Pastor SA	PAS
Banco Comercial Millennium	MIL	Bilbao Bizkaia Kutxa, BBK	BBK
Unicaja - Montes de Piedad y Caja de Ahorros de Ronda	UNJ	Caja de Ahorros de Vitoria y Alava-Caja Vital	CVA
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja-Ibercaja	CAI	Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastian-Kutxa	CMS
Banco BPI SA	BPI	Banca March SA	MAR
Skandinaviska Enskilda Banken AB	SEB	Caja de Ahorros y Monte de Piedad de Ontinyent	CMO
Svenska Handelsbanken	SHB	NLB dd-Nova Ljubljanska Banka	NLB
Swedbank AB	SWB		

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IMPACT FACTORS ON BANKING ACTIVITY'S PERFORMANCE IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

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Abstract: *The paper has as premise the need to analyse the factors that impact on banking activity's performance in the context of some strong interdependencies between it and the overall socio-economic climate, given the essential role played by the banks in financing the economy and in the overall development of society. Starting from the scientific studies that have addressed the issue of bank profitability and hence the performance of banking activities there are identified different factors e.g. internal (bank size, capital adequacy, liquidity risk, expenses management, activity mix, credit risk etc.), industry specific (concentration, etc.) and macroeconomic (GDP growth, inflation, unemployment) but also the manifestation of financial crises that could have, rationally, major impacts on the results of banking activity, the latter being estimated through the most representative indicators ROA and ROE. The analysis is conducted on the scale and direction of the effects of factors that impact on banking performance by processing statistical data for 12 countries from Central and Eastern Europe over the period 2000-2011, using econometric methods such as Pearson correlation and Panel Least Squares. The empirical results for the group of countries which was analysed, reveals, first, a significant positive impact of the factors GDP growth and inflation on the performance of the banking business. It is noteworthy, yet, the fact that the internal factors expenses management and, especially, credit risk have the most profound negative impact on bank profitability. This leads us to consider necessary further efforts of the banks in the CEE countries to improve their expenses management by reducing the number of branches and by shifting towards selling banking products through alternative channels such as the Internet or Mobile Banking, respectively to reduce their credit risk, especially by preventing the deterioration of bank loan portfolio quality, but also by mitigation measures for the existing NPLs, aiming their recovery or, ultimately, by selling them and cleaning thus their balance sheets.*

Keywords: ROA; ROE; bank-specific factors; industry-specific factors; macroeconomic factors; crisis

JEL classification: C23; G21; M21

1. Introduction

The development and efficient operation of the banking system is one of the prerequisites for ensuring the necessary conditions of economic growth and sustainable development, both at country and regional level, especially where financing of economy cannot be achieved in a significant manner by the financial markets, as is the case in countries in Central and Eastern Europe.

In turn, the banking activity performance depends both on internal and external factors, among which is very important the economic and social climate. Thus, in our opinion, between banking and economy occur mutual influences, but they may also be affected by negative phenomena such financial and economic crisis.

In this framework, we consider that an analysis on the action factors impacting the banking business performance in CEE, during the early 21st century, marked by profound

changes in banking sector, but also by the the financial crisis, would allow drawing conclusions and outlining recommendations to improve banking.

2. Literature review

An overview of literature reveals significant concerns regarding the identification and analysis of causality between the performance of the banking system and economic development. Thus, several studies noted the major role of banks in the overall development of society (Demirgüç-Kunt & Huizinga, 1999; Sufian & Chong, 2008), including in supporting long term economic growth (Macit, 2012).

On the other hand, it should not be neglected also the reverse conditioning relationship, where the socio-economic framework influences banks' performance, both positively on the background of the balanced development of the economy and negatively, by transmitting the macroeconomic shocks, but also the existence of other factors that determine banking performance. Thus, we note that certain studies address the profitability of banking activity in certain groups of countries (Molyneux & Thornton, 1992; Staikouras & Wood, 2004; Athanasoglou et al., 2006; Flamini et al., 2009; Dietrich & Wanzenried, 2011), while others are focused on specific countries (Hoffmann, 2011; Athanasoglou et al., 2008; Sufian & Chong, 2008; Dietrich & Wanzenried, 2011; Rachdi, 2013; Trujillo- Ponce, 2013).

Also, recently, there is a growing interest in research into the effects transmitted on banking performance in the context of the recent global financial crisis (Dietrich & Wanzenried, 2011; Rachdi, 2013).

The evaluation of banks' activity performance is usually made by using indicators such as return on assets (Athanasoglou et al., 2006; Flamini et al., 2009; Dietrich & Wanzenried, 2011; Trujillo-Ponce, 2013) or return on equity (Athanasoglou et al., 2006; Dietrich & Wanzenried, 2011; Hoffmann, 2011 Trujillo-Ponce, 2013), which in our turn we consider that summarizes best the banking activity results.

Also, most of the papers on banking performance highlight that it is influenced by many factors, both internal (bank size, capital adequacy, liquidity risk, expenses management, activity mix, credit risk, etc.), external or industry-specific (e.g., concentration etc.) and macroeconomic (expressed by GDP growth, inflation etc.).

Thinking of the potential scale economies or diseconomies in the banking sector, bank size often appears in literature as a determinant of performance in banking activity. However, while some studies show a positive relationship between it and bank performance (Molyneux & Thornton, 1992; Bikker & Hu, 2002; Goddard et al., 2004), other studies found an inverse conditioning relationship between them (Staikouras & Wood, 2004; Athanasoglou et al., 2008; Sufian & Chong, 2008).

Another impact factor on banks performance, is capital adequacy. Literature reveals, however, different findings on the direction of its effects. Thus, some studies note a positive effect of the factor, arguing that a high level of capitalization implies a reduction of the cost of capital (Molyneux & Thornton, 1992; Goddard et al., 2004; Athanasoglou et al., 2006), with beneficial effects on profitability.

On the other hand, other works found negative effects of this factor, explained by a lower risk-taking by the banks (Sufian & Chong, 2008; Rachdi, 2013).

Expenses management or the efficiency of banks expenditures impacts also on the performance of banking activity. Thus a high cost to income ratio expresses an inefficient use of banks' resources and leads to an effect of reducing the banks' profitability (Pasiouras & Kosmidou; 2007; Dietrich & Wanzenried, 2011).

On the other hand, the performance of banking activity is influenced by the bank's ability to obtain significant income from other activities than lending. In this context, banks' activity diversification, which can be synthesized by the indicator non-interest income to total income, is a relevant factor with positive impact on banks' profit (Staikouras & Wood,

2004; Dietrich & Wanzenried, 2011).
Liquidity risk, as a result of the inability of banks to maintain a reasonable balance between assets and liabilities, usually materialized in the inability to convert the assets in money for covering their liabilities, may significantly affect the activity of banks and their performance. Thus, a high liquidity of assets has a positive impact on the profitability of banks (Athanasoglou et al., 2006; Sufian & Chong, 2008).
At the same time, credit risk, reflected in the increase of bad loans has effect both on failures in getting the expected revenues and on the increase of provision expenses, generating a major negative impact on the performance of banks (Macit, 2012; Trujillo-Ponce, 2013; Filip, 2014).
The most representative external factor specific to the banking industry addressed in literature is concentration, whose effect, however, appears to be ambiguous. Some studies (Molyneux & Thornton, 1992) have identified a positive relationship between concentration and banks' performance, banks with a higher market share resulting to have a significant profitability. However, we note that a number of other papers identified a negative relationship between concentration and profitability of banks (Demirgüç-Kunt & Huizinga, 1999; Staikouras & Wood, 2004).
The majority of authors also notes the existence of significant interdependencies between the banking performance and the general macroeconomic context. In this context, there are relevant the findings of several studies (Bikker & Hu, 2002; Sufian & Chong, 2008; Dietrich & Wanzenried, 2011) regarding the significant impact of economic growth on the profitability of the banking activity.
In the same framework, inflation can have, usually, a negative impact, by affecting the repayment capacity of borrowers and causing losses by delays or lack of loan repayments (Revell, 1979; Hoggarth et al., 1998; Staikouras & Wood, 2004). However, some studies (Molyneux & Thornton, 1992) found situations where results a positive relationship between inflation and banks performance, arguing that only the lack of anticipation of inflation causes negative effects.
On the other hand, we consider that also the unemployment rate variation may be a factor impacting performance of banking. Thus, an increase in unemployment makes some borrowers to lose their repayment capacity and also causes braking of economic development. These phenomena lead to bad loans of individuals and companies causing losses and reduce also banks' operating incomes.

3. Data and methodology

Our research starts with the selection of the impact factors on the banking performance and continues with analysing their effects, aiming to identify possible conclusions and actions required to improve the performance of banking systems.
In the analysis, we use annual data of banking systems from Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Slovak Republic and Slovenia, taken from international databases Global Financial Development Databank (GFDD) of World Bank, World Bank Databank and Financial Soundness Indicators (FSI) of the IMF, during 1999-2011.
The performance of the banking activity in the above mentioned states from CEE, will be assessed through the ROA and ROE indicators, considered as dependent variables in the econometric analysis we will perform.
We take into consideration three categories of impact factors on bank performance: a) internal (bank-specific) – bank size, capital adequacy, liquidity, expenses management, activity mix, credit risk; b)industry-specific – e.g. concentration; c) macroeconomic - GDP growth rate, inflation, unemployment. Thus, further analysis will consider for this impact factors and independent variables the indicators listed in Table 1, where we included their expected effect.

Table 1: Impact factors on banking activity performance –independent variables

Independent variable/ Determinant	Indicator	Abbreviation	Expected relationship (+/-)	Source
Internal determinants				
Bank size	Total Assets to GDP ratio	TA_GDP	+/-	World Bank GFDD database
Capital adequacy	Regulatory Capital to Risk Weighted Assets Ratio(%)	C_AS	+/-	IMF – GFSR-FSI Tables
Liquidity	Liquid assets to deposits and short term funding (%)	LqA_D	+	World Bank GFDD database
Expenses Management	Cost to Income Ratio (%)	C_I	-	World Bank GFDD database
Activity Mix	Non-interest income to total income (%)	NI_TI	-	World Bank GFDD database
Credit Risk	Non-performing loans to total loans ratio (%)	NPLR	-	World Bank GFDD database
Industry specific determinants (external)				
Concentration	Bank concentration	BKCONC	+/-	World Bank GFDD database
Macroeconomic determinants (external)				
Economic growth	GDP growth rate (%)	GDPGR	+	World Bank Databank
Inflation	Inflation rate - CPI (%)	INFLR	+/-	World Bank Databank
Unemployment	Unemployment rate variation (%)	ΔUNEM	-	World Bank Databank

In addition, we include in the analysis, an additional factor, as the dummy variable "crisis", in order to mark the impact of the crisis on banks' activity.

The development of the analysis, on the mentioned coordinates, concerns the processing of panel of data for the considered countries by using Pearson correlations, respectively, by building two econometric models, for each of the two dependent variables, and by testing them using the Panel Least Squares method.

4. Results and comments

A first part of the analysis implies using Pearson correlations in order to identify the linkages between ROA or ROE, and the considered factors, the results being shown in Table 2.

Table 2: Correlations and probabilities of ROA and ROE with the other variables

	ROA	ROE
TA_GDP	-0.197978**	-0.084399
	0.0263	0.3474
C_AS	0.050820	-0.225164**

	0.5720	0.0112
LQA_D	0.185550**	0.148869*
	0.0375	0.0962
NI_TI	-0.013885	0.221971**
	0.8744	0.0125
C_I	-0.321607***	-0.259026***
	0.0002	0.0034
NPLR	-0.341368***	-0.415560***
	0.0001	0.0000
BKCONC	-0.113586	-0.096610
	0.2054	0.2819
GDPGR	0.510268***	0.602261***
	0.0000	0.0000
INFLR	0.283526***	0.137450
	0.0013	0.1248
ΔUNEM	-0.384175***	-0.494690***
	0.0000	0.0000
CRISIS	-0.268325***	-0.410389***
	0.0024	0.0000

***, **,* - denotes significance at 1%, 5%, respectively 10% level

The data in Table 2 indicate that there are significant negative correlations between ROA and expenses management (coef. = -0.3216, Prob. = 0.0002), NPL rate (coef. = -0.3415, Prob. = 0.0001) and bank size (coef. = -0.1980, prob. = 0.0263), as internal variables, and with the external variable the unemployment rate variation (coef. = -0.3842, prob. = 0.0000), suggesting a negative impact on ROA from these variables, consistent with expected results. We, also, note the significant negative correlation (coef. = -0.2683, Prob. = 0.0000) between ROA and the dummy variable "crisis", that highlights the profound impact of the manifestation of financial crisis on ROA. On the other hand, there are shown significant positive correlations between ROA and assets liquidity (coef. = 0.1856, prob. = 0.0375) and, especially, with GDP growth rate (coef. = 0.5103, prob. = 0.0013) and inflation rate (coef. = 0.2835, prob. = 0.0024), while in relation to other factors the correlations appear to be insignificant.

According to the same table there result significant negative correlations between ROE, and expenses management (coef. = -0.2590, Prob. = 0.0034), NPL rate (coef. = -0.4156, Prob. = 0.0000) and capital adequacy ratio (coef. = -0.2252, prob. = 0.0112), as internal variables, and with the external variables the unemployment rate variation (coef. = -0.4947 prob. = 0.0000) and "crisis" (coef. = -0.4139, prob. = 0.0000). At the same time, there are highlighted significant positive correlation of ROE with assets liquidity (coef. = 0.1489, prob. = 0.0962), activity mix (coef. = 0.2220, prob. = 0.125) and the GDP growth rate (coef. = 0.6023, prob. = 0.0000). These facts express, as in ROA's case, the existence of reciprocal influences between banks profitability and the economic development in the countries of the analysed region, but also a positive impact of an increased liquidity and the diversification of banking activities on banks financial results. On the other hand, there

result no significant correlations of ROE with the other variables taken into consideration, during the analysed period.
Starting from the results obtained above, we consider that the analysis of the action of the factors with impact on the performance of banking activity in the countries of Central and Eastern Europe, which were analysed, can be achieved by building and testing of econometric regression models in which ROA, respectively ROE, are dependent variables.
In the next stage of the analysis of the factors we considered that may have impact on the evolution of ROA, is developed by building and using an econometric model whose regression equation is as follows (1):

$$y_{jt} = c + \beta_{1jt} X_{ijt} + \beta_{2jt} X_{cjt} + \beta_{3jt} X_{3jt} + \beta_{4jt} crisis + \varepsilon \quad (1)$$

where, j stands for the specific country, t stands for the year, y represents ROA, X_i represent the internal determinants, X_c represent the industry specific determinant, X_m represent the macroeconomic (external) determinants, β_i are the coefficients of the determinants, ε stands for the error term and crisis is the dummy variable for capturing the crisis manifestation.
We have tested further the above proposed model for estimating the impact of the mentioned factors on ROA, during 1999-2011, for the countries in Central and Eastern Europe, and we obtained the results presented in Table 3:

Table 3: Results of testing the proposed model for ROA

Dependent Variable: ROA				
Method: Panel Least Squares				
Sample (adjusted): 2000 2011				
Cross-sections included: 12				
Total panel observations: 126				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA_GDP	-0.000882	0.003743	-0.235729	0.8141
C_AS	0.046088	0.016995	2.711892	0.0077
LQA_D	0.000199	0.006027	0.033012	0.9737
NI_TI	0.007206	0.007343	0.981297	0.3285
C_I	-0.022658	0.007223	-3.136919	0.0022
NPLR	-0.036100	0.011757	-3.070521	0.0027
BKCONC	-0.010512	0.004953	-2.122135	0.0360
GDPGR	0.072193	0.021284	3.391871	0.0010
INFLR	0.020440	0.010993	1.859320	0.0656
ΔUNEM	-0.051434	0.036008	-1.428408	0.1559
CRISIS	-0.152308	0.200063	-0.761299	0.4481
C	2.294403	0.742528	3.089987	0.0025
R-squared	0.495878	F-statistic		10.19416
Adjusted R-squared	0.447235	Prob(F-statistic)		0.000000

The data in Table 3 confirm a good degree of viability of the proposed model after testing it (R-squared = 0.4959, Adjusted R-squared = 0.4472), which expresses the fact that the dependent variable ROA is relevantly determined by the factors taken into consideration.
We note the negative impact, statistically significant below the significance threshold of 1%, of the internal factors namely cost to income ratio (coef. = -0.0227), and NPL rate (coef. = -0.0361). It results also that expenses management and credit risk have insufficient levels in order to support an increase of the performance of the banks, and

thus they can be considered as the major internal factors acting as obstacles in the path of banking performance. In addition, there is a negative and significant impact, under the significance threshold of 5%, of the concentration of banks (coef. = -0.0105).
On the other hand, it results a statistically significant impact, below the significance threshold of 1%, of the variables capital adequacy ratio (coef. = 0.0461) and GDP growth (coef. = 0.0722), the latter expressing that a climate of economic development is likely to determine a positive trend of banks' profitability. In addition, we emphasize the positive impact, under the significance threshold of 10%, of inflation on the dependent variable.
For the second analysis on the performance of banking activities in CEE countries, taking ROE as dependent variable, we built the following equation (2)

$$z_{jt} = c + \beta_{1jt} X_{ijt} + \beta_{2jt} X_{cjt} + \beta_{3jt} X_{3jt} + \beta_{4jt} crisis + \varepsilon \qquad (2)$$

, where z represents ROE, the other variables corresponding with those in previous model.
Testing the proposed regression equation on the data taken into consideration has led to the results in table 4.

Table 4: Results of testing the proposed model for ROE

Dependent Variable: ROE				
Method: Panel Least Squares				
Sample (adjusted): 2000 2011				
Cross-sections included: 12				
Total panel observations: 126				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TA_GDP	0.064142	0.033890	1.892668	0.0609
C_AS	-0.147774	0.153857	-0.960460	0.3389
LQA_D	0.108027	0.054564	1.979824	0.0501
NI_TI	0.252467	0.066477	3.797836	0.0002
C_I	-0.254476	0.065391	-3.891601	0.0002
NPLR	-0.237299	0.106437	-2.229475	0.0277
BKCONC	-0.048657	0.044845	-1.085009	0.2802
GDPGR	0.662823	0.192690	3.439848	0.0008
INFLR	0.177838	0.099525	1.786866	0.0766
ΔUNEM	-0.883436	0.325984	-2.710059	0.0078
CRISIS	-4.344365	1.811208	-2.398601	0.0181
C	16.61715	6.722243	2.471965	0.0149
R-squared	0.620768	F-statistic		16.96430
Adjusted R-squared	0.584175	Prob(F-statistic)		0.000000

The test results for the proposed econometric model highlights its high reliability (R-squared = 0.6208, Adjusted R-squared = 0.5842), which states that the evolution of ROE for the banking systems in the analysed region is substantially determined by the considered independent variables.
The data in the table confirm the important negative impact of the variables expenses management (coef. = -0.2545. Prob. = 0.0002), NPL rate (coef. = -0.2373, Prob. = 0.0277), the unemployment rate variation (coef. = - 0.8834, prob. = 0.0078) and, especially, of the crisis (coef. = -4.3444, prob. = 0.0181) on the dependent variable. Thus, we find a negative impact on the banking activity performance determined both by the manifestation of the financial and economic crisis, the poor expenses and credit risk management, but also by the phenomenon of unemployment, which affects strongly the

repayment capacity of borrowers.
On the other hand, we find significant positive impact on ROE generated by the variables bank size (coef. = 0.0641., Prob. = 0.0609), liquid assets to deposits and short term funding (coef. = 0.1080, prob. = 0.0501) and the diversification of the activity (coef. = 0.2525, prob. = 0.0002). As in ROA's case, GDP growth has also a significant positive impact (coef. = 0.6628, prob. = 0.0008), which reinforces the idea that the overall development of the economy supports the increase of the performance of banking systems. Similarly, we find the same positive effect (coef. = 0.1778, prob. = 0.0766) of inflation on ROE.

5. Conclusions

Our research aims to identify and analyse factors impacting on the performance of the banking activity, which we have evaluated by using the most relevant indicators for it, namely ROA and ROE.
In this context we note that in addition to internal factors (e.g. bank size, capital adequacy, liquidity risk, expenses management, activity mix, credit risk, etc.), the performance of banks is also determined by industry-specific factors (concentration, etc.) and external factors such as macroeconomic ones (GDP growth, inflation, unemployment), including significant negative phenomena such as economic and financial crises.
It is highlighted thus the existence of close interdependence between banking systems performance and the overall socio-economic climate, meaning, on the one hand, that efficient functioning of banking systems creates conditions for economic growth and supports sustainable development and, on the other hand, the performance of banking activities depend substantially on the socio-economic development at local and regional level.
In the analysis of bank performance and of its determinants, we used data on 12 CEE countries, for the period 1999-2011, and we processed them by econometric methods. The analysis of ROA and ROE correlations with the other variables, highlighted for both of them significant negative correlations with expenses management, credit risk, unemployment and crisis manifestation, and significant positive correlations with GDP growth and assets liquidity.
The analysis on the performance of banking activity was deepened by building and testing of regression equations, where ROA and ROE were dependent variables while the internal and external determinants are considered as independent variables. The results showed significant positive impacts of GDP growth and inflation and profoundly negative impacts of credit risk and expenses management on both of the dependent variables and hence on the performance of banks. However, both unemployment and crisis resulted to negatively impact on banks' profitability, but significantly only in ROE's case. The concentration appears to have negative effect on the performance of banks significantly only on ROA, while the assets liquidity has a positive impact, but significant only on ROE.
Looking at the results, we conclude first that in the analysed region is confirmed, overall, a strong interrelationship between the performance of the banking systems and the socio-economic environment, especially with economic growth. Also, we consider that additional efforts are needed to improve the banks' expenses management by reducing the number of branches and shifting towards selling banking products through alternative channels such as the Internet or Mobile Banking, respectively to reduce their credit risk, especially by preventing the deterioration of bank loan portfolio quality, but also by mitigation measures for the existing NPLs, aiming their recovery or, ultimately, by selling them and cleaning thus their balance sheets.

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SUB-SECTION: ACCOUNTING

ORGANIZATION OF ACCOUNTING INFORMATION SYSTEM AT TRADE ENTITIES

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Abstract: *Financial and accounting information systems, today, no longer are the traditional ones, they are subject to the normalisation and harmonisation, in the idea of globalization, and as a natural consequence of this situation, the users of accounting information require more and more diverse information from these systems.The development of society as a whole, modernization and restructuring of the economy, leading to increasing and diversifying demand for information from the field of accounting and finance, and in this context general accounting mission acquires a particular importance.The economic entities in general, and those in the trade, in particular, performance management, management of the current situation, with multiple phenomena of crisis, require substantiation of decisions on the basis of a system of real information, pertinent, relevant and provided in a timely manner (*Radu, 2011: 9*).*

Keywords: accounting information systems, trade entities, internal control, preventive control, detective control, corrective control

JEL classification: M 41

1. The objectives and functions of accounting information system at trade entities

The main role of accounting information system in the information system of economic entities in the trade requires that through his organization and operation to ensure optimal conditions of at least the following **objectives:**

- to provide information needed for decisions, both for the management of those entities and third parties;
- to provide necessary information of plans and programmes for economic activity, particularly the budgets of those entities;
- to ensure the due date and systematic registration of economic transactions affecting the financial position, financial performance and cash flows of the trade entity;
- to ensure the data/information needed sourcing costs calculation and sale of goods;
- to ensure the integrity of heritage and control of economic operations carried out by registering property categories, items on the people responsible, etc.
- to provide the necessary information of the financial statements. (Oprean (Coordinator), 2001: 28).

As Hall (2011: 14) stated, every economic entity, in general, and those in the trade, in particular, in our case, it must adapt the information system to the needs of its users. Therefore, the specific objectives of the information system can differ from one entity to another, but as the author believes, three fundamental objectives are common to all systems, namely:

1. to support administration of management. Administrations refers to management's responsibility to properly manage the resources of the entity. The information system provides information on the use of resources for external users through traditional financial statements and other mandated reports; and internally, the management receives administration informations from various management accountability reports.

2. to support management in their decision. The information system provides managers with the information they need to make the decision-making responsibilities.

3. to support the entity's day-to-day operations. The information system provides information to the operating personnel to assist them in carrying out their daily tasks efficiently.

But, in order to achieve the objectives listed above, I am of the same opinion with Professor Epuran (1994: 22) and that the accounting information system of economic entities in general, and those in the trade, in particular, must fulfil the following **functions:**

- the function of registration of economic phenomena and processes occurring in the context of trade and that entities can be expressed in value. At the same time this function does not necessarily mean only recording (reflection) "gross" of those economic phenomena and processes but also processing and shaping the information recorded for the purpose of information growth of accounting information system;

- **information function,** which consists in providing information concerning the financial position, financial performance and cash flows at the end of a reporting period (month, quarter, half-year, fiscal year) for the purpose of making decisions. As I have mentioned, the accounting information system must ensure on the one hand to inform managers of the entity, and on the other hand information of third parties; and through information provided to users, information related to material resources and money management, revenue, expenditure and results obtained, accounting information system should allow for economic efficiency and knowledge of the work carried out by the entity within a specified period of time;

On the other hand, as Oprean (2001: 28) stated , the improvement of this function is subject to extensive use of the means of collection and automatic processing of data with a view to obtaining operative information, fast and quality, at all hierarchical levels.

- job control function consists in checking by using the accounting data of the preservation and usage of material and money values, resource management, verification of the degree of achievement of the indicators predict, deadlines for payment of debts, the collection of receivables, control of financial discipline, etc. As stated Achim (2009: 86), it should be noted that this function is specific to the accounting information system, and none of the other components of the economic information system doesn't comply with this function.

- legal function, given by the fact that the data in accountant system can serve, if necessary, as evidence in court to prove the reality of economic operations, for the determination of liability, or materials to determine the guilt or innocence of individuals, etc.

- the estimate function, given by the fact that the accounting information system is not limited only to information relating to the past or the present, but can also provide information that can anticipate the future trends of the different economic phenomena and processes. Moreover, as Capron (1994: 64) stated, information provided by accounting are used (...) and to the drafting of development scenarios based on the reality of past and present (...) serving the foundament of programmes, in drafting budgets, I may add, for trade entities.

For the efficient organization of the accounting information system of trade entities should take account of at least the following conditions as Oprean (2001: 25) considers, opinion with which I agree also, as it follows:

- accounting information system *must be based on principles an scientific and legally*; *foundamented norms,* so that organizing the accounting information system on scientific basis provides for trade entities, for example, most new and better ways to achieve the proposed objectives, in terms of maximum efficiency;

- to be *comprehensive*, cover all organizational subdivisions of trade entities; an accounting information system cannot function effectively if provided partial information from an entity or omit certain sectors or certain subdivisions;

-be *organized after an identical methodology*, unitary for all fields of an entity;

- to ensure *effective and operative* information required users, meaning that the information used must have a justifiable cost relative to benefits that may result from their use.
So, on the one hand, the information must reach users before making decisions and not afterwards, and on the other hand, the cost information provided by accounting information system should not exceed the benefits derived from their use.
- to *be simple, clear, accurate, documented and continuously*, so it is no advantage to anyone making an accounting information system, bushy, complicated, tangled informational circuit and through which to circulate parts or incomplete information.

Internal control of accounting information system at trade entities

The economic entities in general, and those in the trade, in particular, as saying Hall (2011: 128) and Simkin (2013: 258), internal control system encompasses policies, practices and procedures used by the entity to achieve four objectives, as follows:

1. protecting the assets of the entity;
2. ensure the accuracy and reliability of accounting records and information;
3. promoting the effectiveness of the entity's operations;
4. measurement of compliance with policies and procedures laid down by the management entity.

Inherent in these control objectives, according to Hall (2011: 128), are four modifying hypotheses which guides executives and internal control auditors as it follows:

- **The responsibility of leadership**. This concept holds that establishing and maintaining a system of internal control is the responsibility of management.
- **Reasonable assurance**. Internal control system should provide a reasonable assurance that the four general objectives of internal control are carried out in a cost-effective manner. This means that there is no perfect internal control system, and the cost of achieving improved control should not exceed its benefits.
- **Data processing methods**. Internal controls should meet four general objectives, regardless of the method used for data processing. However the used control techniques also, in order to achieve these objectives, varies according to the different types of technology used.
- **Limitations**. Each internal control system has limitations on its effectiveness. This includes (1) the possibility of error-no system is perfect, (2) circumvention-perfect staff can circumvent the system through various secret agreements or by other means, (3) management can override-management is in a position to able to go over procedures for the control of distortion in personal transactions or by directing a subordinate to do so and (4) modification of the conditions-the conditions can change over times existing controls can become ineffective.

The author describes the system of internal control of accounting information system of an entity, generally, as a shield that protects the assets of the entity for the many unwanted events that threaten the entity. Thus, these threats include attempts of unauthorized access to the company's assets (including information), fraud committed by people both inside and outside of the entity, errors due to incompetent employees, computer software flaws and erroneous data entry, as well as various malicious acts such as unauthorized access to various hackers and threats from viruses that can destroy programs and data bases.
As a result, the absence or weakness of internal control, the author calls it the exposure, and that exposure can increase the risk of entity to the emergence of financial loss or other unwanted events; a weakness in internal control can expose the entity to one or more of the following types of risks which may arise to the trade entities also, as it follows:

- destruction of goods/commodities (both tangible assets as information),
- theft of assets,

- compromise of information or of information system
- disruption of computer and information system

Finally, the author illustrates that to economic entities in general, and those in the trade, specifically (in our opinion), internal control acts as a shield for the entity, and this internal control shield is composed of three levels: the peventiv control, detective control and corrective control.

Preventive control

In the author's opinion, with which I agree, the prevention is the first line of defense in the structure of control. Preventive controls are passive techniques designed to reduce the frequency of occurrence of undesirable events, such that prevent errors and fraud is more desirable than the detection and correction of problems after they occur. The vast majority of adverse events may be blocked in the first level, for example, at trade entities, a source document is a well-designed example of effective preventive control, and the logical structure of the document in areas that contain specific data, such as customer name, address, items sold, the quantity, obliges the clerk who introduces them to comply with the necessary data.

Therefore, well structured source documents could hinder the completion of the necessary data to be left out, but nevertheless, not all the problems can be anticipated and prevented, and there will be people who will try to circumvent and most comprehensive network of preventive controls.

Detective control

Detective control forms in fact the second line of defense; they are considered to be devices, techniques, and procedures to identify and expose unwanted events that escapes of preventive controls. Detective control reveals certain types of errors by comparing the current events with pre-established standards, so when detective control identifies a deviation from the standard, a message appears to draw attention to the problem. For example, at trade entities, if a clerck has entered erroneous data in a customer order, relating to the quantity or price, prior to processing the transactions, using an efficient detective control, should recalculate the total amount using the correct price and quantity of the product delivered.

Corrective control

Corrective controls are actions taken to reverse the effects of errors detected in the previous step, so that, in the opinion of the author, there is an important distinction between the detective control and corrective control. Detective control identifies anomalies and then draw attention to corrective control that actually solves the problem, but for any error detected there may be more than feasible corrective action, and the best course of action is not always obvious.

For example, at trade entities, if we take into account the error described above, the first action may have been changing the total value of the order to correct the problem, but this assumes that the values of the quantity and price of the document are correct, but they may not always be correct, so that, at the moment, we cannot determine the actual cause of the problem, we know only that it exists. Connecting a corrective action for an error that was detected as an auto-reply, can lead to a wrongful act causing a bigger problem than the initial error, and for this reason are and I agree with the author that the correction should be seen as a separate control that should be made with great caution.

Accounting documents as carriers of the accounting information under the accounting information system at trade entities

The activity of trade entities generates numerous daily operations to be recorded in the accounts, shall be recorded in the relevant documents. Since such documents prior to and base data contained in them, they are called supporting documents and is one of the components of the accounting method, without them, the accounts cannot make proof of their respective operations (Pântea, 1999: 46).
Moreover, any economic or financial operation must be justified, which is based on a material support that meets the conditions of form and content.
Supporting documents are written documents, elaborated there and when are noticed economic and financial operations and are data support and informations that justifies the performed operations, and, through them, is a prerequisite for the completion of the accounting information system operations and, in particular, the collection, processing, analysis, transmission, use and storage of data or information, as appropriate (Staicu, 2004: 91).
In the same context, Ivanof (2007: 86) said that accounts of economic entities in general (and those in the trade, in our case), requires, among other things, the use of multiple categories of accounting documents which provide both the reflection of the economic-financial operations, as well as creating the necessary preconditions for the processing, storage, and subsequent reporting of the data and information obtained.

The multitude and complexity of accounting documents claims classification or their structure depending on the role they perform within the accounting and information system such as:

-supporting documents;
-accounting registry;
-synthesis and reporting documents.

Forms used as documents, regardless of the category to which they belong, based on the importance and the frequency of their use, can be printed or not-printed.
Printed documents, as Oprea (2004: 138) also stated are information media in which the content, form and layout are preset and printed, shall be determined by the direction of the Ministry of public finance and shall be binding for all entities, and the not-printed ones are used ocassionally, and the content, form and their format shall be established for each of the entities according to their information needs.
By OMEF nr. 3512/2008 were approved the specific rules for drawing up and utilization of financial and accounting documents, as well as financial and accounting documents and models to be used and which can be adapted in terms of format, as required, with the obligation to respect the minimum content of information.
The trade entities mentions the economic and financial operations, in the context of their supporting documents, which shall be recorded in the accounts (journals, sheets and other accounting documents, as appropriate).
The supporting documents shall include the following main elements:

- the name of the document;
- name and surname and, where applicable, premises/address of the entity/physical entity which draws up the document;
- document number and date of elaboration;
- the mention of the parties involved in carrying out economic and financial operation (when applicable);
- the contents of the economic-financial operation and, when necessary, the legal basis of its performance;
- quantitative data and values related to economic and financial operation carried out, as appropriate;
- name and surname, as well as the signatures of the persons responsible for carrying

out economic and financial operation of the persons involved in the preventive financial control and the people have the right to approve such operations, where appropriate;

- other elements designed to ensure the recording of operations carried out.

The documents that form the basis of registrations in accounting can acquire the quality of supporting documentation only in conditions in which provides all the information laid down in the legal norms in force;

Thus, accounting documents, worksheets etc-journals, serving on the processing, centralizing and recording accounting transactions recorded in the documents, drawn up manually or by using the computer systems of automatic data processing, you must include all the facts relating to:

-the type, number and justification document date;

- the amounts corresponding to operations performed;
- synthetic and analytical accounts debit and credit;
- signatures for the drawing up and verification, where necessary, and entry of data in the documents is done manually or through the use of information systems of automatic data processing, where applicable.

At trade entities to correct the document where are recorded documentary operations of cargo receipt confirmation is required, by the signature, both the deliver and the receiver, and in the completion of documents through the use of information systems of automatic data processing, corrections shall be accepted only before processing them, mentioning the date and signature of the one who made the adjustment. The documents listed in the error, cancellations or additions (on the basis of which to make changes in files or in the database of the unit) must be signed by persons authorized by the management of the entity.

Entries in the synthetic and analytical accounting, at trade entities, shall be made on the basis of supporting documents, or document by document, or on the basis of a summary document, in more supporting documents whose content relates to operations of the same nature and period.

According to the accounting law No. 82/1991 republished, mandatory accounting records and entities in the trade are: the journal, the inventory and the ledger, they can be used in the form of registry, or computer listings, as appropriate.

As regards the registration forms in the accounts, at trade entities, they represent the system registry, forms, and related accounting records between them, which serve to record chronological and systematic in accounting of economic and financial operations carried out during the financial year.

Finally, in line with the foregoing, I am of the same opinion with Ivanof (2007: 87), namely that correctness, verification and processing them supporting documents affect the quality of the information provided by the accounting information system.

Processing documents in the accounting information system at trade entities

The European Economic Community adopted Directive 2001/115/EC allowing billing procedures modernisation of businesses, in their business relations, by sending invoices by electronic means in accordance with the rules of security, namely:

- electronic signature and
-Electronic Data Interchange (EDI)

As Hurbean (2013: 230) said integrating EDI technology is a technology used to exchange electronic documents intermedia in computer-computer manner between different entities or within them; the author noting that although EDI technologies facilitates the integration of data, they lack the ability to integrate processes and does not provide the flexibility required by modern applications, presenting certain advantages but also disadvantages, such as:

- **advantages:**
  - improves relationships with suppliers;
  - provides rapid response to business partners;
  - reduce data entry errors;
  -removes intensive tasks work.
- **disadvantages:**
  - claims the initial major investments and accounting equipment by both sides;
  - difficult implementation;
  - difficult quantification of benefits.

In terms of accounting documents in electronic form, in Romania, they must meet all the requirements of the legal provisions relating to content and form, recorded on the medium compatible with the automatic processing of data, signed with electronic signature and wearing time mark (in this case the invoices and receipts) provided to guarantee the authenticity, origin and integrity of the content for the purpose of their subsequent archiving in electronic form whether the transmission to other entities is being done in electronic form or on paper.
Electronic signature based on a qualified certificate issued by a certification service provider accredited within the meaning of law No. 455/2001 on electronic signature, republished, with subsequent amendments and additions, published in Official Gazette no. 316/30.04.2014.
The time brand is a collection of data in electronic form attached to the electronic document; It certifies that certain data in electronic form were presented at a time when the timetable of the service provider of the temporal marking within the meaning of law No. 451/01.11.2004 temporal, trade marks with subsequent amendments and additions, published in Official Gazette no. 1021/05.11.2004.
At trade entities issuing accounting documents shall be in one of two ways, at the option of the issuer: in electronic form or on paper; the issuer responding to the legality, authenticity, origin and integrity of the content.
Invoice in electronic form, for instance, is the document which uniquely characterize and unambiguously to the exchange or sale of goods or services, signed with electronic signature and wearing time mark, which contains the data contained in the form of the invoice, as provided for in art. 155 of law No. 571/2003 regarding the Fiscal Code, as amended and supplemented, and which is issued and managed by using information systems.
With respect to invoices trade entities may issue a package of bills in electronic form, involving two or more invoices in electronic form, in different times and sent to the same beneficiary in the same moment of time; or batch of invoices in electronic form-two or more invoices in electronic form, elaborated in different period and transmitted to different beneficiaries at the same moment of time.

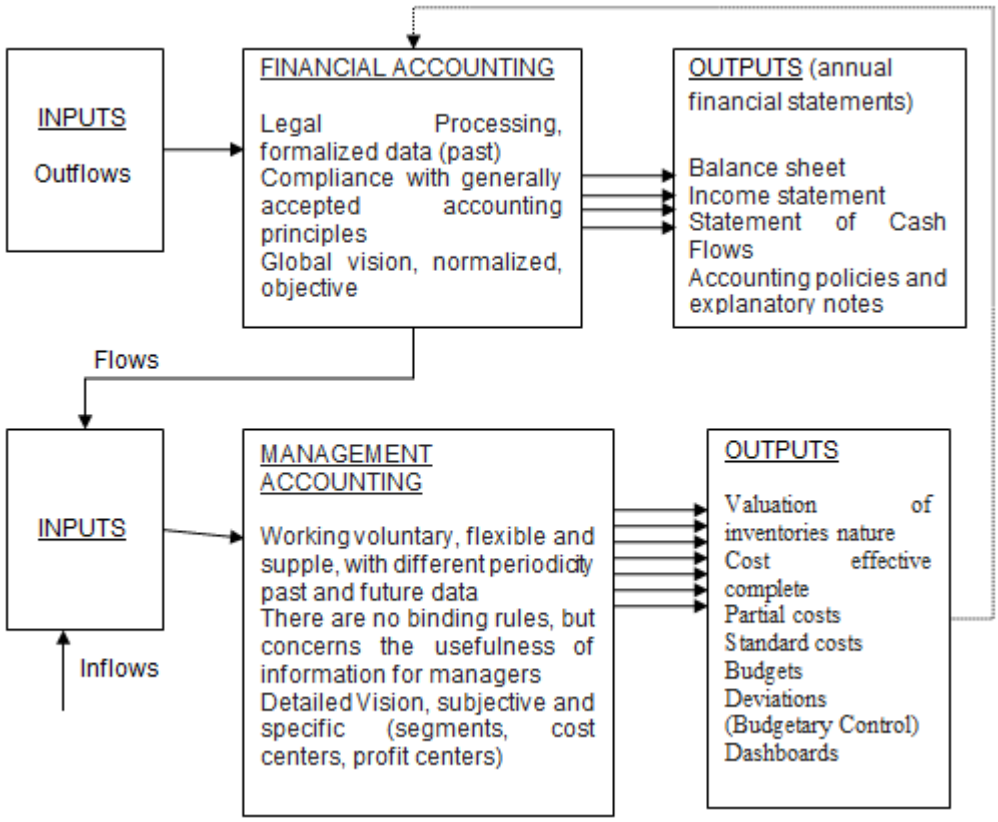


Figure 1: Accounting information processing Flow
Source: Grosu (2008: 15)

Conclusions

In conclusion, I consider that it is a necessary requirement that the accounting information system of trade entitties to follow the above mentioned requirements, for ensuring the functioning of the maximal parameters and also to ensure, at the same time, achieving maximum efficiency in terms of its objectives and functions.

At trade entities, for instance, regardless of the users and the objectives of the information supplied by the entity's accounting information system, information, they must have certain qualitative characteristics that facilitate the process of interpretation and use of accounting information; at the same time qualitative characteristics are needed because their accounting information through its better goal, to represent the support base for the elaboration of certain decisions by those interested; and finally, in line with the foregoing, I am of the opinion that correctness, verification and processing them supporting documents affect the quality of the information provided by the accounting information system.

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Legislation

Legea contabilităţii nr. 82/1991 republicată în Monitorul Oficial nr. 454/18.06.2008;
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STEREOTYPES REGARDING ACCOUNTING PROFESSION

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Abstract: *The current article presents the main stereotypes associated with the accounting profession, the traditional stereotype and the business professional stereotype. For the aim of this article to be fulfilled a content analysis on the major international publications has been made. The conclusion of the present qualitative study shows that even though the traditional stereotype of the account is more frequently used in relation to accounting profession, the second stereotype, the business professional accountant starts to become more and more present.*

Keywords: accounting profession, stereotypes, stereotype theory

JEL classification: M41

1.Introduction

The present article reviews the subject of the stereotypes that are commonly associated with the accounting profession, a subject that is at the least interesting. This topic is debated in the international literature by a relatively important number of authors and the results are by far intriguing.

There are two main stereotypes that are associated with the accounting profession. Before we take a look and see what they are referring to, we have to fully understand what a stereotype is and what are it's origins, so we can understand the insights of the two stereotypes mentioned above.

The article has the following structure: after describing the methodology, which is based on the content analysis, we present the results of our study concerning the stereotype theory and we elaborate on the two stereotypes associated with the accounting profession, namely the traditional accountant stereotype vs. the business professional stereotype. In the end we present the conclusions and the references.

2.Methodology

The purpose of this article is represented by a content analysis of the journals from the mainstream publications which of course debate the subject mentioned above. This is basically a research, a qualitative study meant to highlight the image that accountant professionals have in the eye of the public.

We've utilized the database of the faculty and we have searched articles using key words that would return relevant results. In the Romanian literature we couldn't find relevant and meaningful articles that could have ensured us a strong and sufficient number of articles, on which to rely our research upon. That is why the research was made in English, in the international literature. Out of numerous articles displayed, we've selected only the ones that were a fitting mach to our approached subject.

3.Literature review

3.1 The stereotype theory

The term 'stereotype' was used for the first time in a scientific context in the '20's. Walter Lipmann, the journalist, utilized this term to describe the 'image', that us people, create about certain events that occur and people that we met, in our life (Carnegie and Napier,

2010).
There are three elements that we need to consider when we talk about stereotypes. The first one refers to the fact that a certain group of people is going to differentiate itself from the rest of the people through one feature that can be found only at them. The most common features associated with the term of stereotype are nationality, ethnicity, gender, age, profession and appearance. The second element adds another few characteristics to the ones discussed above, that obviously can be found only at them. The last element, that combined with the other two form the notion of stereotype, says that every time we met someone and we find out that is part of a certain group we have the tendency to apply the stereotypical characteristics, on the spot, without even realizing (Kunda and Oleson, 1995). Most often, us people, create a certain image into our minds about a certain social category, and when we have the opportunity to interact with one or more members of that group, we apply the stereotype without even thinking. It is funny to notice, though, our reaction when those persons do not act as we were expecting to. For example, it is very likely that an accountant will not look or act like a bookworm, boring and with a nerdish kind of look, but on the contrary, to be very funny, communicative and open (Hilton, 1996).

3.2 Stereotypes about accounting profession: the traditional stereotype of accountant vs. the business professional stereotype

The most common stereotype about accountants says that the accountant professional necessarily has to be a man, with an antisocial, boring and introverted personality, very cautious and detail oriented and above all has a nerdish kind of vibe. In most cases, an accountant is seen as a corporatist policeman, a person who checks and checks again very carefully the numbers. The general opinion is that they are good with numbers, that they can calculate everything very precisely, but never that they are interesting persons, with leadership abilities, proactive and involved in everything that goes on in a company (Wessels and Steenkamp, 2009).
This, described above is the *traditional stereotype* about accountants, the one that has two connotations, a positive and a negative one. In the positive connotation, the accountant professional is a sincere and trustworthy person, is very careful with your money, and is very polite and reliable. The negative connotation presents the traditional accountant as a boring, faded individual, who is obsessed with money, and who it is not reliable (Hunt et al, 2004).
The 'bean counter' is another notion associated with the traditional stereotype of accountants. The 'bean counter' is the most common used syntagma in the international literature in regards with the accounting profession. It refers to the fact that accountants are unattractive persons, who lack creativity, and are only obsessed with precision and accuracy, and at the same time are conservative and methodic, and posses of course a dull, bitter and unhappy personality (Albu et al, 2011).
If a certain profession has developed over the time a certain stereotype in the eyes of the public, it is important to see if that image is accurate and if it is positive or negative. When is clear enough that the members of a certain group are being misrepresented because of that stereotype and that the profession becomes unappealing for new recruits, the stereotype must be countered (Carnegie and Napier, 2010).
We pled for the need to change the preconceived ideas that exist about the accounting profession, because they no longer correspond to the reality. An accountant does more than checking the numbers and calculating taxes. He basically helps the business to grow and takes part into decision making, providing elements that would help improving the business strategy.
The *business professional* stereotype is the most accurate representation of the accounting profession, in the current context. The professional accountant is not locked up in a office and only checks numbers, but he is involved more and more in decision making.

He is a consultant, a person that provides solutions to urgent problems, a person who interacts often with others and who must posses good communication skills (Carnegie and Napier, 2010).
It is not enough nowadays as an accountant, to only be good with numbers and detailed oriented. There are a series of skills that an accountant has to develop: to be able to solve problems fast, to be communicative, with a strategic thinking, to have knowledge about the business environment, IT skills, and last but not least to be able to make and deliver an impactful report and presentation (Wessels and Steenkamp, 2009).
The accountant that was seen in the past as introverted and dull, now is seen as a proactive and interesting person and skills from executive and management area are more and more associated with them. The new saying is that: accountancy is the new business language. So besides the idea that an accountant has to be an expert in his area he has to posses entrepreneurial skills (Carnegie and Napier, 2010). The idea that an accountant can be and has to be creative may be funny for some, but is more and more true. To be able to deal with the new challenges, accountants have to be creative when finding solutions to their clients problems.
Nonetheless, the media, especially the movies have yet to upgrade the image of the accountant, and present the profession using the traditional stereotype. One may argue that is more profitable, but that doesn't mean it is right, especially since they hold such an enormous influence over the public. Because they contribute to the idea that this profession is not interesting and challenging, and make it so, it becomes unappealing to new recruits (Smith and Briggs, 1999).
Some even came up with the idea that the name of the profession should be changed since it perpetuates the image of dullness and boringness, hence the traditional stereotype. They argue that if we were to use for example terms like 'financial advisory' or 'consultant' , the image of the profession would change in better (Carnegie and Napier, 2010).
For being able to be a good professional in the accountancy area you have to own a series of abilities, skills. The profile of a accounting professional involves being a hardworking person, with a open mind, and a nag for seeing the positive part of all things, with experience from various areas and with a resistance at being optimistic and proactive when things don't go the way they're supposed to (Murdoch, 2011).
The work of an accountant doesn't involve anymore dealing only with debits and credits. The first skills that are mentioned when talking about a true professional are very good communication skills, a desire to stay current on emerging trends and commitment to professional development, courage to lead, dedication, solution finder, good judgment and equally important, a good sense of humor (Murdoch, 2011). So, this description comes very close to the one that the business professional stereotype has.

4.Conclusions

The two stereotypes about accounting profession are the ones that either present the professional accountant as a 'bean counter', a shy and introverted person with poor social skills, or as a business professional, a person who is involved in all areas of the business, a person that is sociable and extroverted, and nonetheless, still has a well developed analytical skill.
Even though the business professional stereotype about accountants begins to be more and more present when one talks about this particular profession, the traditional stereotype still finds a way to make its place in the public's mentality. That confirms what the literature has to say about stereotype, the fact that they are rigid to change. This may be the reason why it will take some time until the accounting professional will not be seen as a boring, introverted person.
Nonetheless it is important to notice that the image that accounting profession has starts to

change, even though it will be a long road till the end. We consider to be a limit of this research the fact that the it is based solely on the international literature, since in the national literature this subject hasn't been approached yet. It would have been interesting to see what is the image of the profession in our country as well, but this paper could be the one to rouse the interest of many others. As for future premises, a research on the Romanian case is definitely something to pursue, because it will be interesting to see firstly, how accountant professionals see the profession they are part in, and secondly to see the opinion of the public regarding this matter.

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ANNUAL FINANCIAL STATEMENTS, INFORMATION SOURCES FOR RISK DETERMINATION IN THE CASE OF SATURN J.S. ALBA IULIA

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Abstract: The current work presents aspects related to how the annual financial statements of a company are a source of information for risk determination. The aim is to provide a framework for studying risk by combining theory with practice. The introduction of the study presents elements regarding the aims, research methodology, innovations of this research, literature also being reviewed in the following paragraph. The following paragraphs are presented based on a case study for Saturn J.S. Alba Iulia, in the case of which we determined the main categories of risk and their comparison to normal values in the industry. The last part of the study presents the conclusions of each paragraph separately.

Keywords: economic risk, financial risk, break even, leverage, financial statements

JEL classification: G12, G31, G32, M41

1. Introduction

This paper aims to develop a complex analysis of the main risk categories for the purpose of understanding how this occurs. The objective of this study is to determine in the case of Saturn JS Alba Iulia, based on annual financial statements, the risks to which the company is subject, and the significance of these risks through a system of indicators.
The research methodology involved the documentation, observation, data collection and the actual drafting of the paper. The current research is also both quantitative and qualitative. Reasons for choosing this research theme lie in the need for careful consideration regarding risks in the financial and commercial sectors, because they have particular importance in the economic companies. The documentation is divided into bibliographic, showing different views or opinions of the authors in the area of economic, foreign and Romanian, the other side of literature being the practical one, exemplified with the help of a case study based on real grounds. The next step of the methodology involved data collection researched in specialized books and the financial situation of Saturn JS. After processing the information and subsequent to the data collection, there could be observed, compared and considered whether the company in subject is exposed to risk or not.
Bibliographic notes presented at the end of the investigation, providing information in order to review the economic literature from the point of view presented and the less public items offered by Saturn JS Alba Iulia thus bring new elements to the present study.

2. The Risk – Linearity in Economic Activity

The economic entities activity is influenced by the business environment, supply markets, the markets, the credit system, security system, the technical level of production area.
Entities, in the normal course of their business, are subject to risk being forced to adapt to the economic environment condition.
Risk is defined as "something that is the inability of firms to adjust in time and best way to environmental changes" (Pierre Conso, 1985).
In the definition of the OECD in 1983, it is estimated that the risk consists of the possibility that a fact with unintended consequences actually occurs (W O'Shaughnessy, 1983).
We join his words (Cristian Nicolae Stoica, 2008: 81), who considers that risk "means the

likelihood of an event emerging and the impact of that event on the goal/objectives".
The risk is viewed "as a phenomenon that arises from circumstances for which the decision maker is able to identify evolutions / possible events even and their probability, without being able to specify exactly which of these events will actually occur" (Costea Munteanu , 1998).
Ion Stancu (2007: 41) shows that the basic principle in finance is: "the link between profitability, risk and investment in riskier projects must provide in the operating system, normally, a proportionally greater hope of return".
The structure of financial statements recently approved by the Ministries of Finance Order no. 1802 of 2014 for approving Accounting Regulations on individual annual financial statements and annual consolidated financial statements consist of: balance sheet, profit and loss account, statement of changes in equity, cash flow statement, explanatory notes to the annual financial statements for determining risk categories such as liquidity risk, default risk, market risk, economic risk, financial risk, risk marginal risk, tax risk, currency risk, credit risk. It also can address other risk categories namely: the risk of raw material supply markets, the risk of markets, technological risk, investment risk and other arising risks that can be listed.
Saturn JS Alba Iulia is a private company limited by shares, the company shareholder being C.I.M.U. LTD. Cinisello Balsamo (MI) - Italy. The company was founded in 1972 and began production in 1975 and is one of the most important Romanian foundries for iron castings. The main activity of the company is the production of iron castings, delivered cleaned, rough machined, painted and tension relieved (www.saturn-alba.ro).
In the following, we will process the necessary data from Saturn JS to determine several risk categories, using annual financial statements expressed in lei for the years 2010 – 2014, published on the website of Value Bucharest Stock Exchange. The main supplier of data making this study possible was the balance sheet, which is considered a document showing the position of a company.

3. Liquidity Risk Determined by Liquidity Ratios

Liquidity ratios "express the company's ability to pay its current debts that are due within short term" (Ion Stancu, 2007: 778).
In determining the liquidity ratios level within the period 2010-2014 in the case of Saturn JS we will process the balance sheets as "assets = liabilities".
Before we proceed to the calculation of indicators on balance sheet basis, we believe that provisions are "a resource category intermediate between equity and debt, they can be taken into account in determining equity". (Mihaela-Brânduşa Tudose, 2006: 217)
With regard to prepaid expenses they are "considered to be elements belonging to current assets" (Mihaela-Brânduşa Tudose, 2006: 217) and accrued revenues are "similar obligations which the company has towards others and relate to future years, not affecting the revenues of financial years".n(Ioan Bătrâncea, 2001: 53)

Table no. 1 The “Assets = Liabilities” Ratio

-lei-

Indicator	*Year*				
	2010	*2011*	*2012*	*2013*	*2014*
1. Fixed assets	9.525.636	10.669.857	12.484.786	10.093.600	12.969.124
2. Current assets	25.307.244	38.237.178	35.344.272	32.606.984	37.380.722
Inventories	10.272.121	14.570.187	15.501.126	15.266.357	15.983.187
Receivables	14.916.313	21.960.459	19.612.208	16.188.175	20.188.620
Cash and bank accounts	118.810	1.706.532	230.938	1.152.452	1.208.915
3. Prepayments	961.545	961.545	961.545	961.545	961.545

TOTAL ASSETS	35.794.425	49.868.580	48.790.603	44.501.129	51.311.391
Net current assets	15.606.466	16.668.226	18.239.451	19.659.270	24.904.159
1. Equity	23.017.764	25.566.788	29.277.600	29.547.120	36.929.862
2. Debt: amounts payable in a period exceeding one year	2.114.338	1.771.295	1.446.637	1.044.750	943.421
3. Debt : Amounts payable within a period of up to one year	8.899.805	20.836.059	16.371.928	12.214.821	11.743.670
4. In advance income	1.762.518	1.694.438	1.694.438	1.694.438	1.694.438
TOTAL LIABILITIES	35.794.425	49.868.580	48.790.603	44.501.129	51.311.391

Source: Annual financial situations of Saturn JS and the authors' processing

The net current assets or working capital have positive values throughout the period analyzed, showing that the company does not finance current assets.
The determination of total assets was achieved by adding fixed assets to current assets and prepaid expenses and to determine total liabilities, equity, short-term debt, medium and long-term liabilities, provisions and deferred income were added.
At first glance, assets and liabilities have fluctuated in the sense that in 2011 compared to 2010, the correlation assets = liabilities increased by 14.074.155 lei, and the next period 2012 to 2011 brings a decrease of 1.077.977 lei but still, comparing the base period with the reference period, there is an increase of 15.516.966 lei.
After establishing an equality between assets and liabilities further in the study there is a passage towards the actual determination of the liquidity rates in the period 2010-2014, that were calculated in the table below:

Table no. 2 Determination of liquidity ratios

%

Indicators	*Calculation Formula* (Moise Achim, Teodor Hada, Iulia Iuga, 2011:364)	*Normal value*	*Year*				
			2010	*2011*	*2012*	*2013*	*2014*
Current rate	$\frac{Current\ assets + Prepaid\ expenses}{Current\ debts}$	>1	2,95	1,88	2,22	2,75	3,26
Rapid ratio	$\frac{\text{Current assets} + \text{Prepaid expenses} - \text{Inventories}}{\text{Current debts}}$	≥0,8	1,8	1,18	1,27	1,50	1,90
Close rate	$\frac{\text{Available money} + \text{financial investment}}{\text{Current debts}}$	≥0,35 – 0,65	0,013	0,08	0,014	0,09	0,10

Source: authors' processing: Ion Stancu, 2007:778, Moise Achim, Teodor Hada, Iulia Iuga, 2011:364

According to calculations using the formula presented in Table no. 2 we have indications that the analyzed company has the current rate higher than normal values, recorded in 2010 with a peak value of 2,95%; and in 2014 with a value of 3,26%. The rapid rate is in all five years is above the normal value and the immediate rate is below normal due to lack of availability.

4. The Economic Risk Determined by the Operating Leverage Effect
Economic risk shows the dependence of the economic risk of variation in turnover and its

relative position to the breakeven. The operating leverage is determined by the formula (Teodor Hada, 1999: 205):

$$e = \frac{\text{Turnover}}{\text{Turnover} - \text{Operating breakeven}}$$

In turn, breakeven (PR) is determined by the formula:

$$PR = \frac{\text{Fixed costs}}{1 - \text{The coefficient of variable expenses in the total turnover}}$$

The father the turnover is from the break-even point, the less risky the company is and close to the breakeven the company is more risky.

Table no. 3 Determination of the operating leverage effect

-lei- and -%-

Indicators	*Calculation Formula* (Vasile Ilie, 2010, p. 179)	*An*				
		2010	*2011*	*2012*	*2013*	*2014*
Turnover (CA)	-	53.706.452	77.689.319	87.639.614	75.023.350	97.721.836
The coefficient of variable expenses (V) in turnover (a)	$\frac{V}{CA}$	0,7780	0,7783	0,7934	0,7414	0,7444
The operating break-even point (PR)	$\frac{Fixed\ costs}{1-a}$	52.542.299	75.595.746	86.581.815	73.308.484	92.472.797
The absolute position indicator	CA - PR	1,163,457	2,093,573	1,057,799	1,714,866	5,249,039
The operating leverage effect (e)	$\frac{CA}{CA-PR} \times 100$	46,16	37,10	82,85	43,74	18,61
Position in relation to the break-even point	$\frac{CA-PR}{PR} \times 100$	2,22	2,77	1,22	2,34	5,68

Source: annual financial situations of Saturn JS and the authors' processing

The turnover is taken from the profit and loss account of the company, non-variable expense coefficient is calculated by the authors from the company accounting management, as well as fixed costs.

Data analysis shows that Saturn JS Alba Iulia has the turnover far from the breakeven, the riskiest position being in 2012 when absolute position indicator was 1.057.799 lei, and the highest level of the absolute position indicator being in 2014, with a value of 5.249.039 lei. Position relative to the breakeven point has the lowest value in 2012, where the company is risky.

The data in the table no. 3 shows that the largest deviation from the breakeven point is 2014, so this year's work is less risky because the company can turn its turnover in excess of the limits of breakeven.

In relative values too, in 2014 the company is less risky, the leverage effect being the lowest.

5. Financial Risk

Financial risk (Teodor Hada, 1999: 207) is determined by the policy of the enterprise financing through equity or loans and is determined by two calculation methods:

- The financial risk analysis based on the breakeven method;
- The leverage effect.

5.1. Financial Risk Determined on the Base of the Break-even Point

The financial risk analysis based on the breakeven point highlights financial costs that can be considered fixed costs at a certain level of activity, and the breakeven (PR) can be determined by using the formula:

$$PR = \frac{\text{Fixed costs} + \text{Interest with a fixed cost}}{1 - \text{Coefficient regarding the share of variable expenses to the turnover}}$$

Risk evaluation can be made with the help of:

- Position indicator:
  - absolute: $CA - PR$
  - relative: $\frac{CA}{CA - PR}$
- elasticity coefficient: $\frac{\frac{\Delta \text{Current profit}}{\text{Current profit}}}{\frac{\Delta \text{Turnover}}{\text{Turnover}}}$

To determine the financial risk based on breakeven, we use the following table:

Table no. 4 Determination of financial risk indicators

-lei-

Indicator	*Year*				
	2010	*2011*	*2012*	*2013*	*2014*
Interest	153.100	297.149	355.153	239.817	153.100
Current profit	516.169	2.026.928	2.869.645	455.052	8.554.559
Breakeven point	53.232.635	76.936.066	88.300.851	74.235.850	93.071.780
The absolute position indicator	473.817	753.253	-661.237	787.500	4.650.056
The relative position indicator	113,35	103,14	-132,54	95,27	21,02
The breakeven coefficient	-	6,54	3,24	6,00	59,26

Source: annual financial situations of Saturn JS and the authors' processing

The data presented in Table. 4 shows that the position indicator has the highest value in 2014 where the company is less risky, and the lowest value appears even with a negative value in 2012, and the difference between the first and last analyzed year is 4.176.239 lei. The level of the relative position indicator is the lowest in 2014 (21,02 lei) where the company is less risky and is also an indicator closely related to the financial position and the elasticity coefficient shows oscillating values that increase from 3,24 lei to 59,26 lei.

5.2. The Financial Risk Analysis through the Leverage Effect

Further on we present the calculation relation between financial return based on economic profitability (Re), the leverage and other factors that affect the financial return. The calculation formula of financial return (Rf) is (Teodor Hada, 2004: 158):

$$Rf = Re + \frac{Debts}{Equity}(Re - Rd) + \frac{Vip + Veif + Vd - Caif \pm Raf}{CPR} \pm Re - Ip$$

Therefore, we present in the table below the results of indicators necessary to determine financial risk.

Table no. 5 Determination of financial return

-lei-

Indicator	*Calculation Formula*	*Year*				
		2010	*2011*	*2012*	*2013*	*2014*
Net Profit (PN)	-	374.896	1.674.618	2.220.064	263.145	6.736.169
Equity (CPR)	-	23.017.764	25.566.788	29.277.600	29.547.120	36.929.862
Financial return (Rf)	$\frac{PN}{CPR}$	0,0163	0,0655	0,0758	0,0089	0,1878
Economic return (Re)	$\frac{RE}{A}$	0,0204	0,0448	0,0687	0,0196	0,1737
Total debts (DT)	-	12.776.661	24.301.792	19.513.003	14.954.009	14.381.529
Leverage (L)	$\frac{DAT}{CPR}$	0,5551	0,9505	0,6665	0,5061	0,3894
Interest rate (Rd)	$\frac{Interest}{Debts}$	0,012	0,0122	0,0182	0,01939	0,0135
Income derived from interest (Vd)	-	2.753	716	1.109	1.154	894
Other financial income (Vf)	-	1.806.940	2.241.637	1.851.610	1.224.309	828.248
Other financial costs (Caf)	-	1.870.152	2.151.111	1.978.653	1.354.002	994.547
Income tax (Ip)	-	141.273	352.310	649.581	191.907	1.618.390

Source: annual financial situations of Saturn JS and the authors' processing

From the above data, calculated based on calculation formulas presented in the table we conclude that financial leverage is between 0,389 lei in 2014 and 0,9505 lei in 2011 showing that the medium and long term debt and short-term ones had no deposits in the five years of analysis of equity, the company rarely resorting to loans.
By analyzing the factors that influenced the financial return we note that in 2010 and 2013 economic profitability was greater than financial profitability since the company diminished the operating profit with other financial expenses.
The operating profit was diminished with other financial expenses recording values between 2.151.111 lei in 2011 and 994.547 in 2014.
Other financial income of the company have ranged between 2.241.637 lei in 2011 and 828.248 lei in 2014, positively influencing the financial profitability of the company.

6. Other Risk Categories Practised by Saturn JS.
The board of Saturn JS admits that risk management should be carried out in a consistent methodological framework and that risk management is an important component of the strategy to minimize the expected profitability of obtaining a level of profit while maintaining acceptable risk exposure to legal and regulatory compliance. The nature of Saturn JS performed activities exposes it to various risks including:
Market risk which, through its effective management, uses technical and fundamental analysis methods, statistics and forecasts on the evolution of economic manufacturing sectors, domestic and foreign markets in the area.
Saturn JS is exposed to market risk with the possibility that the value of its finished products will fluctuate due to changes in market prices of raw and basic materials, particularly iron, scrap metal, resin and hardener, electricity and gas.

With regard to currency risk, most of the company's financial assets and liabilities are denominated in national currency, but their share expressed in currency is not negligible, therefore the exchange rate fluctuations do not significantly affect the activity of the company.
In the case of Saturn JS the interest rate risk assumes that most financial assets and liabilities are non-interest bearing and therefore, fluctuations in market interest rates do not significantly affect the company's business. The surplus of cash or other assimilated monetary availabilities is not invested in securities or deposits with maturity in 6-12 months.
Saturn JS is exposed to the credit hazards afferent to the financial instruments arising from the possible default of payment that a third party has towards Saturn JS. For loans contracted as loans for investment and working capital line Saturn JS is exposed to credit risk on a possible delay or default of incumbent payment, due to lack of liquidity when time is due.
Another category of risk is related to interest, which implies that the tax system in Romania is subject to various interpretations and permanent changes, which may be retroactive. In some cases, the tax authorities may adopt a different position from the position of the company and can calculate certain interest and tax penalties. Tax legislation in Romania and the practice of fiscal measures frequently change and are subject to interpretations, sometimes different, of various authorities, the Romanian Government has in charge a number of agencies authorized to control both Romanian entities and foreign ones performing in Romania. These controls are largely similar to those carried out in many other countries, but can extend to legal or regulatory requirements of the country in which the Romanian authorities may be interested. In addition, these authorities seem to be less subject to strict rules and controlled companies seem to be less protected than in other countries. (Internal sources of Saturn JS)

7. Conclusions

Finally, we concluded that "life, by definition, is an uncertainty, given that an error or loss can sometimes be offset by gains. Whether we want or not, the risk and uncertainty is not an element of choice, but forms part of the human condition" (Florin Alexandru Bornea, 2010: 1).
From the facts presented in this research we conclude that the analysis aspects of economic risk content showed no unique approach to the concept of risk, generally accepted by most economists.
The analysis of the liquidity risk at Saturn JS shows it records values outside normal limits, both for the current rate, fast and immediate. The next analyzed category of risk, economic risk was determined by means of leverage and we can specify that 2014 is the least risky, due mostly to the absolute position indicator which has the highest value in the period. The last part of the case study focused on the risk calculation method based on both financial breakeven and leverage, but in the case of this category of risk, cost recorded values quite small. As a result, in what the risk for Saturn JS is regarded, based on the calculated indicators we conclude that the company is subject to risks specific to the market, recording its lowest risk in 2014 and the highest risk in 2012.
The last part of the thesis research involved the presentation of several other categories of risks associated to the analyzed company rules and how they relate to fair value in the balance recording of taxes and other debts to the state.
In order to reduce this risk, we believe it would be appropriate to evaluate the activity of Saturn JS in relation to risk management on an ongoing basis so as to draw an alarm signal when there is an alarming risk overflowing normal levels in the industry.

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INTEGRATED REPORTING - A MORE HOLISTIC PICTURE FOR A COMPANY

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Abstract: *Following recent trends and events – such as the global financial crisis along with environmental disasters, trust in business has lost so much and the investors and other stakeholders has been affected. Financial reporting has changes over the last years and is currently being challenged if it provides an accurate picture of the present and future performance of companies. Annual reports based on financial information cannot to provide sufficient information to potential investors in order to make a correct investment decision.*
A new concept has emerged in order to answer their challenge. This is integrating reporting and it offers the opportunity to provide investors strategy and value creation, how companies make decisions and if they should continue to be invested in the business or not. A integrated report go beyond the traditional financial metrics.
The aim of this discussion paper is to describe this new concept and to give a literature review analysis of the framework regarding integrated reporting evolution from the non-financial reporting, through environmental stage, until now. Based on literature overview, this paper gives an explanation of the companies need to disclose in addition to financial information of the other information: non-financial, sustainability and corporate social responsibility. A good and very known example for the integrated reporting is Philips Electronics, the Dutch healthcare and lighting company, a pioneer that embrace this concept, and the paper make an analysis of its experience. In 2008, company Philips decided to publish an integrated financial social and environmental report which reflecting the progress and embedding sustainability in way of doing business. This is also supported by the inclusion of sustainability in the Philips Mission, Vision and the company strategy. This is seventh annual integrated financial, social and environmental report which has been prepared in line with the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> framework. Company Philips is a frontrunner in this field, because publishes annual report with the highest (reasonable) assurance level on the financial, social and environmental performance.

Keywords: financial reporting, integrated reporting, integrated thinking, integrated report

JEL classification: M41

1. Introduction

The financial crisis was a kind reminder that financial reporting alone cannot provide an accurate picture of business performance and cannot satisfy the need of the investors and of heterogeneous stakeholders. At the same time, the world has changed due to globalization and resulting interdependencies in economies, advances in technology, rapid population growth and increasing global consumption and against this background, many companies, investors and governments trying to assess an organization's overall governance and performance in the short, medium and long term.

Because traditional financial reporting prepared financial statements under generally accepted accounting principles, with independent audit reviews for accuracy and

compliance with accounting standards and don't capture relevant market information and the non-financial measures that drive value and cannot provide full picture of corporate health, the big challenge for company is to development one report that connects material financial and sustainability information.

Corporate reporting's answer to this issue is represented by the integrated reporting. Integrated reporting's main result is an integrated report, which includes the financial information, management commentary, governance and remuneration, social and environmental matters, in a way that shows the connectivity between them and explains their impact on the entity's long, medium and short term value creating process (International Integrated Reporting Committee – IIRC, 2011).

Integrated reporting begins with a single document, One Report, combining an organization's financial and nonfinancial (environmental, social and governance) performance and illuminating the relationship between the two. But it also extends beyond a paper document, utilizing the Internet to facilitate the integration of performance reporting, as well as provide detailed information of particular interest to different stakeholders. It is about listening as much as talking - a conversation with all stakeholders about their expectations of the company's commitments and the performance metrics that ensure sustainability in economic, environmental, social and governance terms (Eccles and Krzus, 2010).

A good example is Philips, the Dutch healthcare and lighting company, whose annual report website contains the 2011 integrated annual report and annual reports dating back to 1998.

Philips provides three different reports, called 'Analyst selection', 'Sustainability selection', and 'Employee highlights', that contain information of particular interest to different users.

In addition to a wide variety of PDF reports which can be accessed and created, the website includes Excel spreadsheets which can be downloaded (financial statements, five-year overview, and performance highlights) and interactive charts (balance sheet, statement of income, profitability, cash flow, key figures per share, employees and sustainability). Each chart, which may be viewed as a bar or line graph and downloaded into an Excel spreadsheet, provides data for 2007-2011 and may be viewed by year (each data item in the category for each year) or by data item (all years for each data item). Since the information in these charts may be downloaded into a spreadsheet, the user is able to perform his or her own analysis, looking for relationships between different performance metrics – such as Green Product Sales, Green Innovation, and Lost Workday Injuries as a function of sales growth and profitability – and combine the information provided by Philips with other information, such as comparing the performance of Philips to that of its competitors (Eccles and Schulschenk and Serafeim, 2012).

The concept of integrated reporting represents one of the most innovative concepts introduced in the reporting arena in the last decade. The main aim of the paper is to describe this new concept, brief history and the motivation for the importance of this subject related to the emergence of the framework that regulates integrated reporting.

The International Integrated Reporting Council (IIRC) described <<IR>> to be a 'new reporting paradigm that is holistic, strategic, responsive, material and relevant across multiple time frames' (Adams and Simnett 2011, p. 292). Also, according to the IIRC, <IR> is an opportunity for not only improving transparency and governance but also 'decision making for organizations of all types' (Adams and Simnett 2011, p. 293).

2. Integrated reporting - concept

The research methodology used to achieve this article was to analyze the literature regarding integrated reporting and the main research method was a qualitative analysis, a method that helps to highlight the advantages of this new concept.

Integrated reporting has been developed by the International Integrated Reporting Council (IIRC), a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about businesses' value creation should be the next step in the evolution of corporate reporting (International Integrated Reporting Framework - IIRC, 2013).

The emergence of integrated reporting is in 2009 when South Africa's King III Code of Governance Principles was released and recommended that companies prepare and publish integrated reports. In 2010 complying with the King III and publishing an integrated report or explaining why not was made a listing requirement by Johannesburg Stock Exchange making South Africa the first country to have reporting requirements around integrated reporting. This lead to the establishing of the Integrated Reporting Committee of South Africa in May 2010, with the aim to develop guidelines on good practice in integrated reporting. In August 2010 the Prince's of Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) announced the formation of the International Integrated Reporting Committee (IIRC). IIRC was formed in August 2010 and aims to create a globally accepted framework for a process that results in communications by an organization about value creation over time (Integrated reporting - Global Reporting Initiative, 2011).

International Integrated Reporting Council (IIRC) include the following groups: regulators and standard setters (including the International Organization of Securities Commissions (IOSCO), the International Accounting Standards Board (IASB), and the American Institute of Certified Public Accountants); the current Chairs of the Big 4 accounting firms and other global audit firm networks; leading international groups with broad sustainability mandates (including the Global Reporting Initiative (GRI), and the Carbon Standards Disclosure Board (CDSB)); international bodies (including the World Bank, the United Nations Global Compact, World Business Council for Sustainable Development (WBCSD), and Principles for Responsible Investment (PRI)); international accounting and auditing bodies (including the International Federation of Accountants (IFAC) and the Institute of Internal Auditors (IIA)), investor groups, representatives from leading corporate reporters, and leading academics in corporate and extended reporting (IIRC, 2013a).

This new concept has been initiated by two separate bodies: the International Integrated Reporting Council in the United Kingdom (IIRC) and the King Report on Governance for South Africa. The IIRC has the mission to create a globally accepted Integrated Reporting Framework. According to the King report, integrated reporting is: "a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability" (Institute of Directors of Southern Africa, 2009). The IIRC defines Integrated Reporting as: "A process that results in communication, most visibly a periodic "integrated report", about value creation over time. An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term" (International Integrated Reporting Framework - IIRC, 2013).

According to the King Report on Governance for South Africa, the overall objective of integrated reporting is to help stakeholders assess whether an organization can create and sustain its value over the short, medium, and long term. King III states that integrated reporting is an approach by which organizations demonstrate their responsibility towards the global economy and the three major stakeholders: shareholders, society, and the environment (IRCSA, 2011).

Integrated reporting (stylized by the IIRC as '<IR>') is described by the IIRC as the basis fundamental change for reporting and a important aim of <IR> is to support integrated thinking and decision-making. Integrated thinking is seen by the <IR> Framework as "the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects"(Eccles and Krzus, 2014).

3. From Integrated thinking to Integrated Reporting

Integrated Reporting is a process that results in communicating—through the annual integrated report— value creation over time. According to Robert Eccles "good companies will see integrated reporting as an opportunity to communicate on and implement a sustainable strategy, […] one that creates value for shareholders over the long term while contributing to a sustainable society. However, accomplishing this at a global scale means that integrated reporting needs to be mandatory, not voluntary exercise. It also needs to be done to a set of standards" (Eccles & Kiron, 2012).

Integrated reporting is an expression of the "integrated thinking," a reflexion of the management's capacity to monitor, manage and disclose the entire complexity of the value creation process and how it contributes to success in time, and communication of this process can help the stakeholders, and particularly the investors, understand both the way a company is performing at present and how it is likely to perform in the future (Indra, 2011).

Integrated reporting can connecting information about an organization's current decisions with future prospects; connecting information about strategy, risk, remuneration and performance; and recognizing that the economy, environment and society are inseparable and therefore information provided to understand an organization's performance in each of these areas needs to be viewed as part of a whole. So, integrated reporting and integrated thinking go hand-in-hand.

The best example to highlight the relationship between integrated reporting and integrated thinking is Philips' report. In 2008, company Philips decided to publish an integrated financial social and environmental report which reflecting the progress and embedding sustainability in way of doing business. This is also supported by the inclusion of sustainability in the Philips Mission, Vision and the company strategy. This is seventh annual integrated financial, social and environmental report which has been prepared in line with the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> framework. Company Philips is a frontrunner in this field, because publishes annual report with the highest (reasonable) assurance level on the financial, social and environmental performance.

Philips Annual Report is a good example for other entities interested in applying the integrated reporting because this company already has a history in integrated reporting and it is interested in finding the best practices in order to provide all information for its stakeholders.

In this reports, Philips uses relevant best practice standards and international guidelines while reporting on the sustainability performance, most important are the Global Reporting Initiative's (GRI) new G4 - Sustainability Reporting Guidelines as well as the International Integrated Reporting Council (IIRC), regarding Integrated Reporting <IR> framework.

Also, the goal of Philips is to understand the specific challenges, to ensure that success is repeatable and the most important thing is to create the value for all stakeholders. Following, The 'Creating value for our stakeholders' diagram issued by International Integrated Reporting Council framework, company Philips created the diagram Creating value for our stakeholders with the Philips Business System at the heart of our endeavors-using six different forms of capital to drive value in the short, medium and long term (human, intellectual, financial, manufacturing, natural and social).

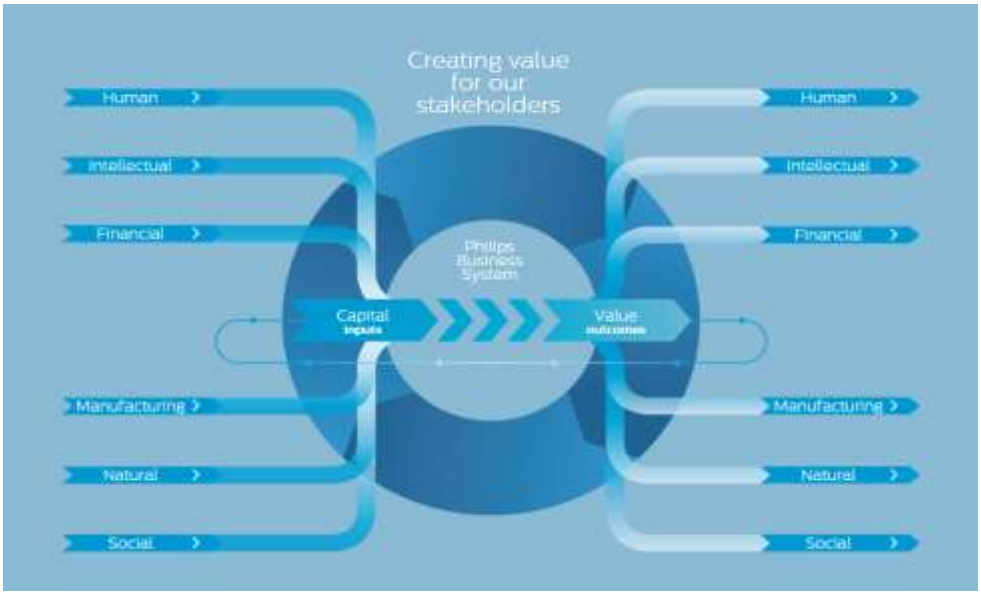


Figure 1. Creating value for our stakeholders with the Philips Business System
Source: PHILIPS ANNUAL REPORT 2014
http://www.2014.annualreport.philips.com/#!/home/

In 2014, Philips has published data on its sustainability activities as part of its integrated annual report, covering its financial, social and environmental performance. The company announced that it made solid progress in its EcoVision program which sets sustainability performance targets for the end of 2015. Metrics beyond financials is most important part of Philips report, such as social performance, environmental performance and sustainability statements (Philips Annual Report, 2014).
Social performance is an important element because the company trying to provide innovative solutions that address major trends affecting the world – the demand for affordable healthcare, the need for greater energy efficiency and the desire for personal well-being. Products and solutions from portfolio that directly support the curative (care) or preventive (well-being) side of people's health, determine the contribution to the social dimension.
Regarding to environmental performance and sustainability statements, Philips has a long tradition of sustainability reporting, beginning in 1999 when we published our first environmental annual report. This was expanded in 2003, with the launch first sustainability annual report, which provided details of social and economic performance in addition to environmental results and in 2008 the company decided to publish an integrated financial, social and environmental report. In the performance section an overview is given of the most important environmental parameters of the program such as Improving people's lives, Health & Safety, and Supplier Sustainability. Sustainability is strongly embedded in business processes, like innovation (EcoDesign), sourcing (Supplier Sustainability Involvement Program), manufacturing (Green Manufacturing 2015) and Logistics (Green Logistics). The Sustainability Board is the highest governing sustainability body in Philips, chaired by Jim Andrew, member of the Executive Committee. Sustainability is integrated in company strategy and embedded in the organization, to reflect this "integrated thinking" (Philips Annual Report, 2014).

In the article “Six Reasons Why CFOs Should Be Interested in Sustainability” (Braaksma, 2010- Philips Annual Report) are described the benefits that Philips has already received from integrated reporting which are identified in three areas targeted for improvement: improved engagement by feedback loops, improved workflow management, and providing reasonable assurance.

The benefits of Philips’ integrated reporting are obvious. The process improvements result in more timely and higher-quality data that is now delivered more frequently to a very senior audience in many categories of stakeholders. More frequent information also means that corrective action can be taken in a timely manner—and the company can deliver on its sustainability commitments. Another effect is that more internal stakeholders review the data which results in further data quality improvements (Philips Annual Report, 2014).

4. Integrated report-new perspective in corporate reporting

The main result of integrated reporting is the integrated report: the kind of report the IIRC predicts will replace current corporate reports. This means a report that combines financial information (annual reports) with non-financial information (environmental, social and corporate governance)

The IIRC defines integrated report: “An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.”

According to Krzus (2011), the core concept underlying the term “integrated reporting” is providing one report that fully integrates a company’s financial and non-financial (including environmental, social, governance, and intangible) information. However, integrated reporting is far more than simply combining a financial report and a sustainability report into a single document.

In other words, integrated reports tell us the organization’s value creation story in a clear, concise and understandable way. It’s an important document by which the organization communicates a holistic view of its current position, where it’s going, and how it intends to get there. So, it is a report explaining investors and other stakeholders the strategy, behavior and activities of an organization in terms which assess the ability to create and maintain value in the short, medium and long term

The structure of an integrated report is not prescribed by the Framework; nor should the guiding principles and content elements be seen as a tick box exercise. The Framework cannot provide the structure of integrated report but suggested the most important elements, referring to information which is interconnected.

The most important elements are as follows, as defined by the IIRC:

“1. Organizational overview and business model:

What does the organization do and how does it create and sustain value in the short, medium and long term?

2. Operating context, including risks and opportunities:

What are the circumstances under which the organization operates, including the key resources and relationships on which it depends and the key risks and opportunities that it faces?

3. Strategic objectives and strategies to achieve those objectives:

Where does the organization want to go and how is it going to get there?

4. Governance and remuneration:

What is the organization’s governance structure, how does governance support the strategic objectives of the organization and how does it relate to the organization’s approach to remuneration?

5. Performance:
How has the organization performed with respect to its strategic objectives and related strategies?
6. Future outlook:
What opportunities, challenges and uncertainties is the organization likely to encounter in achieving its strategic objectives and what are the resulting implications for its strategies and future performance?"**5. In conclusion**
It is important that you write for a general audience. It is also important that your work is presented in a professional fashion. These guidelines should help to achieve that goal. By adhering to these guidelines, you help the conference organisers tremendously in ensuring impressive presentation of your paper and we thank you for your co-operation.

5. Conclusions

Since the main purpose of this article and also the above, the integrated reporting is a new important concept that will change the corporate reporting. For understanding why integrated reporting is so important to the future of sustainable business it is necessary to read an integrated report, for example Philips Annual Report. Philips Electronics is a leader in integrated reporting, after its first report in 2008, Philips' integrated reports and its integrated reporting website had a continuing evolution, and every new report it was much improved, so 2014 it produced its seventh generation report. Philips wanted to live up to its brand promise of —sense and simplicity - and offer its stakeholders a single website and paper versions of the integrated report have been reduced to the minimum, also, a single report enabled cost savings.
The most important aims of the integrated reporting is to include in the same annual report information regarding financial performance and governance together with social and environmental performance and one of the tasks of the IIRC—to bring financial and ESG information together in a clear, concise, useful, balanced and comparable format. The problem is that sustainability reporting history has been around 15 years, after GRI guidelines introduction, the world‘s most widely-used framework for sustainability reporting and financial reporting has been around 150 years, and elements of integrated reporting need to be brought together gradually in order to ensure that the end result is a good one.

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TARGET - COSTING: MODERN METHOD OF COST CALCULATION AND ANALYSIS IN ROMANIA

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Abstract: *The profound changes that have occurred in recent decades have led to changes in the economic life in the mechanism of internal management of the company, involved in the management costs.In the current socio-economic context more complex and uncertain, the company needs a global cost calculation system and pertinent therefore emerges the need to find relevant calculation methods and cost analysis.In countries like the US, Japan, France this approach was obtained using methods adapted to the requirements of current practice, of which mind: ABC Method (method of calculation and cost analysis activities) method Target - Costing (objective cost method or target cost method) and value analysis method. The paper presents theoretical concepts of target-costing method, accompanied by a case study for better understanding of the advantages of applying this method in calculating and analyzing costs at Romanian enterprises.Target costs are based on the rule that the market dictates the selling prices and not the businesses costs.However, because the market is not interested in the cost structure (variable and fixed, direct and indirect operating, financial and extraordinary, controllable and uncontrollable, determined and discretionary;actual and preset etc.) is necessary to cover long-term undertaking all the entriprises' costs.Therefore, directly or indirectly, accounting and cost analysis plays an important role in strategic decisions, the basic tool of strategic pilotage of any undertaking.Modern methods of calculation and analysis of costs, are part of a larger whole strategy aimed at the market, production management,human resources management, enterprise relationship with his environment, following a new trend called "simultaneous engineering".*

Keywords: cost objective, expected margin, simultaneous engineering

JEL classification: M41

1. Introduction

Using the method target - costing in the calculation and analysis of costs was imposed by the essential changes that have occurred in the internal and external environment of the enterprise:

- the need to produce small quantities to meet the changing needs of consumers;
- the introduction of new methods of organizing the production (such as JIT: Just-In-Time);
- further automation of production processes (eg. CIMS systems: Computer Integrated Manufacturing Systems);
- increasing the share of Research and Development expenditure;
- increasing the share of indirect costs.

The basic principles of the method are:

- calculation and cost analysis is done by product, because:
  - the product links the business with the market;
  - product carries profit.
- calculation and cost analysis is carried out throughout the lifetime of the product.

This method is based on statistical finding that ≈ 80-90% of the cost of a product are still committed to the design phase.Therefore the ability to influence the cost decreases as it

progresses in stages of creating a product.

- viability of a product is measured by reference to the market in the double aspect: price and customer satisfaction.

The methods' principle is thet: the market dictates the selling price and not cost of undertakings, therefore a product launched on the market must respond to its imperatives since conception. In these circumstances, it is necessary to obtain information on the sale price accepted by customers, since the product design phase. The cost of the products that can be made to be correlated with the market price, this cost is called the target cost, which is estimated to cost in terms of a competitive sale price forecast.

Target Cost = Sale price competitive forecasted – Margin expected

It is a total opposite logic to the one to make a product with certain characteristics (technical, economic, functional, etc.), the one to see how much it costs and add a margin:

Cost achieved + Margin desired = Selling price

Competitive selling price is estimated based on a combination of external and internal factors: the needs of potential customers, purchasing power of its, competitors' prices, the degree of rivalry in the sector, the existing production capacities in introducing of new technologies, etc., and margin based on an average margin sector and business objectives in return.

The estimated cost of a product is defined taking into account:

- functions that the product must satisfy in order to meet customer needs;
- technical skills, technological and human enterprise.

If the estimated cost is higher than the target cost, functions, components, manufacturing process of the product are reviewed in order to bring the estimated cost of the target cost.If the estimated cost remains above target cost, product development project is abandoned.Objective cost or target cost aims to provide a rigorous method of reducing the cost of a new product, to ensure a sufficient margins while keeping balance with its quality.

Reduce costs on businesses as a whole, may be achieved in particular by:

- cost analysis in the phase of product design;
- control various phases of product life;
- reducing the time of conception and launch of new products;
- better organization of relations with customers and suppliers;
- mobilize and motivate all business units and ensuring greater compatibility.

Defining features of target-costing method:

- is a unitary concept of product-oriented management costs;
- is based on functional analysis of costs (how much the value of the product to cover as many functions) to analyze the substitution (what product can do the same with lower costs or better insurance functions);
- product orientation to customer requirements, the customer expects a certain relation between price and functional capacity of the product and the company should focus on producing these requirements;
- ensuring competitive capacity instead of quick savings;
- knowledge of costs in an early stage of the product birthday;

We note, objective cost method does not require a specific single technical, but a set of tools and methods (value analysis, functional analysis, evaluation matrix, value chain, ABC, etc.), therefore is expensive and requires the involvement of all business units; but its application is a way to improve enterprise performance.By doing so, are identified and resolved problems and special interests, potential conflicts between the objectives are discovered in time, and in this way prevents subsequent modification costs or delays in product promotion market.

2. Case Study

To better understand the workings of the method, we present a **case study**:
The company I & A has as its object the production and marketing of women's lingerie. It sells its' production in Romania through a network of supermarkets. The company wants to penetrate the market stores specializing in luxury goods,offering them high quality products. To this end it has attracted a workshop for the manufacture of body.The workshop is an autonomous management center.The director of this workshop seeks to achieve cost optimization returns 10% of the assignment to the company I & A.Officials from the I & A made a thorough study of product-market couple, negotiated with major stores and a representative panel of specialist shops in order to determine selling prices to be proposed final customer.

Table 1: Distribution circle

	Large Stores		Specialized Stores		
Modele	**M_1**	**M_2**	**M_3**	**M_4**	**M_5**
Unit selling price without taxes (euro / pcs.)	163,170	233,025	309,690	454,470	604,740

Management center director must produce by taking into account these selling prices.Having calculated the costs of different models by ABC, asks you to help him (it will not influence the assumption of selling price and cost).

1. With the help of Annex 1, we calculate the transfer price which will be applied during the transfer of goods from the company I & A workshop and deduct the cost target to be reached to achieve the objective of profitability.
2. Starting in Annexes 2, 3, 4, 5 and 6 compare the estimated costs of the target obtained at point 1 and draw conclusions.

Annex 1: the level of the successive margins

The transfer price of products in the company I & A is equal to 60% of the selling price to distributors (rest covers distribution costs, overheads and margins in the company I & A). Margin realized by supermarkets is 25% of their sales price, the specialized shops is 50%.

Table 2: Annexe 2 - classification of materials and unit purchase price of materials

Model / *Materials*	**M_1**	**M_2**	**M_3**	**M_4**	**M_5**	Unit acquisition price
1. Cotton Lining	0,20	0,20	0,30	0,30	0,30	55,000
2. Elastic Lace	-	-	-	-	0,20	19,500
3. Lace bed	-	-	0,40	0,40	-	17,125
4. Knit 48% polyamide	-	0,10	-	-	-	72,000
5. Knit 92% polyamide	-	-	0,10	-	-	78,500
6. Knit 95% cotton	-	-	-	0,10	-	98,500
7. English embroidery	0,10	-	-	-	-	33,500
8. Removable braces	2	2	-	-	2	5,000
9. Eyelet	2	2	2	-	2	1,300
10. Bra hook	-	-	-	-	1	1,225
11. Buttons	-	-	-	1	-	1,750

12. Fittings	-	2	2	-	2	3,075
13. Wherefore	1	1	1	-	-	2,800
14. Laceof 5 cm	-	-	-	0,30	-	11,000
15. Laceof 8 cm	-	-	-	0,40	0,40	15,000
16. Elastic ribbon	0,8	-	-	0,8	-	3,750
17. Coat hanger	1	1	-	-	-	1,750
18. Individual packaging	-	-	1	1	1	2,250

Table 3: Annexe 3 - Allocation of indirect costs on situation analysis centers on the activities and drivers

Analysis Center	Indirect Expenses	Activities	Induction activities
Supply	571,700	Relations suppliers Control reception Supervision of stock Supply of tailoring Purchasing from other sections	Reference number materials Reference number materials Reference number materials Number of manipulation Number of lots in manufacturing
Tailoring	1.562,900	Consultancy development patterns Ordering Quilting and Cutting	Number of patterns Number of lots in manufacturing Number of manipulation
Sewing Machine	3.195,340	Sewing machine	Number of minutes
Paking	283,500	Packaging specialized stores Packaging for supermarkets	Number of products for specialized stores Number of products for supermarkets
Control	142,200	Control	Number of lots in manufacturing
Administration	1.021,300	Accounts payable General administration	Reference number materials Value-added materials
	6.776,940		

Tabel 4: Annexe 4 - The allocation of indirect costs regrouping centers on activities and unit cost per inductor

Regrouping centers on activities	Inductor	Expenses	Inductors' volume	Unit cost per inductor
C_1	Reference number materials	358,000	18	19,89
C_2	Number of manipulations	1.254,000	772	1,62
C_3	Number of lots in manufacturing	444,200	636	0,70
C_4	Number of patterns	395,000	5	79,00
C_5	Number of minutes	3.195,340	1.893.000	0,0017
C_6	Number of products for specialized stores	198,000	63	3,14
C_7	Number of products for supermarkets	85,500	53	1,61
C_8	Value-added to materials	846,900	5.930.640	0,0143%
Total		6.776,940	x	x

Tabel 5: Annexe 5 - Thecalculation of the unit cost estimated thru patterns of ABC method

	M_1	M_2	M_3	M_4	M_5
Materials	34,500	41,500	45,000	49,500	46,375
Reference number materials	1,380	1,875	2,790	6,915	6,500
Number of manipulations	1,705	1,290	28,140	30,705	20,475
Number of lots in manufacturing	1,345	1,430	9,255	10,095	10,095

Number of patterns	1,320	2,085	3,945	5,385	10,770
Number of minutes	16,455	24,855	24,060	32,910	25,320
Number of products for specialized stores	-	-	4,710	4,710	4,710
Number of products for supermarkets	1,810	1,975	-	-	-
Production cost	58,515	75,000	117,900	140,220	124,245
Value-added to materials	3,000	4,920	10,410	12,945	11,100
Estimated cost	61,515	79,920	128,310	153,165	135,345

Tabel 6: Annex 6–Production conditions, number of lots in manufacturing

Pattern	**M_1**	**M_2**	**M_3**	**M_4**	**M_5**
Producţia prevăzută	90.000	57.000	30.000	22.000	11.000
Patterns of 5000	10	6	-	-	-
Patterns of 2000	20	10	-	-	-
Patterns of 1000	-	7	5	2	1
Patterns of 500	-	-	10	10	5
Patterns of 100	-	-	150	100	50
Patterns of 50	-	-	100	100	50

1. Our Prices workshop assignment to the company I & A and target cost of the workshop

Annex 1 allows expression workshop assignment price of the company I & A, depending on the selling price to distributors.
The price of the transfer to the company I & A = 60% of the selling price to distributors.
The selling price to distributors = selling price without taxes - distributors margin = Sales price without tax (1-rate margin).
It is known that the studio wants to obtain a margin of 10%. therefore,
Target cost = price of assignment to I & A - Margin = 90% price transfer to I & A.

Tabel 7: Annexe 7 – Prices, costs

Pattern	**M_1**	**M_2**	**M_3**	**M_4**	**M_5**
The selling price without taxes	163,170	233,025	309,690	454,470	604,740
Margin rate	25%	25%	50%	50%	50%
Transfer price to distributors	122,378	174,769	154,845	227,235	302,370
The price of assignment to I & A	73,427	104,861	92,907	136,341	181,422
Target Cost	66,084	94,375	83,616	122,707	163,280
Estimated Cost	61,515	79,920	128,310	153,165	135,345

2. Comparison between target costs and estimated costs

Product comparison shows that M3 and M4 models had a higher estimated cost target cost. We must seek paths to reduce the estimated cost of these two luxury models. Annexes 2, 3, 4, 5 and 6 allow to obtain the following tracks:

- Complexity models (handling time sewing machine);
- Working materials;
- Small series production.

Specifically, the company must produce models M3 and M4 in larger series and reduce their complexity (number of reference materials, number of manipulations during sewing machine).

Objective cost method ensures continuous improvement of product costs and therefore, particularly important if we consider the highly dynamic competitive environment in which firms operate.

Conclusion:

Directly or indirectly, accounting and cost analysis plays an important role in strategic decisions, the basic tool of strategic piloting of the company.

After all, modern methods of calculation and analysis of costs, are part of a larger whole strategy aimed at the market, production management, human resources management, enterprise relationship with his environment, following a new trend called "simultaneous engineering ".

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ROLE OF THE MANAGERIAL ACCOUNTING IN DIFFERENT PHASES OF THE CORPORATE LIFE-CYCLE

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***Abstract**: In the last two decades in our economy, a radical change occurred in life and environmental features of corporations. The following things have brought realignment: formation of market economy conditions; essential transformation of the ownership relations in the corporate targets, operation, funding etc. In order to be left standing, the corporations shall constantly pay attention to the changes of their environment and they shall prepare for the changes in time. The owners, leaders of corporations (whatever managing level it is) are up against different decision-making situations in single phases of the corporate life-cycles. The most important task is to help the up-to-date information of leaders in order to make effective business decisions and to operate the firm successfully. The information ensured by the managerial accounting is necessary for the decision-making process and the information supply of leaders. The condition of implementing a management-oriented accounting system is to bring to light the looking to the future instead of/beside the examination of past events.*

Keywords: *managerial decision-making, corporate operation, decision-making situations, management-oriented accounting system*

JEL classification: G41

1. INTRODUCTION

In the last two decades in our economy, a radical change occurred in life and environmental features of corporations. The following things have brought rearrangement: formation of market economy conditions; spreading of new business and organizational forms; essential transformation of the ownership relations in the corporate targets, operation, funding etc. There were also changes in judgement of the corporate performance and corporate growth. The strengthening of the proprietorial aspect increasingly expects the corporations to operate successfully in the long-term; it is impossible to carry out without a sustainable competitive advantage. In order to reach the growth, the corporations shall constantly pay attention to the changes of their environment and they shall prepare for the changes in time.
The enterprises go through different phases from their establishment. The phases are built on each other and this fact forms an enterprise's course and path of life. Several researchers have already taken a fling at modelling of the course of life in its completeness. The models for corporate growth and organization development present the features, success factors and problems of each phase of the enterprises and they provide guidance regarding the possible solutions. Despite their matter-of-fact approach, their applicability is questionable since they characterize the single development phases

along a lot of factors, practical symptoms and properties difficult to quantify; therefore the classification of corporations into phases is a circumstantial task. However, if it is solved successfully in case of a given corporation then the growth models can be an excellent tool for the corporate leaders. The typical features, managerial devices and behaviour patterns of each life stages can be known from the description of life-cycles.

2. CORPORATE LIFE-CYCLE MODELS

The economic crisis has acutely shined the spotlight on the enterprises. The enterprises have (had) to revise their strategies during which the management has (had) a major role. Though before the crisis as well, more and more researchers dealt with the problems of enterprises, especially with the financial difficulties of small and medium-sized enterprise, but the market challenges of today acutely compel the companies to review their future chances. More and more firm managers were forced to think about that in which life-cycle their enterprises can be found, what possibility they have in order to lead their companies to a more developed life-cycle (or at least in order to avoid a recession) by means of adequate planning, regulation, organizational development, motivation. During the last half century, numerous researchers dealt with the life-cycle models of the enterprises - [LIPPITT – SCMIDT 1967, QUINN-CAMERON 1983, MILLER-FRIESEN 1984, ADIZES 1992, GRENIER 1998, TIMMONS 1990, HISRICH – PETERS 1991, GÖBLÖS – GÖMÖRI 2004, KUCZI 2002, KŐHEGYI 2001, SZERB 2000, SZIRMAI 2002, SALAMONNÉ 2006] etc. – who expounded the features and characteristics of the enterprises' different life-cycle phases. According to [MISKOLCZI 2012], based on the situation assessment performed by the help of the life-cycle models, the management can value the problems in accordance with the corporate life phase and the tasks can be determined and prioritized consciously at time of forming the further life course of the corporation. Albeit each model is widely applied separately, according to our experiences, it is worth evaluating as many models as possible on an examined corporation during the practical researches, in order to get the most complete model possible as a basis of the alternatives for further development of the given company, by means of the different models. [HORVATH - PAPP 2015] This treatise sets forth what role the controller plays in realizing the tasks mentioned before, in reaching the goals.

The researchers of the life-cycle model not always deal with the complete life course of a corporation. [CHURCHILL-LEWIS 1983, TIMMONS 1990, DAVIDSON, 2009) focus on the starting-up of an enterprise and early stages of its operation. It can be observed that, excluding life-cycle models of [MILLER-FRIESEN 1984, ADIZES 1992], none of the models touches upon the declining phase of a corporation. Maybe, this 'cautiousness' is not a coincidence viz. as long as the growth has clear signs, development of the life course can be more and more difficult to assess realistically in the last declining phase. In their opinion, the life course inevitably ends in the decline then cessation of a corporation while others [GREINER 1972, QUINN-CAMERON 1983, MILLIMAN et al. 1991] leave the possibility open for the further development phases.

Among the life-cycle models, the typology of (ADIZES 1992) is the best known. This model presents the life path of small and medium sized enterprises, from birth to death. Model of Ichak Adizes is phased where he examined the breaking points in a life-cycle and their triggering causes in depth. His examinations preferably focused on the internal changes, taking less notice of changes in the external environmental factors. He sheds light on the managerial skills, organizational operation and management of risks as well as on that which development pase the examined enterprise is in, what targets operate it and what loss it has possibly met with until now. The lack of abilities can result in development disorders in the short term and decline in the long term – this could be the reason of that

the growth is not the most important primarily but the most important thing is how a given frim is able to renew itself. Piquancy of the model is that the author handles the organizations created artificially as living organisms, according to which the growth phases are determined (Zsupanekné, 2007)

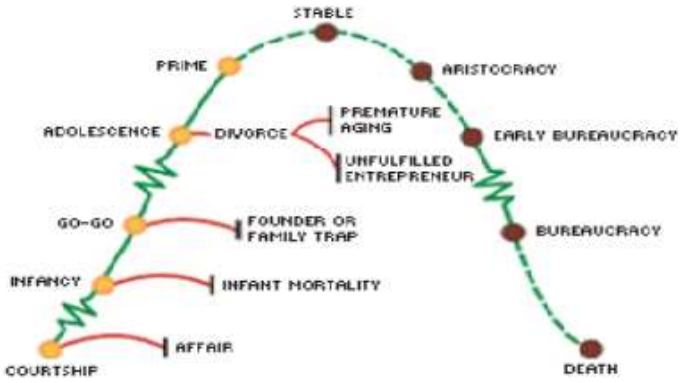


Fig. 1 Corporate life-cycle modelVállalati életciklus modell
Source: [ADIZES 1992]

Getting started – Babyhood
From the side of founder, here the enterprise is still only an idea, but he/she has already comitted himself/herself to the implementation. The risk bearing is also big but the risk can be decreased if the entrepreneur draws up a properly reasoned and elaborated plan. The plan ponders how far the product or service is necessary, what values added it has in order to give competitive advantage at entering the market.
In case of evolutionary period, the essence is that here the organization has not strategy, structure, hierarchy and regulation. An enterprise wants to view its ideas in results so to produce/provide service is must by fair means or foul. For this, the energy is given by the entrepreneur and the first colleagues. The faults are peculiar to this phase but they are allowable for the learning. The creativity is powerful, there are a lot of ideas; it shows that the organization is democratic. Many expenses and little incomes are specialities of this age that's why the appropriate financial contribution is important because the liquidity problems can result in a premature "infant death". Something else that is worth mentioning: due to the confidence, the fellow-workers are mainly close relatives and friends. Later, we can see that the friendship will be replaced by the expertise and the well-trained labour force
In case of revolutionary period, the disintegration of the balance of expenses and incomes is the first sign of a crisis, the disorganization and an amateur management can cause even a financial crisis. The enterprise has no enough capital to ensure the payments (suppliers, bank). In order to develop further, the lack of cash shall be ceased and the liquidity shall be established. Otherwise, the lack of development can cause vegetation and company death. In order to avoid the financial difficulties, a cash flow plan shall be drawn up.

Come on-come on period
In case of evolutionary period, this is already a more energetic phase where an enterprise has passed the difficulties of establishment. Team spirit and motivation are typically strong. The management focuses on the present and the market where the firm can rapidly respond to the changes and opportunities. By growth of sales, the market share of the firm

increases but it still does not have a proper strategy and the competences are not regulated. Exactly due to it, the founder feels the workload; therefore he/she starts to develop systems, tries to delegate and transfer the aforementioned competence i.e. the management appears. The “founder trap” means the largest danger peculiar to this age where, despite the appointed leaders, most of the work is still done by the founder. Since there is no real competence transfer, the leadership is on flimsy grounds, the organization is not effective enough and we can think that the enterprise would be unviable without the firm manager. A feature peculiar to this life phase is that the personnel decisions come to the front – the inner confidential fellow-workers are replaced by charismatic experts – and the focusing on sale also becomes conspicuous, by means of which the revenues can be increased. The conflicts become more and more frequent within an increased organization and it cannot be solved by an informal communication solely. The managing crisis appears, the revolution i.e. the paradigm shift can start (Salamonné, 2006)
In case of revolutionary period, the ideas serving as an impetus till now and the creativity can hinder the growth since they distract the attention from other, more important areas. Too many opportunities can lead to indecision which can hinder the appropriate service and it can result in that the costumers will forsake. An uncertain atmosphere can be caused by that the fellow-workers are incited improperly; the principles of their wage-system are not established well which can trigger bad atmosphere and dissatisfaction among the workers.

Adulthood
In case of evolutionary period, the regulation and flexibility are the features of this era; by means of them, an excellent performance can be provided – the employees work less but more efficiently. They continue to meet the needs of customers and they are still propelled by the profit. The growth of organization is because of the established structure and developed strategy. The leadership become institutionalized and the self-monitoring works well. In addition, creativity is retained which appears in that how flexibly the required changes are handled. In this life-cycle, the loss of flexibility can be a source of danger which can be triggered by the over-regulation and the appearing internal conflicts. The founder can solve this problem in such way that he/she keeps the operative and strategic leadership in balance – if it is required, he changes structurally the organizational structure even by developing new functions (new fields of work, new responsibilities). Building up of incentive systems, introduction of working rules and the communication becoming formal are essential features. Attention shall be paid to a conscious rethinking in order that the leader can decide what the firm needs principally.
In case of revolutionary period, the regulation contributes to the growth, true, but its variegation can be managed worse. Since the contact with costumers is performed at a lower level, the employees are not able to respond quickly to the customer needs. The employees in vain know the market well, their superiors’ slow and often inadequate decisions put restraint on them which can cause a “functional blindness”. The enterprises can apply the delegation of responsibilities in order to eliminate the problems but it is disputable because a senior employee is reluctant to assign his/her responsibility to a worker being at a lower level.

Settled organization
In case of evolutionary period, this is the phase of “becoming leisurely”, where the owner strives for keeping the firm in this life-cycle as long as possible. The regulation against the innovations is decisive. The decentralization creates balance between the power and responsibility. In spite of the good results, the ability to regenerate decreases, the creativity loses its momentum. The organization strives to keep the costs at a rational level, to analyse the reached results looking back. In case of revolutionary period, the possibilities of new changes are rather identified as danger, its personal relation system is

strengthened (the turning inward forms). It is important to mention that decline of the entrepreneurial spirit can lead to atrophy of the company, the engrossers can appear. The next life-cycles are less capable of evolution; these are typically in crisis managing and defensive position where they strive to tackle with their crises (Salamonné, 2006.)

Aristocracy
The name of this life-cycle refers to the formalism as well as the strengthening of traditions. Already, there is no trace of innovation and entrepreneurial spirit; the work processes are carried out routinely. And there is no internal motivation; they rather buy up external firms, thus avoiding the risk. By the loss of resoluteness and cooperation, a firm can move away from the market and demands of their customers; it can result in reduction of the competitiveness. The liquidity is still adequate in this phase but the firm loses from its market share so the income and profit decrease.
The enterprise strives to minimize the costs; it implements austerity measures which are shown in the wages, allowances and trainings (the good experts rather go where their work is appreciated better).

Early bureaucracy
In this life-cycle, the enterprise is already disappointed and disillusioned where the bureaucracy proliferates. The creativity and impetus are missing; the performance is measured only in such way that how exactly the instructions are executed. The inefficiency sharpens the internal tensions, leading to conflicts (the power struggle starts). The fight for survival consumes the strength of organization therefore the attention is not focused on the customers. The strict financial saving, restructuring or reorganization could be way out which leads to that the enterprise will be able to scrap the employees unable to change and the unnecessary departments.

Bureaucracy and death
Those who reached this phase have already become isolated from the customers and the market (turning inward). The cooperation ceases in the management (fast changes) but the work is still carried out according to the rules laid down earlier where the upper level separates from the lower levels. The organizational regulation dominates the employees; the non-compliance with these rules has serious sanctions. The responsibility fades away in the non-transparent system, the administrators have key role. A self-propelled firm makes the customers uncertain who will turn away over time. The death of a company is when it totally ceases its market activities, its enterprise discontinues which can be a suddenly created new market or legal regulation but it can occur as a very slow process as well (Salamonné, 2006)

In our opinion, the management accounting plays an integral part in getting a corporation to the ‘top’ as soon as possible and holding there as long as possible; the information content of this kind of accounting has been appreciated over the years.

3. RELATION OF THE LIFE-CYCLE MODELS AND THE MANAGERIAL ACCOUNTING

Through the model of (TIMMONS 1990), we would like to present the role and importance of managerial accounting in the corporate life-cycle. Its main reason is that model of Timmons is relatively easy to understand and the theory was built on fast-growing companies so the main characteristics can be captured well.
In the treatise of [TIMMONS 1990] each period was grouped based on time, revenue and headcount of the employees. Life-cycle of the enterprises (Figure 2) was divided into five phases, starting from the phase of research and development (1-3 years before the

establishment of an enterprise) through the process of launch (1-3 years of the enterprise), growth (from the fourth year to the tenth year) and maturity (from the eleventh year to the fifteenth year) until the stabilization phase (pried after the fifteenth year). According to the author, the stepping into the next "status" is a solution for a sort of deciding situation which generally belongs to the tasks of the founder, owner or the managing director. The "start-up" phase means the first one of two years in most case but it may be up to seven years. According to Timmons, this is far the riskiest phase which requires an exhaustive direct managing, energy, entrepreneurial talent and key persons. By the theory, the collapse rate of the corporations is 60% in this phase. The second phase was named as "high-growth stage". This is the running-up phase of an enterprise, the time pried of which is often different by enterprises as well as the extent of changes included. In this case, the founding owners find themselves facing the difficulties primarily, regarding the handover of the power and decision-making jurisdiction especially. The "maturity" is the next stage after the running-up phase in which not the survival but the profiting perpetuance is the primary goal. Finally, the stabilization phase closes the model which is not touched upon in details by the author.

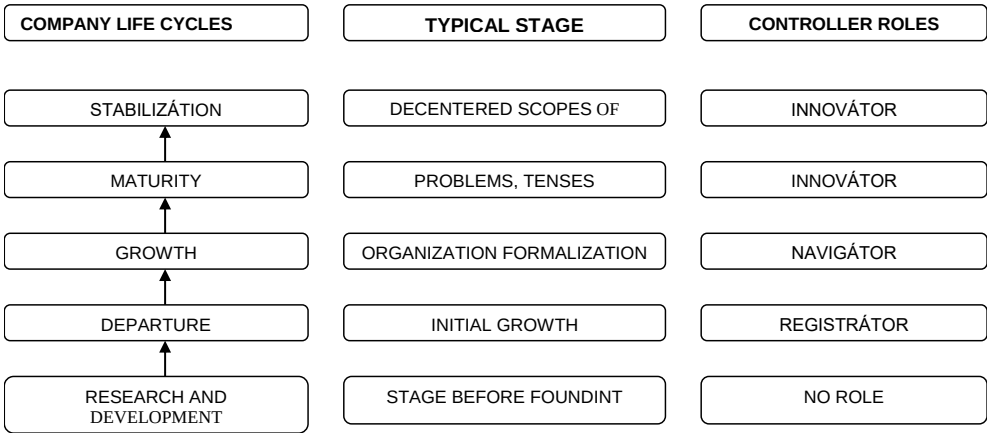


Figure 1.: Corporate life-cycles (Timmons) and trend of the managerial role
Source: BÖCSKEI et al. 2011

Zsupenekné (2008) describes that the Timmons model is very similar to the traditional product life diagram phasing. It can be observed in both cases that the research and development phase is also mentioned albeit it is not part of lifetime of an enterprise or a product. It can also be mentioned as a difference compared to the product life diagram that Timmons does not deal with the declining phase during the description of the corporate lifetime.

Owners, managers of a corporation (whatever managerial level) are up against different decision making situations in each corporate life-cycle. Insofar as a manger does not deal with the numbers as well as coherences and business process behind them to a sufficient extent then can lead to lack of information, sequence of wrong decisions and the enterprise can be placed in an unstable economic position. The most important task is to contribute to the up-to-date informing of the managers in order to make effective decisions and operate the firm successfully. In the absence of application of the managerial accounting, the data of financial accounting regulated by the Act on Accounting are tried to be used for purposes of supporting the decision-making; less information can be obtained from these data since, on the one hand, these become visible with certain delay after closing the current period, on the other hand these relate to the events of past.

4. CONCLUSIONS

Nowadays, the managerial accounting and controlling, the controller activity has an increasing role; at forming their accounting system, the corporations set out from the accounting demands of management, keeping the statutory requirements in mind, of course. The information provided by the managerial accounting are essential for the decision making processes, information support of the managers. The management-oriented accounting system implementation is subject to the emphasising of the looking into future beside/behalf the examination of the past events.

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SUB-SECTION: AUDIT

ANALYSIS OF INSTITUTIONAL CAPACITY OF SUPREME AUDIT INSTITUTIONS IN THE EUROPEAN UNION IN TERMS OF ITS MANDATE

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Abstract: *Orderly and efficient use of public funds is one of the essential conditions for the proper handling of public finances and the effectiveness of the authorities responsible decisions. To achieve this objective, it is essential that each country have a Supreme Audit Institution. For this reason, the Supreme Audit Institutions must operate with integrity, to fulfill their mandates as effectively as they can and meet the highest professional standards. These demands must be achieved by each of the Supreme Audit Institutions in challenging and marked by constant change environments. Taking into account the statement made in our work we propose as the main objective to explore the institutional capacities of the Supreme Audit Institutions in the countries of the EU. Our analysis uses a comparative approach within ten institutions in the European Union. The Supreme Audit Institutions belong to the following EU countries: Austria, Belgium, Denmark, Germany, Great Britain, Poland, Portugal, Romania, Czech Republic and Slovenia. The choice of the institutions was not a random, but we took into account the accession of the countries to the European Union (to include both the first wave of accession countries and of the second wave) and the form of organization - to cover all such four main ways of organization of the Supreme Audit Institutions of the European Union countries mentioned above. The results are based on three different sources: the information obtained from the websites of the Supreme Audit Institutions, official government documents and published reports of the Supreme Audit Institutions.*

Keywords: public external audit, Supreme Audit Institutions, International Standards of Supreme Audit Institutions, transparency, accountability

JEL classification: M42

1. **Introduction**

SAIs are national bodies responsible for verifying public spending, which provide an independent view on how the executive has used public resources (DFID, 2004). Basically, the effective control achieved by the legislature,in order to ensure effective implementation of fiscal policies and expenditure, needs complete external audits and competent, supported by international auditing standards (World Bank, 2005).

SAIs, as offices of the Auditor General or Court of Auditors, serve important functions in relation to the verification of government accountability on public funds. After the achieved tasks,the institutions produce objective and rigorous reports, meant to bring beneficial changes in the way governments manage public resources or parliaments develop their operating control activity.

According to the International Organization of Supreme Audit Institutions, public external audit is carried out in order to ensure:

- proper and efficient use of public funds;
-development of sound financial management;
- proper execution of administrative activities; and
-providing information to public authorities and the general public through the publication of objective reports (INTOSAI, 1977).
These are fundamental objectives of public audit, but the way that SAIs manage to achieve these, varies from country to country. Thus, appeared several models of organization of the Supreme Audit Institutions that exist throughout the world (shown in Table 1) and recognized by the literature and the various regulatory bodies.

Table 1. Types of Supreme Audit Institutions

Shape	Description/	Member States
Court of Auditors	holds judicial office;	France, Belgium, Portugal, Spain, Italy, Greece;
College	Without judicial functions;	Netherlands, Germany, Slovakia, Czech Republic, Luxembourg, Romania;
Audit Office or Westminter	is independent of government and is led by a General Auditor	Hungary, Malta, Poland, Cyprus, UK, Ireland, Latvia, Lithuania, Sweden, Finland, Denmark, Estonia, Bulgaria;
Court of Audit	has a chairman and auditing at central, regional and local level.	Austria and Slovenia;

Source: Copyright projection of the author performed by the NAO, 2005

Although the idea of grouping the Supreme Audit Institutions by certain traits and characteristics is widely accepted , each country is different and, even if one follows the guidelines of organizational models, is likely to exist national variations.
Therefore, to understand how the audit institutions of the existing organizational models function, we assess their institutional capacities in terms of the mandate. Wang and Rakner (2005) used this indicator to compare the function of responsibility of Supreme Audit Institutions in Malawi, Uganda and Tanzania, three countries in sub-Saharan Africa. The authors assessed *the institutional capacity* of the indicator: mandate, strength and independence of Supreme Audit Institutions and, within the indicator,*the relational resources held* and their relationship with other public sector entities.
According to the authors, an appropriate mandate, resources, human capacity and independence of the executive of Supreme Audit Institutions are needed requirements to meet the given tasks and to serve the reinsurance function. But, in order for the recommendations resulting from their work to be translated into effective policies, there is a need for a supportive environment. It must therefore be analyzed the relational resources of Supreme Audit Institutions,meaning the way they interact with other institutions and agents of the political system or the way they attract support from the environment in which it is located. More specifically, this includes the institutions interaction with Parliament, civil society and the donor community.
In the same way, Blume and Voigt (2011) analyzed in an empirical study of the organizational design of Supreme Audit Institutions, where, besides theoretical and empirical analysis of the chosen indicators, the authors found possible and relevant institutional details of the institutions. So, within those institutional details they included the mandate, independence and institutional environment. According to the authors, these elements, taken and analyzed individually, are interdependent. That conditioning was explained by the authors as follows: if the institution operates in an environment in which audit reports are published, but press freedom is reduced (the press is free to publish

freely), and, if the institution has identified cases in which the government bodies have not properly spent public money (and the institution has no power to sanction), the efficiency of the audit is expected to be none. Basically, independence is a prerequisite condition for the work and reports of the Supreme Audit Institution to take effect.
In this context, our study begins from its main objective *–the analysis of institutional capacities of Supreme Audit Institutions in EU countries in terms of the mandate*. Our analysis uses a comparative approach, and the results are based on three different sources: the information obtained from the websites of Supreme Audit Institutions, official government documents and published reports of Supreme Audit Institutions.

2. **Research Methodology**

The way to achieve the proposed objective in this paper is the *qualitative research* approach. What prompted us to choose this type of research were the characteristics of our analysis, empirical research that matched the characteristics identified by Pierre Paille, (quoted by Chelcea, 2007: 25) as:
1) research is done mostly in a comprehensive perspective;
2) addresses the subject in a comprehensive and open wide manner;
3) includes data gathered using qualitative methods, eg. via methods which do not involve any quantification;
4) analyze qualitative data or ,otherwise, words are directly analyzed using other words without passing through a counting operation;
5) finally, it leads to a story or a theory, not a demonstration.
Using the method of study of documents or "study traces" (Chelcea, 2007: 25) which groups: analysis of documents, official statistics and traces of the real material, we have identified ten of Supreme Audit Institutions belonging to the following EU countries: Austria, Belgium, Denmark, Germany, Great Britain, Poland, Portugal, Romania, Czech Republic and Slovenia. We wanted to capture the specific features of each model of organization of the chosen institutions . The choice of the institutions was not random, but we took into account the countries' accession to the European Union (to include both the first wave of accession countries and from the second wave) and the form of organization - in order to cover all four main ways of organization of Supreme Audit Institutions of the European Union described above.
Further on,our study is divided into four parts through which we intend to compare and analyze the *mandate,the method of reporting,the independence and the interaction with the Parliament and the Government*, within ten of the Supreme Audit Institutions chosen.

3. **Analysis mandate of Supreme Audit Institutions**

In general, SAIs are determined by the supreme legislative body, or by constitutional provision. Considering the founding principle of public external audit, the basic functions of Supreme Audit Institutions must be incorporated in the Constitution, and the details can be provided in the legislation (ISSAI 1 sect.8). In some cases, items on the role of the institution may be established by convention rather than by specific legal provision, but usually, the law underlying the activity or other specific regulations determine the form of the institution (court, board, commission, statutory office) ,the terms and conditions of its obligations, mandate, powers, functions and general responsibilities, and other matters governing its functioning and performance of the functions and duties to be performed.
With certainty, we can say that SAIs, for providing external audit services, have a specific mandate (World Bank, 2001). Regardless the organization or the specificity of each country in which the institution functions, it remains essential the function to support and promote public accountability. So, according to the Lima Declaration, all financial transactions, regardless of how they are or are reflected in the national budget, are audited by the Supreme Audit Institutions, which should promote a clearly defined budget classification and accounting systems as simple and clear as possible.

At the same time, because it assumes the role of providing *the best practices*, through standardized INTOSAI, by the ISSAI 100 standard, provides details on the full application of external public audit, as comprising the regularity audit and performance audit. According to this standard, performance audit covers the audit of economy, efficiency and effectiveness, and regularity audit performed by the Supreme Audit Institution, its activities including:
-certification of entities in charge of financial accountability involving examination and evaluation of financial records and expression of opinions on financial statements;
-attestation of financial accountability of public administration as a whole;
-an audit of financial systems and transactions, including making an assessment of compliance with statutes and regulations;
- supervision of internal control and audit functions;
- exercising thr audit probity and fairness of the administrative decisions taken within the audited entities; and
-reporting on any other issues arising out of or in connection with the audit, which the Supreme Audit Institution believes it should disclose (ISSAI 100, 2013).
According to the National Audit Office (2005), all SAIs and the European Court of Auditors have a primary goal in common: to examine and report on the accounts on the use of public funds. While SAIs may be characterized by common goals, precise definitions of their role shows that it can be very different from one country to another, even from one model of organization to another. Therefore, to know the exact role of the Supreme Audit Institutions described in our study, we analyzed the regulations of each country in order to accurately identify the role of the reflection of the mandate in each involved aspect.

Table 2. Role of the Supreme Audit Institution in EU

The country ISA belongs to	**Describing the role of Supreme Audit Institution**	**Regulation underlying the institution's role**
Austria	The Court of Audit of Austria has as an objective to track the management of public funds of the Federation, the Länder, municipal associations, municipalities and other legal entities defined by law. At the same time, the Court contributes significantly to the raise of confidence in democracy and its institutions, transparency in public resource use and increase efficiency and effectiveness of public area.	Federal Constitutional Law of Austria, 2010
Belgium	In Belgium, the Court of Audit is responsible for examining and validating the general administration accounts and all accounting officers answerable to the public exchequer. It follows that no item of budget expenditure is exceeded and that no transfers are done; it oversees operations relating to the establishment and collection of state revenues - including tax collection; it closes the accounts of the various State administrations and it is responsible for collecting all information and accounting documents of the state.	Belgian Constitution, Art. 180
Danmark	The main objective of the National Audit Office is to audit the accounts of central government and	Auditor General's Act

	central government funds in order to confirm that they are managed properly, as decided by Parliament.	101
Germany	Federal Court of Audit has the role to audit the accounts and to examine the performance, regularity and conformity of federal financial management. The Court does not assess the political decisions taken in accordance with applicable law.	German Constitution; Article 114
UK	National Audit Office in the UK has as main objective the analysis of public spending on behalf of Parliament. Audit Office's central government has two main objectives: controlling departments and government agencies on how they use public money, thereby protecting the interests of taxpayers and helping public service managers to improve performance in service delivery.	National Audit Office,
Poland	The Polish Supreme Audit Office protects and promotes public expenditure efficiency, economy and effectiveness in public service. At the same time, the Office must conduct audits on the legality, management, timeliness and integrity of entities of competence.	The Constitution of the Republic of Poland
Portugal	In Portugal, the Court of Audit examines the legality and regularity of public revenue and expenditure, assessing financial management and imposes liability for financial offenses. At the same time ,the Court has jurisdiction and power to exercise financial control within the scope of the Portuguese legal system on national territory or abroad.	Constitutions of Portugal, Art.1
Romania	Romanian Court of Accounts exercises control over the formation, administration and use of financial resources of state and public sector. In terms of the organic law, the disputes resulting from the activity of the Court of Audit will be solved by specialized courts.	Constituția României, Art. 140
Czech Republic	Supreme Audit Office audits the management of state property and the implementation of the budget. At the same time, the Office pursues the performance of the national budget through its activities.	Constitutions of Czech Republic, Art. 97
Slovenia	Slovenia Court of Audit has the primary role of the state budget oversight and auditing of all public expenditure and economic activities of users of public funds. The Court may audit any past operations and any law intended operations of users of public funds.	Constitution of the Republic of Slovenia, Art. 150

Source: projection performed by the author.

A first observation that can be made about the role of SAIs is that they must focus on the link between them and the public funds. We note that all SAIs play an important role in the

world of training and using of public funds of the states they belong to. Another aspect that caught our attention is the mandate of Supreme Audit Institutions. In each term, along with other objectives, precise reference can be found regarding the extent of the activity.
The need for defining this extension comes right from the diversity and size within the competence of Supreme Audit Institutions. Basically, public services are provided by a range of bodies and entities which are included in a country's administrative structure at central, regional and local level. So, some are publicly funded bodies, others charge fees from private sector through debt underwritten by the state, or even partial ownership of private sector entities by the state. As a result, the diversity of mechanisms for public service translates into a wide and different competence field of Supreme Audit Institutions , even if they belong to the same organizational model of public audit.
The result of this variety in the mandate of Supreme Audit Institutions represents a set of skills different from one country to another. As regards the ten countries we analyzed ,the situation is as follows:
- **At the central level** - from this point of view, all analyzed SAIs examine the accounts of central government bodies, bearing in mind that in most countries this refers to all central government ministries and its departments.
- **At regional and local level** - SAIs have powers over entities at the regional and local level. So, in Austria, Belgium, Portugal, Poland and Slovenia, SAIs exercise their activities across local government entities. In particular, in Austria, Rechnungshof is a body of local government when auditing locally. At the opposite pole, lie Supreme Audit Institutions in the UK, Denmark, Czech Republic and Germany where activities at local or regional level are made by separate organizations. In the UK, following the devolution process there have been formed separate audit bodies in Scotland, Wales and Northern Ireland which are responsible for audit matters not subject to reporting to Parliament. Meanwhile, in England and Wales, local entities and the health system are audited by auditors appointed by the Audit Commission (an independent public body set up for this purpose). In Romania , there have been established auditing county accounts at local and regional level.
- **State Enterprises** - All SAIs analyzed by us, except the UK, audit accounts of some or all state enterprises. The process of privatization has contributed in this respect as audit institutions in the UK, Austria and Finland have lost the right to audit state-owned enterprises as a result of this policy, although some have retained their right of access to bodies responsible for the supervision of the privatized sectors (Finland and UK). A special case was identified in Germany where the audit institution's mandate has changed from auditing operations management audit entities to be privatized in federal institutions with responsibilities in the area of privatization.
-**Public bodies** – in the case of the institutions examined by us, they all audit public bodies that perform tasks related to the government and use public funds.
-**Municipalities** - The mandate of the Supreme Audit Institutions can be extended to municipalities. However, this extension may result in some countries only up to a certain level. In Austria, the activities performed by the Rechnungshof are extended to all local communities with a population of at least 20,000 inhabitants, or even those with a smaller population following a request made by the provincial government. In Poland, the Supreme Audit Institution operates the municipalities applying the criteria of legality, integrity and economy, or in Portugal, are audited the accounts of the federations and associations within municipalities. In contrast, in the Czech Republic, cannot be audited by the Supreme Audit Institution the resources directly levied by municipalities or regions under their jurisdiction.
-**The private sector entities** - private sector may fall within the competence of Supreme Audit Institutions, but only under certain conditions. So, if private sector bodies receive funds from the state, the audit institutions have an obligation to audit the use of these funds, but the exact nature of the audit varies. In Austria and Germany, private entities that receive public funds for specific purposes are examined. In Portugal, the Supreme Audit

Institution may have access to private companies where the public sector is a majority shareholder, as having direct control over the management. And in the case of Romania, the Court of Auditors acts on companies operating in the state, territorial administrative units, public institutions or autonomous administrations hold alone or together, in full or more than half of the share capital.

Forms of conducted audit

Supreme Audit Institutions in the Member States of the European Union ,in order to fulfill their term of office, conduct a series of audits that control distinct and specific, which may be classified in two general ways shown in the following table.

Table 3. Categories of activities of the Supreme Audit Institutions

The organization of ISA	Ex-ante audit:conducted before the activity	Ex-post audit : conducted after the activity		
		Regularity Audit	Performance Audit	Judicial functions
Court of Auditors	Belgium, Portugal	Belgium, Portugal	Belgium, Portugal	Belgium, Portugal
College	Germany	Germany, Romania, Czech Republic	Germany, Romania, Czech Republic	-
Westminter	-	Denmark, UK , Poland	Denmarc, UK, Poland	-
Distinct model	-	Austria, Slovenia	Austria, Slovenia	-

Source: projected by the author

One can observe a concentration of Supreme Audit Institutions in the ex-post audit: the regularity audit (comprising financial audit and compliance audit) and the performance audit. All forms of organization of supreme audit institutions carry out regular audit and performance audit. Regularly audit (financial) accounts are made either by examining each department (UK), either by examining as a whole through the sampling process (Denmark).

At the same time, the performance audit is conducted,too, according to each country. If in Romania,the performance audit aims at making an independent assessment on the economy, efficiency and effectiveness of public resource, in Portugal, it tends to focus on progress against previous results, rather than on standardized comparative studies. There are also differences in terms of when the audit institution may conduct the performance audit. In Germany, the audit work is conducted concurrently with the activity itself, and in the UK or Romania,the examination is performed both during and after implementation of a program.

On judicial powers, it is known that they examine and pronounce a sentence for people who have personal responsibility in using public funds (Ispir, 2008). In our study, only the SAIs of Belgium and Portugal (although only institutions form the Court of Auditors) have jurisdictional powers and the approach to achieve their goals is different between them. In Belgium,the authorizing officers responding to revenue collection, send annual expenditures accounts submitted to the Court of budget implementation, together with supporting documentation required for consideration. External public auditors will decide on the fulfillment of obligations. For Portugal, judicial activity is not directly related to the personal responsibility of authorizing officers. The judicial audit sections of these institutions examine in particular the complaints made by the financial public prosecutor,

the public institution affected, or due to a public action. Persons responsible for the misuse of public funds can be investigated and demanded repayment of the amounts concerned. Where recovery is not possible, there is possibility of *secondary legal responsibility* that may be accountable those who could have prevented illegal action.
As regards the ex-ante audit, the audit institution involving public expenditure prior to their authorization, we notice that it is made where institutions have jurisdictional powers. An exception to this situation makes the audit institution in Germany which, although it is not organized as a Court form,and has no jurisdictional powers, carries out activities with a preventive role. Also, we can find a form of preventive control in the UK,too, where the Auditor General has the function of the controller and is responsible for ensuring that funds are used by the executive only, for destinations approved by Parliament.
Consequently, the mandate of Supreme Audit Institutions is diverse and complex, different from one institution to another, yet similar. Our statement can be considered antagonistic or inconsistent, but we support, based on analysis of previously. Thus, all attributes of Supreme Audit Institutions, confirm the complexity and diversity that characterize their mandate, that lead to the provision of external audit services specific to each country.

4. **Conclusions**

Using comparison, in attending *the institutional capacities of Supreme Audit Institutions* in the ten countries chosen by us, we identified specific features of each model of public audit organization. So, in terms of the three Supreme Audit Institutions (Denmark, UK and Poland) organized under **the Westminter model** or the Office of Audit we noticed that much of the authority is centered on one person - the General Auditor - making its position very strong. The exception to this rule is found in Poland, where the institution works on the principle of collegiality (which means that there is a special body - the Council NIK involved in the approval and adoption of the most important documents that are submitted to Parliament). A pertinent explanation of this arrangement (DFID, 2004: 4) suggests that: *there is a risk of abuse of power if it is in the wrong hands. There may be a reluctance to give so much power to one person, especially in countries where there are general issues such as corruption and abuse of authority*. From this point of view, according to the Corruption Perceptions Index 2012, Poland recorded a score of 58 from Denmark (score of 90) and Britain (score of 74).
The Auditor General must provide a high level of trust among stakeholders and have impeccable integrity to lead. In all cases we analyzed , the legislation governing its appointment and removal has, also, provisions on their dismissal or discharging . The reasons include issues of criminal nature, but nevertheless, even if there are adequate legal provisions, parliamentary approval is needed to dismiss the Auditor General or the President. According to DFID (2004), this may be difficult to obtain in a country in which Parliament itself may be weak or corrupt and ,more so, if there is a desire to improve public accountability. At the same time,the attempt to change the Auditor General could lead to major political events that can cause a general policy reform in the country. This situation could be compared with the fall of communist regimes in the Soviet bloc.
In the Supreme Audit Institution of Poland, a major policy change provided an opportunity to introduce the collegiate leadership system type. It is known that, when the audit offices of the countries in Central and Eastern Europe were restored in the 1990s as independent entities, many have adopted a structure in which power of decision is taken by a committee, rather than centered on one individual. It may be the main reason behind the difference of management organization in the three institutions analyzed by us.

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SECTION: MANAGEMENT, MARKETING, ECONOMIC INFORMATICS AND CYBERNETICS

SUB-SECTION: MANAGEMENT

OPTIMIZING INDIRECT COSTS IN PROCESSING CENTERS USING THE MHR METHOD

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Abstract: The seeds of superior performance and efficiency in enterprises can usually be found during the planning stage of production costs; these will generate economic, financial or competition-related effects on the general activity.
The management desiderates are in agreement with the aims of planning production costs. Within this topic we researched the behavior production costs manifest during the planning stage, determined by means of the MHR calculation method within a Processing Centre.
How was this done?
a) Researching the behavior of the main links within the enterprise, namely Processing Centers (PC);
b) Exploiting production capacities in such a way as to target efficiency;
c) Optimizing the relation between the degree of exploitation and indirect costs.
The methods and techniques for planning production costs are greatly varied. Their practical application depends on the ability of the management, i.e. on the decision manifested in organizing and leading the enterprise.
A proper management of production costs can represent an attenuation factor for the imbalances in the economy of the enterprise, as well as a source of performance in the activities carried out.
The major issue of the research topic is the identification of the links between the exploitation regime and production costs. The practical applicability will be highlighted by the exhibited behavior of Processing Centers in this particular case.
Once the causality and convergence link identified, this research sought to create an optimization process of the exploitation regime in accordance with the minimum level of controllable consumptions, namely of the indirect ones.
The objective of this paper is to obtain an optimal relation during the planning stage of the production cost within a Processing Centre by applying the calculation technique Machine-Hour-Rates (MHR).
Practically, we sought to measure the time required for the manufacturing of a product in relation to the minimum amount of time required for production; this time is dependent on the technical characteristics of the machine and especially on the production deadline.
The outcomes of the research proved to be in accordance with the objectives, and the theoretical statements were validated through practical measurements.
Subsequent to the research we noticed the existence of real premises for the expansion of this research topic to other Responsibility Centers, or in the case when other calculation methods are applied to production costs.

Keywords: planning, calculation, optimization

JEL classification D 24

The planning, tracing and controlling of production costs represents the essence of enterprise management, especially for those which bring added value, this process being also known as “cost management”.

The seeds of superior performance and efficiency in enterprises can usually be found during the planning stage of production costs, and will generate effects on the overall activity. The requirements for cost planning overlap the desiderates of management, touching upon aspects such as: *economy* (improvement of the consumption of resources), *financial* (variation of profit margin), *competition* (consolidating one's position on the specific marketplace) as well as *substantiating decisions* regarding the organization and exploitation of the production capacity (Popa I., 2005).
The methods and techniques for planning production costs are diverse and especially related to the ability of the management to organize and lead the enterprise (Chelcea S, 2007).
Contextualizing the general tasks of the management with the phenomenon of intensification of general imbalances (of the fundamental equation in economy R < N) which tends to be ever more difficult to solve, the major aim will be to endure a high level of sustainability of the activities carried out (Niculescu M., 2003)).
One of the solutions of the above equation can be provided by the mechanism of planning production costs, which should be adapted to the performance requirements (Căpșuneanu, S., 2008). In what way?

d) researching the technical-economic behavior of the main links within the enterprise, namely Processing Centers (PC);
e) determining the degree of exploitation of production capacities;
f) optimizing the exploitation of PC in relation to indirect costs.

Researching production cost within a PC, especially of indirect costs, can be:
a) *theoretical* in nature **–** when the aim is to improve work within the academic environment, through a more profound understanding of the economic phenomenon, with all its components: principles, theories, methods, procedures, instruments, etc.
b) *pragmatic* in nature – in the situation when explanations and improvements are brought to the mechanisms of planning production costs, and one can offer solutions and suggestions on how to solve certain current issues.
The approach of this topic aims at the pragmatic side of research.

The objective of this paper is *to obtain an optimal relation during the planning stage of the production cost within a Processing Centre by applying the calculation technique Machine-Hour-Rates (MHR).*

This paper can be included in the category of *qualitative research,* combining *quantitative elements* as well, namely: one will study the idea of convergence of technical-economical components with the financial ones, as well as identify means to be efficient and competitive; these means can be tackled during the stage of planning production costs.

1. Characteristics of the Processing Centre

The PC is defined as "*a machine-tool with numerical control, with tool post and transfer mechanism, which can automatically perform a switch of tools between the tool post and the main arbor"* (Vișan, A., & all 2014).
Technically speaking, the PC has:
a) *advantages* in reference to: the limitation of the operator's intervention in supplying the necessary tools; the possibility to perform a very large number of operations in just one move; the limitation of auxiliary times; the increase of the load and intensive usage of the machine etc.
b) *disadvantages* in reference to: longer extent of time for fitting, positioning, orienting and securing parts; the need to stop the machine in order to secure tools, parts and devices; unsatisfactory productivity (Vișan A., Ionescu N., 2014).

From the perspective of cost calculation, PC are treated as Responsibility Centers (RC) – *generic concept which suggests the segmentation of economic activities into functional components* – which can be planned (budgeted) and traced distinctively.
If one relates the shortcomings of the PC to the production costs, one can state that there exists a conditioning link between:
a) the pause time and elements of indirect consumption (energy, consumables, maintenance etc.);
b) the pause time and technical efficiency, work productivity, efficiency etc.
The determination of the exploitation regime of a PC is done under the conditions of admitting a determinant criterion such as:
a) minimal cost,
b) maximum productivity.
Due to technical-economical and financial reasons, the criterion most often used is the one which envisages cost optimization.
Obtaining the optimal cost criterion requires the existence of an adequate exploitation regime, a situation where general productivity will record the same trend.
The essential element in setting the parameters for the exploitation regime is represented by the technical characteristics of the PC.

$$\rho = \frac{1-m}{m}\left(t_s + \frac{a}{C_{\exp l}}\right) \quad (1)$$

and

$$C_{\exp l} = t_i * a \quad (2)$$

where:
p – *exploitation parameter*
m – exploitation exponent, experimentally determined
ts – pause time
a – hourly rate for workers
C expl – exploitation cost of the PC
ti – calculated pause time, determined through measurements depending on the operations which need to be carried out

Observing the convergence between the *exploitation regime* (pause time) on the one hand, and the *resource consumption, efficiency* and *productivity* on the other hand, the starting point of the research will be this relation, with the intention to identify an optimal level of the exploitation regime in such a way that controllable consumption is minimal.

2. About production costs

Regardless of the calculation method employed, production costs require an approach of the resources involved in the economic processes from the point of view of the two major components of the management of an enterprise: planning and cost control; these components make up the *piloting* process of economic activities through costs (Duţescu, A., 2003).
Productive enterprises have two types of costs:
a) *direct* (variable) – those calculation items which can be identified on the calculation object (product, service, work, phase, activity, function etc.), since the planning stage, carrying out of consumption and post calculation analysis. The following are included in this category: raw materials and direct materials, energy consumed for technological purposes, direct manpower etc. Direct costs are characterized by fluctuations which are proportional to the evolution of the production volume (Q).

b) *indirect* – refer to those consumptions or expenses which are not clearly or directly identified on the calculation object. Usually indirect costs are in relation to the activity that is adjacent to the basic economic process, being necessary and often indispensable. Indirect consumptions are also called fixed expenses or overheads, and are relatively constant in relation to the fluctuation of the production volume (Q). When the calculation of the cost is part of a rigorous process with the activity of the management, overheads are and can be analyzed on two different segments: variable and fixed (Popa I., 2004)
b.1. variable overhead - their support are indirect consumptions of materials or manpower, in relation to the object of calculation, and cannot be found directly in the manufactured product. Material or indirect manpower consumption are linked to the production volume (Q), recording fluctuations similar to the modification of Q. (Barfoeld, J.T., &all 2001).
b.2. fixed overheads – are constant, regardless of the variation in production volume (amortization of machinery and equipment, maintenance of departments and machinery, administrative costs of departments or general ones).
Expenses which are part of indirect costs will be found in the calculation object only after their distribution. Distribution techniques consider the particularities of economic processes, organizational segmentation, or budget mechanisms, and are the result of managerial decisions. Practically, the distribution process shall be appropriate for the calculation methods used and the production activity (Dumbravă P., & all 2000).
The calculation methods of costs are quite diverse. One of these is the Machine-Hour-Rate method which is usually applied in Responsibility Centers whose subject is the machine, the group of machines or the work installations, in accordance with the labor, i.e. what characterizes this method.

3. The MHR calculation method

In order to obtain the expected results, *the machine or the processing centre* shall be considered *fundamental economic units (FEU)* or *Responsibility Centers in Production (RCP) within which attention is focused upon the exploitation regime* of the production capacity:
a) *Machine-hour-rate (MHR)* – obtained through adding direct and indirect costs incurred by the processing of a product under a certain time span, usually one hour (h), such as: material costs for exploitation and processing (energy, maintenance, direct amortization, consumables etc.) to which one adds manpower expenses of the personnel directly involved in the exploitation of RCP.
b) *Material cost per product unit* – is given by the purchase price (for evaluation and registration) of raw materials, and direct and indirect materials.
The calculation relation for the MHR method is the following:

$$Ct = (THM * t) + Chm \quad (3)$$

where:
Ct – total processing cost;
THM (MHR) –machine-hour-rate;
t – work time;
Chm – cost of materials

and

$$THM = \sum_{i=1}^{n} \left[\frac{Chd}{t} + \frac{Chid}{t} \right] \quad (4)$$

where:

Ch – direct and indirect processing expenses
t – processing time in hours.

The unit cost per calculation object is based on the:

- processing cost, for the process, the work or service,
- raw materials and direct materials.

The processing cost in relation to the time required to go through the entire processing process during a FEU is determined by applying the following relation:

$$Cpr = \sum_{i=1}^{n} t * THM \quad (5)$$

The cost of raw materials and direct materials is determined using the method of balancing quantities with prices.
Thus, the cost per product unit can be calculated using the formula:

$$Cu = \frac{\sum_{i=1}^{n} (t * THM) + Chm}{Q} \quad (6)$$

where:
Cu – cost of product unit;
Chm – cost of raw materials and other materials;
Q – manufactured quantity

When calculating production cost based on a PC, the interest focuses on obtaining an optimal cost based on the application of the MHR calculation method.

4. Procedure for optimizing production cost in relation to processing time

Considering the fact that an enterprise has a certain amount of time in order to deliver the products (Q), which will be produced by a certain PS, then in accordance with this factor, the following question is asked:
What is the optimal level at which a PC should be exploited in order to meet the deadline so as to have a minimum production cost?
The time required for the manufacture of a product is somewhere between the minimum time required for the production (dependent on the technical characteristics of the machine) and the maximum value given by the deadline at which products have to be delivered.

$$t_{fbr} \in [t_{\min}, t_{\max}] \quad (7)$$

$$t_{\max} = \frac{t_t}{Q} \quad (8)$$

In order to determine the optimal time which will be established for finishing a product Q, *a detailing of the components of the unit co*st is necessary, thus:

- *direct salary costs* are dependent on the manufacturing time, directly proportional with

an hourly rate lei/h established a priori (a);

The dependence of salaries on the time factor is considered a function which can be written as follows:

$$f1(t) = t * a \quad (9)$$

- *expenses with productive energy, with consumables and daily repairs/machine* (b) expressed in *lei/h*, depend in inverse proportion on the degree of usage of the PC, i.e. at a more intense use of the machinery, the level of repairs increases exponentially.

This connection can be expressed by means of the second function, namely f2, where ***c*** represents the coefficient of exponential increase:

$$f2(t) = b/t^c \quad (10)$$

- *the power used during planned or unplanned pauses,* will depend on the time span required of obtain a product (lei/h) and will be marked with *d*, and it can be expressed by means of function f3 bellow:

$$f3(t) = t * d \quad (11)$$

- *amortization and expenses with administration salaries (e=lei/day)* do not depend on the production volume during one day, but will be divided depending on the products manufactured within the time frame of the workday, and can be expressed in relation f4 bellow:

$$f_4(t) = e * \frac{\frac{i}{t}}{q + \frac{i}{t}} = e * \frac{i}{q * t + i} \quad (12)$$

where:

i – time frame within a workday (usually equal to 8),

q - quantity of other products than the product under research

The total production cost¸ by means of the MHR calculation method represent a summative factor of the above 4 functions; thus:

$$Ct = f(t) = f1(t) + f2(t) + f3(t) + f4(t) \quad (13)$$

If we derive f(t) and equal the derivative with ”0”, we will obtain the extreme points of the evolution of costs based on the manufacturing time.

Considering that one single PC produces a single type of products, then function f4 will be constant in relation to (t) and its derivative will be”0”.

Under these circumstances, f(t) will be:

$$f(t) = a*t + b/t^c + d*t \quad (14)$$

$$f'(t) = a - b*c/t^{c+1} + d \quad (15)$$

$$t = \sqrt[c+1]{\frac{b*c}{a+d}} \quad (16)$$

where:

a = *rate/ h*

b = cost of consumables and daily repairs

c=parameter of exponential growth of the employment level of the PC
d= cost of non-productive energy, consumed during pauses
The answer to the objective of the research topic is relation (14) above, which suggests *a calculation procedure of the optimal level of exploitation of a PC in relation to indirect costs incurred by pauses.*
By adding indirect costs with direct cost, the total cost of the production within a specific time span, with all the influence upon the profit margin, is obtained.

Verification of the theoretical statements on the procedure of optimizing production costs by means of the MHR Method
The suggested procedure, namely relation (14) above, is verified within a processing enterprise through the optimization of manufacturing times when conditioned by delivery deadlines:
✓ the minimum time for manufacturing product "X", through a use of the PC at maximum capacity, is *2 h*;
✓ the total production (Q) which need to be done is *15 pieces.*
✓ the deadline by which production needs to be finished is *13 working days***,** 8 h/day, which means that, for a product one can allot maximum *7 h;*
✓ the worker's rate (a) is *12 lei/h;*
✓ at an extensive employment of the PC (the lowest degree of using the production capacity), in order to manufacture a product in 7h, the value of consumables and repairs will be *10 lei/piece*. This value increases exponentially with the reduction of the manufacturing time allotted for a product with a coefficient c=2. The increase of costs with consumables is an effect of the wear of the PC, since, as mentioned before, the cost of consumables and daily repairs depends on the intensity of the employment of the PC and the production volume obtained within a certain time span.
✓ depending on the extent of employment of the PC, and by considering the deadline when used extensively for 7h, the level of indirect consumption is 10 lei/piece = $b/7^{c}$, resulting a value of b = 490;
✓ considering the rate for the power consumed during the pauses in the use of the machinery at 3 lei/h, then the function becomes:

$$f(t) = a*t + b/t^{c}+d*t = 12*t + 490/t^{2}+3*t$$

followed by the derivative:

$$f'(t) = 15 – 490*2/t^{2+1}$$

If we equal the derivative with"0", then the level of "t" will be:

$$t = \sqrt[3]{\frac{980}{15}} = \sqrt[3]{65,3333} \cong 4$$

with an optimal 4 h/day/piece, level situated between the minimum and the maximum amount of time, namely between 2 h/day/piece and 7 h/day/piece.

Conclusions*:*
*Restrictions in application***:**
The method of calculation of the optimal exploitation time of a Processing Centre in relation to indirect costs obtained herein has limited applicability, i.e. at the level of

Responsibility Centres whose subject is the machinery, the group of machines or the work installation.

Accuracy:

Regarded as an extension of the process of planning production costs, using the MHR calculation method, the calculation procedures offers the management a viable, practical and efficient solution as regards the degree to which one should use production capacities (CP), depending also on reaching an optimal level of indirect costs.

Continuity:

This research theme can be extended to the practical application of other calculation methods of costs such as standard costing and direct costing. It is worth mentioning the fact that, when dealing with these methods, the optimal function should be obtained based on the keys of distributing overheads and not the manufacturing time.

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MANAGING A SUSTAINABLE TOURISM DEVELOPMENT IN BIHOR COUNTY – ROMANIA

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Abstract: *Due to growing challenges and growing gap between the expectations of this complex system which is tourism and facts, it is necessary to find new forms, methods and techniques that lead to sustainable development of an area, region, country. Bihor County is located in northwestern Romania and noteworthy for tourism are: the natural environment (thermal waters, the mountains, caves, biodiversity and climate, protected natural areas) cultural and historical heritage (folk subareas, ethnic diversity and unity, festivals and events) and specific infrastructure built heritage. The conclusions drawn from the analysis of Bihor's tourism are main two. First Bihor County has a rich tourism potential – part of the Romanian territorial capital, but it is insufficiently known and valued. Second, there are certain components - valuable, rare, inimitable - that may be the "engine" of development for an innovative tourism, competitive and sustainable in Bihor county. In Bihor there are some successfully practiced forms of tourism that respect the principles of sustainable tourism: agro-tourism, rural tourism, eco-tourism - backpack tourism (backpacking), alternative urban tourism, educational tourism - volunteering tourism. The good results achieved in practicing these forms of tourism, which must be supported by policies, legislation, infrastructure and incentives for business can then be transferred to the domain of mountain, spa and cultural tourism in Bihor, according to model proposed by us. In developing tourism development model for Bihor we considered the economic aspect (development of viable economic activities in the long term, ensuring equitable benefits for all economic actors involved, increasing the welfare of local people), socio-cultural aspect (respect for the authenticity of socio-cultural settlements, preservation of cultural heritage and traditional values, increased tolerance) and environmental problems (rational and responsible use of resources, protection of biodiversity, stimulating the development activities based on the principles of environmental protection).*

Key words: management, tourism, sustainable development, Bihor county

JEL classification: M10

1. Introduction

Tourism is considered by the significant authors of the field as the largest and most cosmopolitan of the world industry (Kotler, Bowen et al., 2006). Fields literature states, rightly, that tourism is a system rather than an industry and bring the argument that economic actors involved in tourism are more in a collaboration relationship than in a competitive relationship in the provision of tourism services. According to figures from the World Tourism Organization, tourism, ranks second in importance, after oil exports, in world exports of goods and services.

The economic importance of tourism, as a set of activities resulting from the movement of people outside their usual residence for more than a day and a purpose other than that of seeking remuneration, is shown by the fact that *tourism*: a. *contributes to increased domestic product gross production* by engaging and stimulating tourism; b. *represents a means of exploitation of resources*, promoting local development using existing workforce;

c. *determines the decrease of the inflationary phenomenon* by ensuring a balanced monetary circulation; d. *support the diversification of economic structures* by developing existing activities and creating jobs as a result of the manifestation of the demand; e. *generates new jobs* and contributes to attracting major surplus labor from other sectors with a reduction in unemployment; f. *stimulates investment* with a favorable effect on the area in which those objectives are placed. (Mill, R., Morrison, A., 2004: 31-45)
Tourism, as a means of self-knowledge through meeting others, has important *socio-cultural effects*, namely: a. the protection of architectural heritage, its restoration and conservation; b. preservation of local culture, traditions, habits, customs, port etc.; c. strengthening cultural identity through direct contact with other cultural influences; d. developing the human being in the vast multicultural laboratories represented by tourist centers; e. fostering psychosocial innovation, as a result of biotic, cognitive, social and optimized experience (Snack, O., Baron, P., Neacşu, N., 2001).
Tourism development, this complex contemporary phenomenon has both positive and negative effects. Given that competition has become increasingly fierce and the promotion of destinations stronger, there are significant *negative effects* in the economic, socio-cultural plan and especially on the environment. Thus, tourism can determine: a. higher prices and increased inflationary phenomenon; b. the conversion of spaces and excessive building; c. vulgarization of traditions; d. the spread of potentially destructive phenomena in communities, such as prostitution or drug use; e. conflicts between visitors and locals related to congestion and inflation; f. the deterioration of natural and cultural resources; g. increased pollution.
In conclusion, due to growing challenges and growing gap between the expectations of this complex system which is tourism and facts, it is necessary to find new forms, methods and techniques that lead to sustainable development of an area, region, country. Tourism affects all members of the community in an area included in the tourist circuit (Mill, R., Morrison, A., 2004: 117), therefore the elected from these members must make wise decisions and especially to provide the conditions to put them in practice. The challenge of economics remains the action, that must successfully succeed knowledge.

2. Analysis of the current state of the Bihor County Tourism

The research conducted in order to create brand country (Romania - Explore the Carpathian garden) showed that the Romanian tourism competitive advantages are: spectacular and unspoiled nature, cultural heritage and preserved traditions. However, Romanian tourism evolves under its real potential, taking into account the number, diversity and intrinsic quality of the attractions, with nothing lower than those of Bulgaria or Hungary direct competitors identified by the team of specialists THR-TNS (Asesores en Turismo, Hotelería y Recreación / Taylor Nelson Sofres) employed by the Ministry of Regional Development and Tourism for the creation of country brand. In the tourism competitiveness index developed by the World Economic Forum, Romania ranks 35th in Europe, following Croatia - No. 23, Hungary - 25th, Poland - the 27th and Bulgaria – 31st place (Travel and Tourism Competitivness Report, World Economic Forum, 2013: 20)

Table 1. Travel & Tourism Competitiveness Index 2013: EUROPE

Country	ICT			Politicy and legislation		Business environment and infrastructure		Human, cultural and natural resources	
	Europe Position	Global position	Score	Global position	Score	Global position	Score	Global position	Score
Switzerland	1	1	5.66	1	5.94	1	5.42	2	5.63
Germany	2	2	5.39	8	5.57	6	5.29	7	5.31
Austria	3	3	5.39	2	5.80	11	5.11	9	5.24
Spain	4	4	5.38	14	5.48	5	5.30	6	5.36
United Kingdom	5	5	5.38	17	5.44	10	5.13	3	5.57
France	6	7	5.31	9	5.56	7	5.18	11	5.20
Suedia	7	9	5.24	12	5.54	23	4.89	8	5.30
Holland	8	13	5.14	16	5.45	15	5.01	16	4.97
Finland	10	17	5.14	5	5.74	22	4.89	24	4.65
Italy	18	26	4.90	50	4.90	29	4.76	14	5.05
Czech Republic	21	31	4.79	28	5.24	37	4.49	28	4.61
Croatia	23	35	4.59	42	4.99	39	4.43	42	4.37
Hungary	25	39	4.51	26	5.29	49	4.16	54	4.08
Poland	27	42	4.47	49	4.92	58	3.94	32	4.56
Bulgaria	31	50	4.38	58	4.79	45	4.24	53	4.10
Romania	**35**	**68**	**4.04**	**66**	**4.61**	**68**	**3.67**	**73**	**3.85**

Source: World Economic Forum, The Travel and Tourism Competitiveness Report 2013, p.20, web address at **http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdfhttp://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf**

Bihor County is located in northwestern Romania, holds 14.32% of the country and the end of 2013 had a population of 593,055 inhabitants, which represents 21.81% of Romania's total population. Here live Romanians, Hungarians, Hebrews, Germans, Rromes, Slovaks, etc.

Noteworthy for tourism in Bihor county are: the natural environment (thermal waters, the mountains, caves, biodiversity and climate, protected natural areas) cultural and historical heritage (folk subareas, ethnic diversity and unity, festivals and events) and specific infrastructure built heritage.

Due to natural and anthropogenic tourist potential and valuable material base, present tourism forms are: health/spa tourism, cultural tourism, rural tourism and agro-tourism, mountaineering (Sustainable Development Strategy of Bihor County 2014-2020, Apuseni Natural Park's Management Plan, Bihor Mountain and Cave Rescue materials).

The Spa tourism is concentrated in Baile Felix and Baile 1 Mai, known among the 23 resorts of national importance and internationally recognized. Together they dispose of over 5,850 beds.

Historical and cultural heritage of the county makes it possible to develop cultural tourism products, which may include visits to historical monuments, ethnographic areas, archaeological artefacts, wooden churches in the city of Oradea too.

Rural tourism, eco-tourism, agro-tourism and geo-tourism, exploit cultural and landscape elements specific for Beiuş country, Vaşcău depression and many other Bihor places. Of note are: architecture and traditional popular creation; folk musicians; over 250 caves; cultural elements and specific plain landscape, fishing lakes, wildlife forest stands, the famous wine storage cellars dug into the hills surrounding plains, annual events.

Mountain tourism disposes of two approved ski slopes; 40 approved tourist routes; about 250 climbing routes designed to European standards; paths for water sports on the mountain rivers; the largest, most comprehensive and most valuable complex of caves in Romania and the areas where you can practice paragliding, adventure tourism, mountain-biking. A very special potential is provided by the Apuseni Natural Park.
In recent years, the potential of business tourism has been exploited due to the increasing number of conferences, business, training, personal development activities etc.
Niche tourism include: golf and horse riding tourism - Ineu; Wine tourism – Diosig, Aleşd, Sântimbreu, Valea lui Mihai; religious tourism - monasteries, synagogues; equestrian tourism - Baile Felix; hunting and fishing tourism - Balc, Cephas, Madaras, Chişcău, Remeţi.
We give below some relevant statistical data regarding Bihor tourism.

Table 2. Tourist reception structures with functions of tourist accommodation in Bihor

- number -

No.	Tourist reception structures	Year 1990	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011	Year 2014
1.	**Total number, out of which:**	**72**	**85**	**83**	**100**	**110**	**128**	**149**
2.	Hotels	27	29	30	32	39	43	41
3.	Hostels	:	1	1	1	2	3	4
4.	Apartament hotels	:	:	:	:	1	2	2
5.	Motels	:	4	6	7	5	4	3
6.	Touristic villas	21	20	12	12	12	20	19
7.	Touristic cabans	4	5	5	6	7	4	4
8.	Bungalous	:	:	:	:	:	1	:
9.	Campings	13	8	7	7	6	4	4
10.	Camps for students	:	6	6	3	3	3	3
11.	Touristic pensions	7	6	6	9	4	7	6
12.	Agro-touristic pensions	:	5	9	19	31	37	63

Source: the author based on data offered by the National Institute of Statistics, accessible at the address http://www.insse.ro/cms/ , accessed on 4th April 2015

Table 3. Overnight stays in tourist reception

No.	Number of nights (Nn)	Year 2001	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
1.	**No of nights (Nn), out of which**	**1210668**	**1128159**	**998638**	**885453**	**1004366**	**1029224**	**952163**
2.	Nn in hoteluri	1141192	1052576	926816	807120	900821	904576	830502
3.	Nn in hostels	23394	117116	240834	224075	277132	334696	357287
4.	Nn in apartament hotels	:	16937	26191	28433	30194	89493	25690

5.	Nn in inns and motels	272531	455867	322365	341560	375665	372832	390500
6.	Nn in touristic villas	52759	23571	18633	9957	15951	16768	13812
7.	Nn in touristic cabans	351	2153	616	1135	1190	1736	2043
8.	Nn in bungalous	:	:	:	:	152	:	:
9.	Nn in campings	663	5481	:	3933	3322	2235	3406
10.	Nn in student camps	12404	10320	11816	4340	4339	4067	3769
11.	Nn in touristic pensions	489	5208	6457	4345	5245	9242	9249
12.	Nn in agro-touristic pensions	:	10809	17287	32106	44689	65623	57219

Source: the author based on data offered by the National Institute of Statistics, accessible at the address http://www.insse.ro/cms/ , accessed on 4th April 2015

Table 1. ***Indices of net use of tourist accommodation capacity***

- percentage -

	Year 2007	**Year 2008**	**Year 2009**	**Year 2010**	**Year 2011**	**Year 2012**	**Year 2013**
Total	47.00	44.50	44.10	37.70	38.40	39.10	39.90

Source: Statistical Yearbook of Bihor County, Bihor County Department of Statistics, 2014

The analysis of statistical data on tourism in Bihor county indicate the following trends:

- the number of tourist reception with functions of tourist accommodation in Bihor County in 2014 increased 1.75 times compared to 2007. The largest increase is recorded for rural pensions (12.6 times, from 5 in 2007 to 63 in 2014). Compared to 1990, new structures appear, like certain hostels, apartment hotels, motels, camps and especially rural locations;
- the number of tourist overnight stays in tourist reception with functions of tourist accommodation in Bihor County decreased in 2013 compared to 2001 with 21.36% and 15.61% compared to 2008. The lowest was recorded in 2010;
- the number of foreign tourists in Bihor is low - 38 939 in 2013, but slightly higher (by 30.65%) compared to 2010. The number of nights spent by foreign tourists in the tourist reception with functions of tourist accommodation in Bihor county increased by 18.02%;
- net use index of tourist accommodation capacity in operation in Bihor county is low - 39.90%, a slight increase over 2010, but a large decrease from 2007, when it recorded 47%.

3. Model for a Sustainable Tourism Development in Bihor County

The conclusions drawn from the analysis of Bihor's tourism are:

- Bihor County has a rich tourism potential – part of the Romanian territorial capital, but it is insufficiently known and valued;
- There are certain components - valuable, rare, inimitable - that may be the "engine" of development for an innovative tourism, competitive and sustainable in Bihor county.

Clearly, tourism development must be sustainable. We emphasize that sustainable tourism is the kind of tourism that is based on the principles of sustainable development and we

consider tourism as a whole. Mass tourism, properly organized and monitored closely, can and must become sustainable. We subscribe here to the idea that the solution for a sustainable tourism is by no means small-scale tourism development, slow and controlled (Muller, H., 1994). "Sustainable tourism is the tourism that takes into account the economic, social and environmental impact, present and future, and focuses on the needs of the visitors, industry, environment and local community" (World Tourism Organization).

3.1. Questions and method

Sustainable tourism has been criticized as being just a "beautiful theoretical concept". The few successful examples are unable to provide convincing arguments. Slow implementation of the principles of sustainable tourism is attributed to several categories of economic actors: the tourist industry, authorities, market, tourists and society (Sharpley, R., 2000: 1-19).

The questions that we ask ourselves about the sustainable development of tourism in Bihor are:

- How can we increase the indicator "affinity for sustainable tourism and travel" of indigenous people and especially young people, so that interested residents, economic actors and beneficiaries could identify and harness the creative and responsible many more elements of territorial capital of Bihor?

The "affinity for sustainable tourism and travel" is the pillar 12 - Human Resources - of Travel & Tourism Competitiveness Index, and, in our opinion, is of special importance sub-indicator 12.01 – The population's attitude towards foreign visitors and sub-indicator 12.04 - The degree of customer orientation.

- How can we make known and recognized the natural and cultural resources as - valuable, rare, inimitable - components that may be the "engine" of development for innovative tourism, competitive and sustainable in Bihor County?

The Travel & Tourism Competitiveness Index, pillar 13 - Natural resources - includes only natural sites in the World Heritage and pillar 14 - Cultural Resources - only sites included in the World's Heritage cultural sites. There are taken into account the quality of the natural environment, the number of known species, biodiversity protection and creative industries exports (eg handicrafts, on which we believe Bihor's potential is particularly distinguished).

Romania is represented on the List of natural and cultural heritage, with eight positions, namely: Danube Delta (1991), Horezu Monastery (1993), Churches of Moldavia (1993), Saxon fortified settlements (1993), Dacian fortresses of the Orastie Mountains (1999), The Wooden Churches of Maramures (1999), The Historic old town centre of Sighisoara (1999), Church of the Resurrection of Suceviţa Monastery (2010). The Intangible Cultural Heritage List of UNESCO, Romania figures with four positions: Ritual callus (included on 25 November 2005), Doina (2 October 2009), Horezu Pottery (3 to 7 December 2012), the Male Carroling Band (with Republic Moldova, included at 3 to 7 December 2013).

The method of implementation of sustainable tourism in Bihor County is the "small steps" or "integrating the new in what we do already successfully".

In Bihor there are some successfully practiced forms of tourism that respect the principles of sustainable tourism (Jickling, 1994). These are: agro-tourism, rural tourism, eco-tourism - backpack tourism (backpacking), alternative urban tourism, educational tourism - volunteering tourism.

The good results achieved in practicing these forms of tourism, which must be supported by policies, legislation, infrastructure and incentives for business can then be transferred to the domain of mountain, spa and cultural tourism in Bihor, according to the model below:

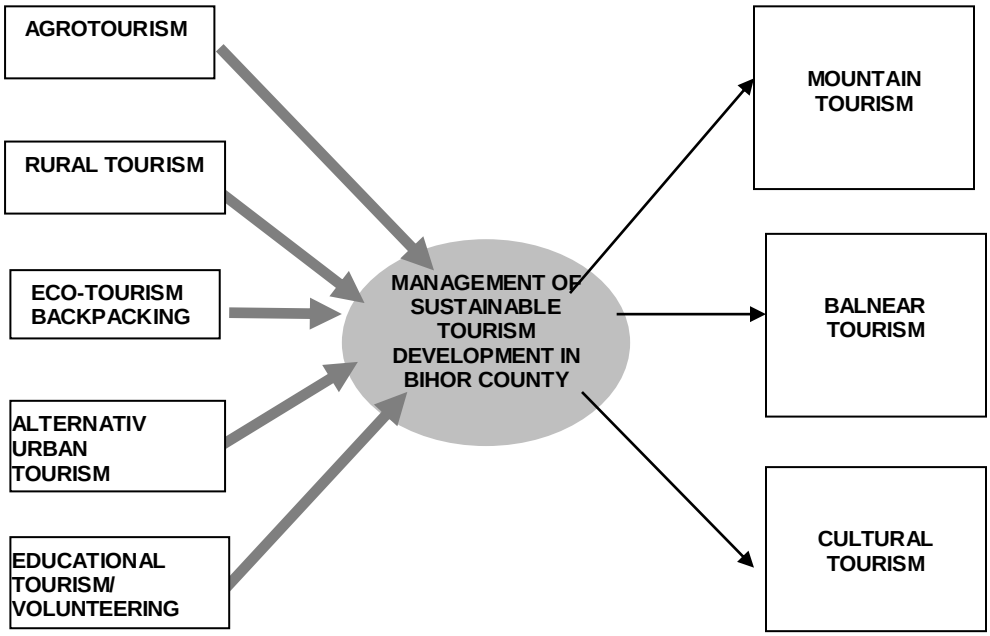


Figure 1. Management of sustainable tourism development in Bihor county - a possible model

3.2. Barriers to implementation

Applying the principles of sustainable tourism development proves to be difficult.

First we deal with inertia and a lack of enthusiasm from the *actors in tourism.* What factors determine these behaviors? It can be said that there are several reasons among them: a. lack of incentives and / or the imperatives of the demand or authorities; b. almost exclusive concern for short-term results (for growth - mainly quantitative expense of development - mostly qualitative); c. no visible results forms of sustainable tourism; d. denial of the negative effects attributed to the practice of mass tourism; e. lack of interest in promoting sustainable tourism; f. the failure to create coalitions and partnerships; g. the fragmented nature of the tourism industry.

Secondly, *society* as a whole and particularly the *authorities* have not really understood the need for sustainable tourism development. It takes time, effort and perseverance to change behaviors of all categories involved in tourism. We are talking here about host population or the locals.

Thirdly, *tourists* are an obstacle to sustainable tourism development. The risk of destructive behavior increased with increasing tourist traffic. Moreover, many tourists behave irresponsibly at the vacation/stay place than usual habitat and can afford to do what normally in their country of residence would not be allowed to do. For many, holidays is considered as a period of total relaxation where almost everything is allowed.

4. Conclusions

Bihor County has important natural and anthropogenic resources which resulted in favorable development of tourism, especially the mountain and spa. Simultaneously, certain forms of sustainable tourism developed and namely agrotourism, rural tourism, eco-tourism - backpack tourism (backpacking), urban alternative tourism, educational tourism - volunteering tourism. Based on the results in these areas and with the support of the authorities, local residents, non-governmental companies interested in partnership with

tourists, tourism development in Bihor can efficiently and effectively integrate the principles of sustainable development. A new system of values is required in the management of tourism development and it is circumscribed to sustainability. In developing tourism development model for Bihor we considered the economic aspect (development of viable economic activities in the long term, ensuring equitable benefits for all economic actors involved, increasing the welfare of local people), socio-cultural aspect (respect for the authenticity of socio-cultural settlements, preservation of cultural heritage and traditional values, increased tolerance) and environmental problems (rational and responsible use of resources, protection of biodiversity, stimulating the development activities based on the principles of environmental protection).

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QUALITY IN ROMANIAN HIGHER EDUCATION: AN INTEGRATED PERSONAL APPROACH

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Abstract: *In Romania, according to current regulations, providing qualitative educational services is a responsibility that rests with each higher education institution. This paper sets out to examine several aspects regarding the complexity of QA in universities and proposes an integrated, functional 12 step personal approach to QA operating on several institutional dimensions.*

Key words: quality, university, 12 step approach, quality system

JEL Classification: A20, H52, H75, I23, I31, I38, N34, P36

The unprecedented development of Romanian higher education today and its continuous quality assurance and improvement have been amplified and largely determined by the direct involvement of the knowledge-based economy (Drucker 1969). Knowledge has been now recognised as the driver of productivity and economic growth, leading to a new, more dynamic, focus on the role of information, technology and learning in economic performance (OECD 1996). The relationship of the knowledge-based economy to traditional economics is reflected in the 'new growth theory' while the growing codification of knowledge and its transmission through communications and computer networks has led to the emerging 'information society'. The transformation of traditional economics into a knowledge-based economy has been influenced by a number of factors:

- *globalization of markets and products;*
- *information technology;*
- *intensive use of information and knowledge;*
- *media;*
- *increased connectivity through the use of computers*.

These forces have also been the drivers in the globalization of higher education characterized by higher education restructuring in compatible cycles according to the Bologna Process, increased student and staff mobility and a stable system of learning outcome recognition within the European Credit Transfer System (ECTS Guide). Higher education institutions in performing their important mission of educating, training and scientific research can be seen as organizations that carry out specific activities in a highly competitive market and it is this competitiveness of universities that has enabled higher education institutions (HEIs) to adapt to the changing needs of its economic and social environment (Popescu et Al 2004).

Such an increasing pressure has stemmed from the emergence of new actors and stakeholders on the vocational training market (mostly private universities and non-university organizations) which, unlike state universities, operate outside the state (public) budget and represent an ever stronger alternative sector in HE. In the context of the private universities that have been expanding rapidly as a result of the rising demand for higher education that publicly-financed institutions have been unable to meet fast enough, within such a global generalization trend, the growth of private higher education (PHE) in Europe has been delayed and somewhat limited compared to that in most of the world, Europe's PHE share being less than half that of the global share (Levy, 2012).The conditions for private providers of education seem to have changed significantly with national political priorities in the economic and technological domains across Europe in the

last few years and so, in countries dominated by public higher enrolments only a decade ago, a third or more of their students now attend private institutions. However, exposed more openly to market-driven forces than the overall market-driven public sector (Becker, 2009), the private higher education sector remains relatively small compared with the public higher education sector in most European countries, albeit EU27 governments are beginning to perceive financially autonomous universities acting as a lesser burden to public funds.

Within this context, Romanian higher education institutions are constantly forced to be operationally dynamic and effective and to provide quality services to meet the needs, requirements and expectations of national and international partners.

Quality assurance in higher education rests on the confidence achieved as a result of an external evaluation and review of curricula, study programs, results of scientific research, organizational structure and testifies to the quality of all operational processes taking place within a university. Quality assurance implies the existence of bodies, criteria, standards and institutional procedures for external evaluation. Higher education institutions are required to submit evidence for internal quality assessment structures comparable with existing models and supported by specific regulations. With a view to ensuring a minimum level of academic performance, quality experts have introduced clear procedures for field and study program accreditation and periodical evaluations. Following accreditation, HEIs can further proceed to the application of the quality management–specific principles, methods and tools so as to improve quality and academic performance (Metodologia 2006).

Evaluation of the quality of education, training and research must be made by means of several criteria, standards and quality indicators aimed at describing institutional capacity, educational effectiveness, quality management and community outreach of the university. In what follows, we set out to propose and examine an integrative 12 step model envisaged to be useful in a functional higher education institution. This model/program rests on the famous comparison chart of the quality gurus W. Deming, JM Juran, Crosby P. and G. Taguchi (Ghobadian and Speller 2006) however it adjusts its parameters to the specifics of romanian universities for which it has been designed. The departure lines from the famous model will be detailed in the second part of our paper at a few essential points.

The comparative aspects of the quality concept in the vision of the four famous scholars are briefly described below:

Table 1 Comparative aspects of the quality concept

Criteria	**W. Deming**	**J.M. Juran**	**P. Crosby**	**G. Taguchi**
Fundamental orientation toward quality	Technique	Process	Motivational	Tehnique, pro-active
What is quality?	Systems with no errors	Corresponds to usage: poses no problems	Complies with demands	Meets performance requirements of customers

Criteria	W. Deming	J.M. Juran	P. Crosby	G. Taguchi
Purpose of quality	Meets customer needs	Satisfied client; Continous improvement	Continous improvement „zero defects”	Meets customer needs; Continous improvement
Methods for achieving quality	Constant purpose; Continous improvement; cooperaration between functions	Cost of quality; trilogy of quality: planning, control, improvement	14 point framework	Statistical methods: loss function, noise elimination through robust design and processes
Fundamental implementation elements	14-step program	Innovative projects; quality council, quality teams	14-step program	Cost of quality; maturity matrix of quality management
Known for...	Plan-Do-Check-Act Cycle	Responsabilitatea pentru calitate revine managementului; adoptarea principiului Pareto	Principle ‘zero defects’	prootyping

Premised on the fact that quality represents a critical competitive factor, often times a prerequisite of survival in some markets, the comparative aspects described above refer to matters of principle that are essential to the concept of quality and can be applied in any field. Based on this matrix, Romanian HEIs may be assessed according to the following approach which operates as a rational, systematic, model designed in 12 steps. These implementation elements and steps are described further below along three fundamental directions (QA staff, QA organization and Human resources).

Table.2 Personal approach

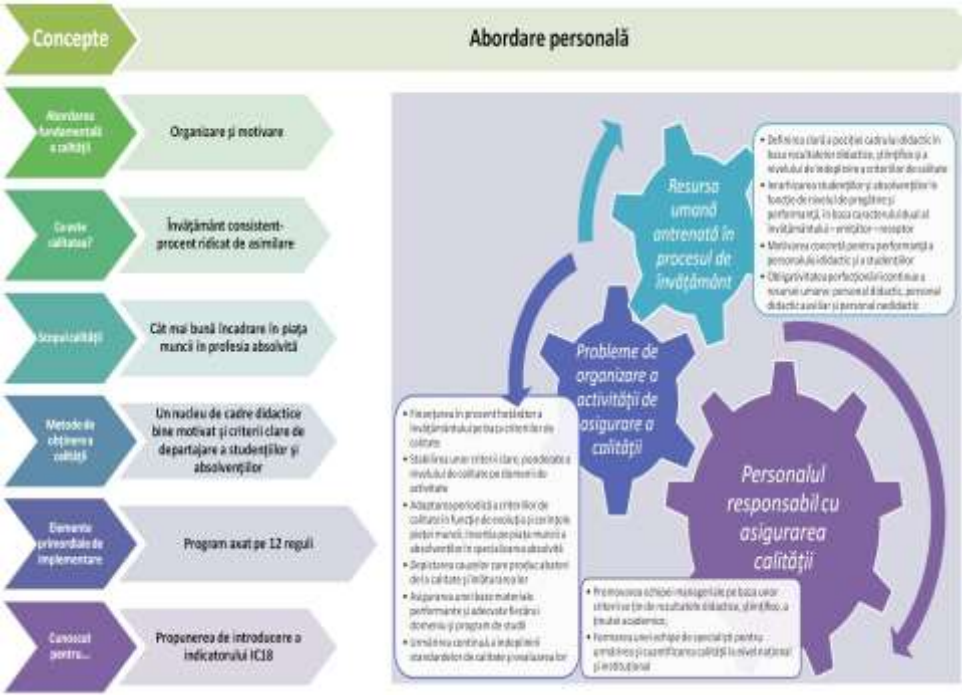
Concepts	Personal approach
Fundamental approach of quality	Organization and motivation
What is quality?	Consistent education-high degree assimilation
Purpose of quality	Better insertion on the labour market in graduated field
Methods for achieving quality	Motivated staff and clear selecting criteria of students and graduates
Fundamental implementation elements	12 rule program

Concepts	Personal approach
Known for...	Introduction of the IC18 quality indicator; employment according to graduation specialization

- *Quality assurance staff*
  - Promotion of management team based on criteria related to teaching and scientific results;
  - Establishment of an experts team for quality assessment and quantification at national and instituional leves.
- *Organization of quality assurance*
  1. Financing strictly based on quality criteria;
  1. Establishment of clear criteria of quality levels on fields of activity;
  1. Periodical adjustment of quality criteria according to labour market evolution and demands; Insertion of graduates on the labour market in graduated field;
  1. Identification of quality failures and their removal;
  1. Adequate performance equipment of each field and degree program, including support services leading to maximization of good education and research;
  1. Constant pursuit of quality standards and their evaluation.
- *Human resources involved in the educational proces:*
  1. Clear work- and quality-based repositioning of staff;
  1. Ierarchization of students and graduates according to their training and performance;
  1. Real performance incentives for students and staff in teaching and research activities;
  1. Mandatory continuous human resources improvement.

Pusued on all levels and achieved in all established indicators, the systemic approach described above may lead to an increase of graduates' absorption on the labour market according to their field specialization and training. The three fundamental directions of our approach may be further illustrated in the graphic representation below:

Figure 1. Personal conceptual modelling of quality assurance at institutional level



By way of conclusion, we hold that the 12 step program illustrated above is apt to ensure consistency of quality assurance across Romanian universities by means of its common reference points for quality assurance, procedures as well as an explicit commitment to the development of a culture which recognises the importance of quality and quality assurance. The sustainability of the models rests on its enhanced capacity for reporting, follow-up procedures, periodic reviews (undertaken on a cyclical basis) and not least importantly, system-wide analyses.

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JUDGEMENT OF THE FACTORS INFLUENCING THE INTEGRATION OF THE EMPLOYEES WITH DISABILITIES OR REDUCED WORK CAPACITIY INTO WORKPLACES IN THE NORTHERN GREAT PLAIN REGION

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Abstract: *The Hungarian government tries to help the employment of people with disabilities or reduced work capacity by means of different devices but the key for the practical success of the legal regulations as well as the programs promoting the (re)integration reside in the attitude of the organizations' leaders or the human resource professionals.*
The problem of integrating the employees with disabilities or reduced work capacity into the world of work kindled my interest in 2006 when the Chances of Disabled People Foundation, on behalf of the Ministry of Employment and Labour, invited a tender which was won by the AVK Management and Labour Science Department of the University of Debrecen. In this way, the research program entitled "Equal Opportunies' Human Resource Management (in Hungarian: EsélyEgyenlőségi Emberi Erőforrás Menedzsment, acronym of which is 4EM)" has come into existence and I was its main coordinator. In case of the human resource management, to my understanding, the equal opportunities mean that all citizens being capable of work should get opportunity being equal to their abilities and health conditions as well as their performances, results should be judged in the same way. Due to the rehabilitation contribution increased from 1 January 2010, more and more organizations would like to employ people with reduced work capacity but their insertion into the organization faces difficulties in many cases, in consequence of the inadequate information supply. The importance and continuation of the research are also justified by the fact that almost one million people with reduced work capacity and with disabilities live in Hungary whose active employment is insignificant. The activation of this labour force source is going to become a very important issue in the coming years, decades. Aim of the research program "Equal Opportunies' Human Resource Management" is to reveal the tasks, features, procedures and methods for employing and managing people with disabilities or with reduced work capacity. Due to the imperfect knowledge, the employers are unaware the organizational features and opportunities of employing people with disabilities or reduced work capacity. In order to make the (re)integration of the persons with reduced work capacitiy into the labour market successful, we need to consider and know the opportunities, features of the persons concerned as well as demands of the employers in order to really provide equal chances to the people with disabilities or reduced work capacity in the workplace.
The group forming is extremely important from viewpoint of the people with reduced work capacity. One of the basic questions of (re)integration – like the healthy workers – how the employees with disabilities or reduced work capacity can be integrated into the organizational units. For them, the group means the direct corporate environment; the group's approach, mentality, attitude determines the success or failure of integration. Due to the rules often comprehended as extortion and the rehabilitation contribution experienced as a quota, the organizations undertake to employ people with disabilities but there is no emphasis on their effective integration into the organization. This is not necessarily due to the fact that the organizations do not consider this task important but they do not know how to start. One opportunity of the helping the integration is to apply sensitizing trainings but a lot of leaders do not know this term as well as its significance in

integration of the people with disabilities
Beyond exposé of the factors influencing the adaptation of people with disabilities into a group, the article sheds light upon the nature, importance of sensitizing trainings as well.

Keywords: equal opportunities, HR, (re)integration, group, sensitizing trainings

JEL classification: M51, M54

1. Introduction

The program shortened as "4EM" presents a new aspect and mindset, the essence of which is that it approaches the (re)integration of people with disabilities or reduced work capacity from the employers' side. Within the framework of an independent research, we examine that what specific human resource management tasks or special managerial duties can arise in this area and what kind of factors can influence their successful implementation.

After role of the workplace adaptation, the study touches upon the peculiarities of the sensitizing trainings. The results of research show the data of 473 questionnaires which are evaluations by leaders, HR specialists and rehabilitation professionals being at different levels in 121 organizations operating in the Northern Great Plain region of Hungary, completed with experiences of in-depth interviews. The study concludes with deductions.

2. Specialized literature review of the integration into workplace

One of the basic functions of human resource management is the labour force supply. Most frequently, the literature means the practice, procedure of recruitment and selection by this field of activitiy but the issue of integration increasingly comes to the front in recent times (Gulyás, 2008). The integration is a frequent subject of the different HR professional meetings, professional websites where HR leaders of different organizations give advice as well as share their experiences with other colleagues (Móré, 2012a). In the long term, only committed, satisfied and loyal employees are able to ensure the perpetuance of an organization i.e. the interest of a firm is to employ committed and satisfied employees (Wiwczaroski, 2010). In order that the employees become satisfied and a corporation can keep them, the successful socialization and integration have a siginificant role (Csukonyi et al., 2007). A successful integration increases the efficiency and stability of an organization, contributes to the balanced social relations; the time spent on it will be refunded (Bácsné, 2010).

If a colleague feels that he/she does not get an adequate support for the integration then he/she can become uncertain and say goodbye to the workplace soon. In different organizations, the focus is often on the financial aspects (Nagymáté, 2012) and the career development only but it is at least such important that a new employee can get acquainted with the operating features and relation system of the organization (I1; Kozák, 2014). The workplace integration is an important stage of the occupational socialization. Here is decided the question of adequacy i.e. whether the job is suitable for the new entrant, whether he/she is able to acquire the requirements, whether the environment is appropriate and whether the entrant will be adopted by the organization, colleagues. If any of the listed factors does not prevail then the integration will be unsuccessful (Soós, 1997).

Main goal of the adaptation is to integrate the new workers as soon as possible in order that they can become beneficial members of an organization. This brings benefits to both the employee and employer (I1). The interest of an employee is that the sooner he/she comprehends the operational features of organization, knows the organizational culture, understands the relating confines and expectations, the sooner he/she feels that he/she can operate routinely. The interest of an employer is that a new worker can find a place in

the organization and join in the process of production as soon as possible. Namely, only those workers can perform well who find their own place and feel their usefulness.
The organization of a corporation can also be increased if the managers better think over the work process in case of employing people with disabilities or reduced work capacity, for sake of the ability of integration; the managers should consider what they expect as a result from each field of work. Insofar as the integration procedure of a new employee is shorter then the reaching of the optimum performance level will occur sooner (Juhász – Vántus, 2007).
Based on Tardos (2013), the integration of people with reduced work capacity can be a more complex task in comparison with other employees entered newly. Therefore, a longer and more reasoned procedure should be elaborated. The trainings can appear as a part of the integration or a device for evolving the inclusive culture; the trainings can be for both the people with reduced work capacity and the workers of an organization. Elaboration of a mentoring system may also be required for following and helping the longer integration process.
Expansion of the mentoring system in the employment of people with reduced work capacity is evident with regard to both its functions and benefits. Based on Boda et al. (2006), the professional and problem-solving skills of the mentees develop, that's why they perform better so the efficieny of organization is also on the increase through them. Furthermore, the mentor helps to form a cooperative relationship with the members of organization, to solve the occasional conflict situations.
In order to contribute to the integration, the collagues shall be prepared for receiving the new entrant. If we are willing to employ a person with disabilities or reduced work capacity then we will often meet with resistance of the employees' side which, on several occasions, is due to preconception or lack of information. The soon possible integration of people with disabilities or reduced work capacitiy into an organization may have a key role; one of its possible ways is to apply sensitizing trainings.
The integration of people with disabilities into a workplace is not a self-evident task. Based on Dávid et al. (2008), the fellow-workers should learn to and get to accept the otherness. The appearance in workplace generates rejection very rarely; the curiosity, aversion to the unknown and the abstention are more typical. In case of resolving the initial difficulties, the collective information, training provided for the colleagues can be an effective tool. In order that a new fellow-worker can perform the work with appropriate effectiveness and he/she can feel well in the organization, an accepting and supporting medium is required. Based on Móré (2012b), psychological trainings can contribute to a successful integration. These trainings tend towards the self-knowledge of an individual, help to defeat the psychological burden of integration. The different organization-developing trainings decrease the psychosocial stress of integration and increase the personal effectiveness: self-knowledge of an individual grows, he/she knows his/her personal resources, by means of which he/she will more effectively be able to communicate, to develop and enlarge his/her relations and to manage the conflicts during the work. (Antalovics, 2000; Wiwczaroski, 2011). Aim of the sensitizing trainings is (I2):

- to make the groups with reduced work capacity easily integrable into the proper work environment,
- to acquaint the leaders with those difficulties and situations which can occur during integration of employees with reduced work capacity,
- to make the colleagues easily able to accept the new employees to the group,
- to make the employees with reduced work capacity able to fit in a given field of work and a group.

So, the final aim of the sensitizing trainings is to develop and strengthen a receiving and accepting approach. The participants can experience the world of people with disabilities at close range and, through pratical excersises, they can understand the everyday challenges

and the difficulties arising from special life situations (I3). The sensitization can perform by means of several methods: by means of cases, professional experiences, films, it is presented that the persons with disabilities are also capable of effective work and their employment can involve other organization-developing result beyond the economic benefit. Based on Bartos et. al (2009), several situational training tasks can be applied in which the fellow-workers can have first-hand experience about the exclusion, prejudicesand there is possibility for applying tasks suiting to disability of a new entrant (speech incapacitation, hearing damage, vision damage), relating practices.

3. Material and method

The research "Equal Opportunies' Human Resource Management (4EM)" was started in 2006 by the Faculty of Agricultural Economics and Rural Development of University of Debrecen, including the then called Department of Management and Labour Studies. It was started with regard to a tender won by support tof the Chances of Disabled People Foundation, the project coordinator of which was me. Considering my personal vocation and the importance of the examined subject, I continued the research independently and without support after closing of the tender. I enlarged the original questionnaire and I also applied the method of in-depth interview and case study for detailed examination of the practice of equal opportunities' human resource management. Such managers and HR professionals were taken into the examinations who have already experiences in this area i.e. the organizations represented by them employ people with disabilities and reduced work capacity.

After the appropriate screening and sorting, the results of this study show the data of 473 questionnaires which are evaluations by managers, HR and rehabilitation professionals being at different levels of 121 organizations operating in the Northern Great Plain region of Hungary. The organizations operate in 40 different settlements.

The most, namely 229 pcs questionnaires of the sample have been filled in by leaders and employees of organizations in Hajdú-Bihar County; rate of the respondents working in Szabolcs-Szatmár-Bereg County is hardly lower, from where 227 pcs questionnaires have been sent back. Number of the questionnaires arrived from organizations of Jász-Nagykun-Szolnok county is only 17 pcs. Based on distribution of the organizations' activity areas, it can be ascertained that managers of industrial or service-providing organizations have filled in almost 60% of the questionnaires (Figure 2.). Organizations operating in social or rehabilitation area give more than one fifth of the sample; their willingness to answer was positive. Furthermore, the respondents of state institutions are present in 8%.

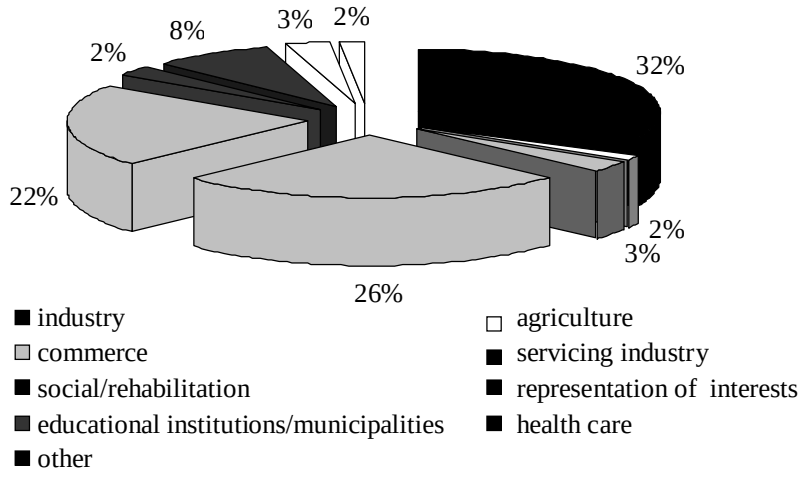


Figure 1: Distribution of the responder organizations based on their activities
Source: own research, n=473

In most cases, the examined organizations employ physically disabled employees since 337 respondents have marked this category on 473 questionnaires. Then, the examined organizations mainly employ people with reduced work capacity, hearing-impaired as well as visually impaired persons in spheres of work. 9 respondent organizations employ autistic employees. Based on the data, it can be stated that the respondents have experiences in relation to employment of workers belonging to every disability group so the results of research can be decisive in practice, regardless of that we are speaking about a non-representative sampling.
Junior managers have the highest rate in the sample (163 heads). These include the shift leaders, department managers, team leaders and the project managers. The other category shows the second highest rate (157 heads); this includes those who are in touch with the employees with reduced work capacity or disabilities but they do not work in managerial positions (e.g. assistants, clerk, and direct colleagues). 21% of the examined sample is composed by the chief leaders (executive director, site leader, president), then it followed by, with 38 heads, the group of rehabilitation professionals, mentors, personal and social helpers
Almost one-third of the interviewees (151 heads) has experience between 1 and 5 years, 28% of them has experience between 6 and 10 years and only 36 heads marked that they have connection with persons with reduced work capacity for less than one year. According to the results, almost one-fifth of the respondent has already borne a relation to employees with disabilities or reduced work capacity for more than 10 years.
From 16 areas of the questionnaire interview, the study demonstrates the results of question about integration into a group; it is completed with details, relating to the integration, of the interviews with the examined organizations' leaders.

3. Results and discussion

The groups as direct work community have even larger role, significance in employment of people with disabilities. For this kind of persons, the group means more to this kind of persons than to the healthy ones because, for them, it is equal to the possibility of belonging to a community, a meaningful work and meaningful life. For this reason, they are more committed loyal to the accepting groups (Berde, 2007). Acceptation of employees with disabilities acts as a community-forming power, strengthens the group cohesion, commitment and improves the attention and tolerance to each other.
The features of community forming within the corporation can be different in each organization. Leader of an organization of Debrecen told that the employees can work in different employment forms, groups according to their abilities, skills, state of health, educational level. For example, community workshops operate but there is possibility for telework, working in the developing – preparing workshop and for rehabilitation working which is the biggest part.
The idea mentioned above is strengthened by a leader of organization operating in Szabolcs-Szatmár-Bereg County. During formation of the groups, this organization tries to alloy the requirements of work process with the conditions arising from nature of disability. They take care that the employees with weaker capacity will be supported by mentors who help and support their protégés from human and professional point of view. The composition of a group is the guarantee that the defencelessness feeling of employees with disabilities will be decreased and the pulling effect of the stronger will be enforced.
In case of a corporation of Hajdú-Bihar County, the employees work in groups. Each activity can be performed only by joint work of several people; the laundry tasks, cleaning in the buildings or even park-scaping are activities requiring more heads. In relation to

forming of groups, the interviewee told that they do not make a distinction between the people with reduced work capacity and the healthy workers. Its reason is that they do not want to make the person feel that he/she should be managed separately or other conditions apply to him/her just because he/she had damage to health for any reason. In case of the work group itself, they do not want to take the step for raising the person with reduced work capacity from the other because, in their opinion, it can easily lead to a group conflict, clashes of interests or performance differences.

The respondents have qualified the factors helping the integration into a group from 1 to 5 based on their efficiency and significance. The aggregated mean values are shown in Figure 2. The persons interviewed have scored numerous factors extremely high, the reason of which is probably that the integration of a person with reduced work capacity into a group has a high priority. Based on the results, it can be stated that the respondents have highlighted the role of two factors; these are the positive working atmosphere and the assistance in which the mentor and the colleagues play a large role. This is followed by the preparing for reception of the fellow-worker, the adequate information supply as well as organization of joint programs. However, the different trainings are decreasing the burden involved in the integration and increasing the personal effectiveness, in spite of this, the respondents has reckoned it as a less decisive factor but it does not mean that these ones cannot be effective in practice. A lot of managers do not know the term 'sensitizing training' as well as its content, purpose and importance in the integration of persons with disabilities so the managers dislike spending money on it. In spite of this, both the specialized literatures and other practical examples verify that the trainings help the staff to accept a colleague with disabilities sooner. In this way, the integration period can be shorter which may result in a positive effect in several areas, such as organization, satisfaction, work ethic, loyalty, performance, thus the amount spent on the trainings can be refunded multiply.
The enforcement of cooperation has obtained the lowest average rating which is not really typical in life of the organizations examined. This device is more riskier in case of the people with reduced work capacity since it can easily trigger off passivity from the involved people involved.

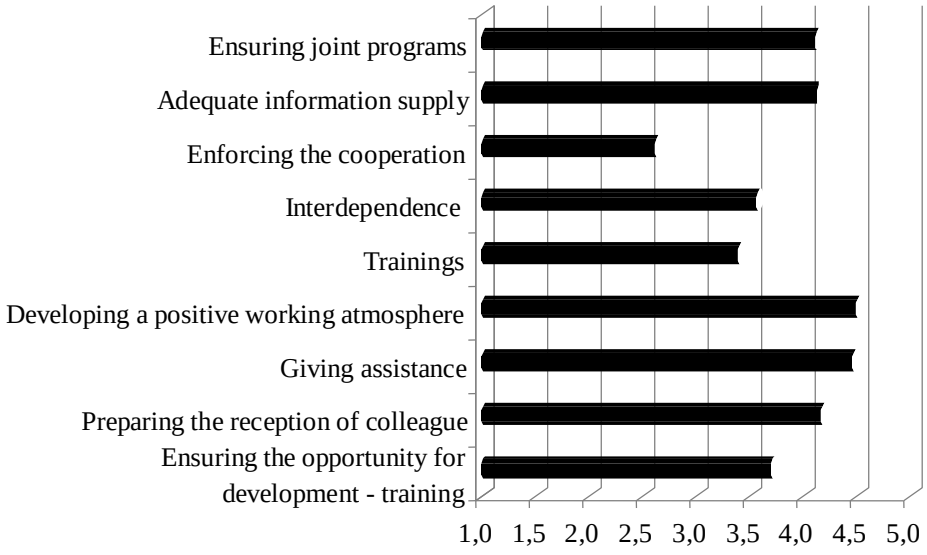


Figure 3: The evaluation of the factors promoting adaptation to the group

Source: own research, n=473

Based on results of the in-depth interviews, the practice of adaptation is different in case of the examined organizations. For example, at one of the organizations of Debrecen, in order to help the successful integration, each new employee is prepared for the work and the long-term employment by means of a system, education syllabus developed by the company. At the end of education, they check the efficiency of education and preparation by means of query and assessment. An employee does not start to work without keeping the education and its successful query.

According to the telling of a leader of an organization dealing with mediating workers with reduced work capacity and other services relating thereto, they were not "peculiarly" surprised when employees with disabilities arrived. This leader has highlighted that the preparation of the staff for the arrival is important, it needs patience of the colleagues, the communication is essential and the pace of work may change. It is important to establish a proper working environment, e.g. optimal placing of a visually impaired colleague's computer, in order that there will be required light, and installation of reading programs.

Numerous organization leaders have emphasized the mentors' decisive role in integration of the people with disabilities. In case of an international consulting firm where autistics are also employed, before the chosen applicants start to work, mentors of the to-be employees have gone to the company and prepared the workers for the cooperation with autists during a few hours of conversation, in order to make the integration as successful as possible. Here, concrete questions could be asked and the mentors told what to pay attention to as well as what features the autistics have. In essence, not training but sensitizing occurred.

Leader of a multinational firm with premises in Debrecen has also highlighted the training mentor's importance in the integration. In case of this firm, there was no particular problem with integration of the visually impaired employee. It happened as usual, the group members have been informed in advance about the arrival of a new employee and its time. The group members also need to know the work and tasks of a new employee. A preliminary training helps the employee to acquire the tasks, and then a mentor supports him/her during the work until he/she learns the skills required for the independent task performing. And the leader introduces the new entrant to everyone and shows him/her everything. Then the leader is beside the new entrant for about one day and also helps him/her to integrate later.

Part of the corporate culture of an organization in Nyírség is that each employee with disabilities was given a positive welcome. Those who already worked in other workplaces have positively experienced the "accepting" atmosphere of organization. They have received no discriminatory feedbacks from the group which accepted them. If the factory doctor deems an employee suitable then the studying period can begin. In each premise of the company, depending on the headcount, there are personal helpers who support the studying and the integration. The personal helper monitors the work process, presents as a supporter in the group and helps to find way in the information relating to the work. The employment happens with proviso of a 1-3-month term of probation, that much time is available for the integration and training. Based on the telling of leader, the employees have felt that, on the whole, their employment came up to their expectations since they were employed in jobs corresponding to their abilities. It is almost natural that their integration is faster than usual. One source of a good atmosphere is that everyone in the firm – including the management as well – is aware of the fact that the productivity of employees with disabilities is the same as the productivity of their healthy associates if they are allowed to work in jobs corresponding to their abilities. The corporation has got hold of valuable, dependable, loyal and motivated employees and the working atmosphere and work ethic are improved by their employment. The rapid integration of colleagues with

disabilities has a positive effect on the other workers' work ethic, moreover commitment to the company. Their relation is characterized by the positive togetherness and not the "compassionate help".

Conclusion and suggestions

According to the results of questionnaires, the following things play the largest role in the integration of persons with disabilities: the working environment and the assistance given by the mentors and colleagues. In case of the organizations examined by me, the application of trainings shows a comparatively low average value but it does not mean that these ones are not effective in practice. A lot of managers do not know the term 'sensitizing training' as well as its content, purpose and importance in the integration of persons with disabilities so the managers dislike spending money on it. In spite of this, both the specialized literatures and other practical examples verify that the trainings help the staff to accept a colleague with disabilities sooner. In this way, the integration period can be shorter which may result in a positive effect in several areas, such as organization, satisfaction, work ethic, loyalty, performance, thus the amount spent on the trainings can be refunded multiply.

In order to contribute to the integration of persons with disabilities into the labour market, the Equal Opportunities of Persons with Disabilities Non-profit Ltd. has started an accredited training named "Training of Mentors, Consultants, Trainers and Leaders for Equal Opportunities of Disability" (in Hungarian: Fogyatékosügyi esélyegyenlőségi mentor, tanácsadó, tréner és vezetőképzés, the acronym of which is FEMTT-V); I took part in it as a developer and an instructor. Within the framework of a multiplier instructor training, I also took part in a sensitizing training where, by a dual trainer leading and in an integrated manner (one of the psychologists was visually impaired), we was able to experience the feeling of the prejudiced exclusion and to know the different disability groups' features and their compliance with a job. Currently, several training and consulting firms advertise sensitizing trainings, after which the staff will be able to receive the disadvantageous colleagues in such way that the company can profit by its application both financially and humanly (I4). The ones taking part in a sensitizing training will be able to acquire a helping attitude, to recognize their own barriers and limits, the way of tactful but unambiguous communication, to sense their own roles precisely, to manage the games formed and to improve their conflict-solving skills (I5). They will be able to cooperate more effectively, to decrease their antipathies arising from diversity, to understand that the problems are also challenges simultaneously which they can learn from.

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EXPORT AND IMPORT OF ENTREPRENEURIAL ENTITIES IN THE SLOVAK REPUBLIC

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Abstract: *While the end of the 20th century is characterized by abnormal growth and acquisitions amplified by the multinational companies in international markets, the beginning of the 21st century is marked by small and medium-sized enterprises. Unlike large firms, however, position, role and importance of micro, small and medium-sized enterprises (SMEs) in international markets is considerably smaller. SME Market power of SMEs is not so great to be able to influence government decision-making and promote their interests at home and abroad. Nevertheless, SMEs constitute a critical mass of firms in the country, employing about 70% of the population; they are flexible, innovative and able to respond quickly to market needs. Compared with large enterprises they also have many drawbacks. Furthermore, besides their market power production is an „expensive" greater demand on staff, lack of funds and a small share in international markets. It is evident that SMEs compared to large companies have bad much more advantages and disadvantages. Their most common problem is that their power to promote the interests of small and medium-sized enterprises is small. Therefore, in the support for SMEs are often engaged state or supranational organizations. What is, however, the situation of SMEs in international markets? It really true that micro, small and medium-sized enterprises operate only in local markets and in the foreign trade they are involved only in limited extent? It is just for their "smallness", or are there any other reasons why these companies are not engaged in international business? Or are SMEs in foreign markets and just nobody knows about them? We seek answers to these questions on the example of businesses operating in the Slovak Republic. Therefore, the contribution deals with the structure of business entities in Slovakia, their division into individual sectors and consequently the size of exported and imported value of enterprises by size classes and according to appropriate industry.*

Key words: micro, small and medium-sized enterprises; international trade; export; import; traded value; sized enterprises
JEL classification: F19, L26

1. Introduction

The beginning of the 21st century in the level of individual Member States and the EU as a whole was in addition to the solution of serious economic and social problems also aimed at position, role and importance of small and medium-sized enterprises. To support SMEs there have been adopted several measures. The Small Business Act for Europe is an initiative at EU level, in which there were adopted 10 measures to support small and medium-sized enterprises. In addition to financial support, a second chance after the collapse and creating a favourable business environment there is one of the 10 measures also designed to support small and medium-sized enterprises in international markets (The Small Business Act for Europe, 2008). For countries in the EU one of the biggest benefits is creation of the single market in which there are no boundaries. Citizens extensive by use the possibility of free travel and movement in the EU countries. Businesses would not perceive this option. Generally, the international business in all forms large companies are particularly involved and medium-sized enterprises in only partially. Small and micro enterprises are aimed more at home, or even to a regional market in which they operate.

According to Nosáľová (2012) 25% of SMEs is engaged in the export and in import 29% of SMEs. She also states that firms engaged in international business generally employ more workers than firms that are not engaged in international business. SMEs that are not engaged in international markets create on average 4% of new jobs, while companies with international activity generate up to 7%. Since SMEs are the largest employer in the country, it is appropriate to support the role of SMEs in international markets. Support from the state, however, often fails, or SMEs are not aware o fit or have never used it (Kaszuba et al. 2014).
The paper deals with the analysis of business entities in the Slovak Republic. Based on the analysis and statistical findings it examines the involvement of enterprises by size and their membership in industry sectors in international trade. The focus is mainly on the possibility of export / import of micro, small and medium-sized enterprises.

2. Methodology

The European Union divides businesses by size, to micro, small, medium and large enterprises most often by member of employees. Another criterion for determining business size is characteristics such as the size of the assets or turnover. The additional indications are the links between companies on the basis of the voting rights or share capital. Affiliation of enterprises to international sectors is given by dividing into groups according to NACE.
To analyze the position of enterprises by size were selected years 2008 - 2011, where was available the latest information on the EU as a whole. In this paper we analyze except the numbers of enterprises also employment in individual enterprises by size and by belonging to the sector. For a country there is important, not only the number of employees, but size of the added value that businesses are able to create. Therefore, we also examined how much added value is created by individual firms by size in each sector.
Internationalisation of SMEs covers several forms of international business. In addition to the basic forms of non-capital links - export and import; businesses are also involved in demanding forms of international business associated with capital links. Therefore, when considering export / import companies we still cannot talk about internationalization. On the other hand, only at the OECD, there were data on export and import of businesses by size classes and by enterprises belonging to the sector. Data on export / import of the country were available only in the years 2008 - 2011, therefore, the time trial of export and import is shorter, and may not reflect the current situation on the international market. Nevertheless, we consider evaluation of export and import of enterprises by size on a traded value as important. Most studies used only findings that are not supported by the available data. Therefore, the conclusions from the analysis are an important element for the assessment of position of SMEs in international trade. OECD divides financial flows in international trade by TEC database, which is created in cooperation with Eurostat and national statistical offices (OECD metadata).

3. Businesses in Slovakia

Small and medium-sized enterprises in Slovakia are a crucial part of business entities. Nevertheless, there was a long time devoted to particular analysis and the role of large enterprises in the domestic and foreign markets.

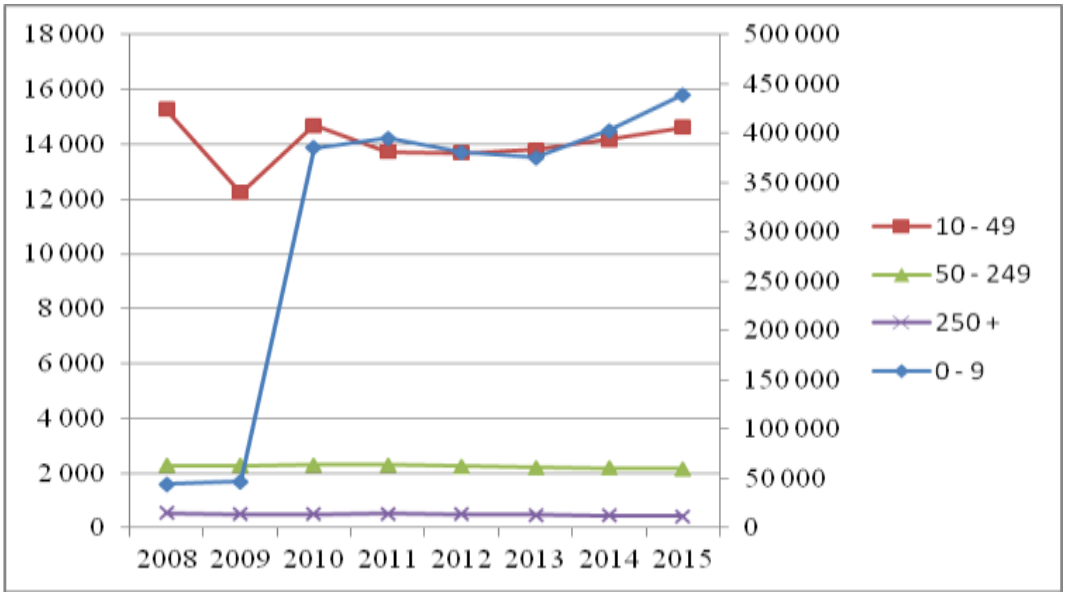


Figure 1: Number of enterprises by size in the years 2008-2015 in Slovakia
Source: Annual Report 2015 EU, our processing

The right axis shows the number of micro firms employing 0 – 9 persons. These are mostly self-employed or small family businesses, in which there are employed mainly family members. This group represent the largest share of the total number of enterprises. Micro-enterprises make up more than 96% of all enterprises. The largest increase in micro was in 2009, when the economic crisis was demonstrated by accompanying rising unemployment. The part of population solves the problem of the loss of jobs by starting their own business. The biggest group of micro enterprises by line of business is engaged in the G - Wholesale and retail trade, repair of motor vehicles and motorcycles. These businesses contribute by 30-40% to the total number of micro while the share of this group of microenterprises has decreased over the years. The second strongest companies in the group F - construction (form 7-25% of micro-enterprises) and the third are businesses in M - Professional, scientific and technical activities, whose share of micro is 12-20%, while the share of these undertakings in different years 2008 - 2015 was fluctuating.
At least the object of a micro business includes group B - Mining and quarrying (54 firms) and electricity, gas, steam and air conditioning (129 firms).
Micro-enterprises employ a total of 14-42% of employees, and most employees are in the same category as the number of enterprises. The share of micro-enterprises in value added is 11-40% with an increasing trend and the added value has been placed in micro industries - G (33-43%), F (6-14%, while the share of value added in this volatile sector fluctuates) and M (14 to 17.5% and the share of the sector is growing).

The second largest group in the total number of enterprises in Slovakia are small businesses with a staff of 10 - 49. The number in the years 2008-2015 was slightly erratic and after an initial decline in the number of enterprises in 2009 compared to 2008, the number returned almost to the original level by the end of 2015. Nevertheless, due to the increase in the number of micro enterprises in the total number of enterprises is still decreasing significantly. While in 2008 the total number of enterprises accounted for 24%, and a year later it was 19%, but in the following year, their share in the total number of enterprises was reduced to 3%, and this continues until the last reporting year.
Small businesses with the smallest number of companies operate in the B - Mining and

quarrying (30 firms) and in D - Electricity, gas, steam and air conditioning (117 firms).
Small businesses have the largest share by NACE in the three sectors G - Wholesale and retail trade, repair of motor vehicles and motorcycles, where their share is around 35%. Another branch is C - manufacturing, where the share of small businesses in the years 2008 – 2015 was at the level of 21-23%, and the last is the strongest sector F - construction, which is stabilized by the percentage of small businesses at 12% with a slightly increasing share.
Small businesses employed in 2008 a total of 23% of employees. This proportion, however, until 2011 fell to a low of 17% and by the end of the reporting period in 2015, their share of employment increased to 19%. It clearly shows that the proportion of employees who left the small businesses have found employment in micro or started their own business. Around 30% of employees work in the sector G, 25% in manufacturing (C) and 13% in construction (F).
The largest share of value added created by small businesses is in the wholesale and retail trade, repair of motor vehicles and motorcycles (G - 35%). Slightly decreasing share of value added in small businesses is in the manufacturing sector (C), where the share dropped from 20 to 18.7%. The third highest value added by enterprises is in construction (F), and 9.4% in 2015, which compared with the previous four years shows, a slight increase compared to 2008, but it is still a decrease of less than 1%.

A significant decline in the share of enterprises in the total number of enterprises was recorded by medium enterprises, which employ 50 to 249 employees. In terms of international business it is precisely the group of companies of the most promising businesses in particular because it is not too small and capacity constrained. The second reason is the fact that if the SME has grown from a small business, then the market operates sufficient time to also enter foreign markets. Although their share decreased between 2008 - 2015 from 3.6 to 0.47%, their total number dropped between the assessment years by 120 enterprises, and their annual decreasing number can be regarded as dangerous, not a radical reduction in the number of enterprises.
Most medium-sized enterprises have a business in C - manufacturing and despite the fact that the share of these enterprises in the total number of medium-sized enterprises fell from 46% to 38%, and this downward trend continued during the whole period. Slightly increasing is the proportion of companies that are in business G - Wholesale and retail trade, repair of motor vehicles and motorcycles, which increased to almost 20%. There is similarly increasing share of firms which deal with the area H - Transportation and storage. Although the share of these enterprises in the total number of medium-sized enterprises is far below 10%, evaluated in the years 2008 to 2015, their share increased from 5.4 to 7.9% by regular annual increase.
At least medium-sized enterprises in the field of business B - Mining and quarrying (15 firms) and in E - Water supply, sewerage, waste management and remediation activities (38 firms).
The highest percentage of employment in medium-sized enterprises achieve those businesses that have the highest proportion in medium-sized enterprises in an area C - the share of employment fell from 48% to 42%, which is due to the decrease in the share of these enterprises in the total number of medium-sized number of businesses. The percentage increase in staff from 14% to 18% is in entrepreneurs in G. In third place in the number of employees from medium-sized enterprises are enterprises in construction (F), which share of employees in the total number of employees of medium-sized enterprises is 9%. Enterprises in the transport and storage have reached in the portion of total employment a slight increase from 0.05 to 0.07%.
Declining share of medium-sized enterprises in the industrial production is also reflected in the decline in the share of value added. In the evaluated period it fell after a slight recovery

in the years 2010 - 2012 to 33% the value added created by medium-sized enterprises. This fact is demonstrated even though the value added expressed in millions. € in absolute value increased from 1,911 to the 2,001. Substantial increase in value added was recorded by medium-sized enterprises in the sector G, where the share of value added in total value added generated by medium-sized enterprises increased from 17.5 to 18.9%. Approximately the same increase in value added is recorded in the construction sector and sector J - Information and communication. Their share of value added is 9%, while businesses in the field of information and communication grew at a faster pace. Enterprises in the transport and storage (H) in the total value added in 2015 had a 6.7% and the time of growth in value added is approximately the same as in previous sectors J and F.

While in 2008 in Slovakia there were 555 large enterprises with a staff of over 500, in 2015 there were only 432. Given the high proportion of micro-sized enterprises, the proportion of large companies in the total number of enterprises is negligible only from 0.8 to 0.09% of holdings and its share is decreasing every year.
The largest share of big businesses is in business area C - manufacturing, despite the fact that the share of these enterprises in the total number of large enterprises declined in absolute value from 332 to 191, and the relative value from 59 to 44%. Conversely, during each year, the market shares of firms in the second strongest sector of large enterprises G - Wholesale and retail trade, repair of motor vehicles and motorcycles rose from 12.6 to 16.9%, while the number of enterprises increased by only 3. Similarly, the growth of large enterprises was in the H sector - transportation and storage, where the number of enterprises increased by 4. The number of large enterprises in H (48 companies) formed 11% in 2015 from a total of large enterprises.
The lowest the large enterprises is in the B - Mining and quarrying (3 companies) and one undertaking in L - Real estate activities and I - accommodation and food services.
In the total employment of large enterprises, companies form industrial production C by the largest rate. Although the number of employees over many years was reduced expressed in absolute value by 87,199 employees, it is expressed as percent decrease from 53 to 41%, they still employ the most workers among large enterprises. Fluctuating and between 2014 and 2015 a slightly decreasing number of employees was recorded in enterprises in H. Percentage of this section employment grew from 15 to 17%. A third group of companies which has the largest share of large companies employment is doing business in the field G. Number of employees during each year was increased by more than 6,000, which in the percentage of the total employment of large enterprises means as increase from 11 to 16%.
Despite the decreasing number of large enterprises and the number of employees working in the field of industrial production, these companies were able to produce the greatest added value throughout the period. Although the size of the added value has been fluctuating over years, the total added value generated by large firms participated in an average of 44%. From 11.3 to 13.5%, the share of value added generated by large firms was in J - Information and communication. Enterprises created added value in 2015 in the amount of € 1,664 million, which was compared with 2008, an increase of € 408 million. Added value increased in absolute and relative terms the entrepreneurship H, where the share increased from 8.6% to 11.4%. In the field of entrepreneurship G value added developed erratically and in 2015 its share in total added value was 6.8%.

4. Export of enterprises by size

Slovakia is a small open economy, and given its geographical location and the size is dependent on foreign trade. Export and import are usually the first forms of entry on foreign markets. Most often in foreign trade are involved medium and large enterprises. For micro and small businesses, foreign trade is almost unavailable. One of the factors the EU pursues is the internationalization of SMEs, where belong only import and export, but also higher and closer forms of international cooperation, such as foreign investment, joint ventures and other forms of international business cooperation.
On the territory of the Slovak Republic, there were conducted several regional studies focused on business involvement in international enterprising. Due to the openness of the country, studies (eg. Mura, 2010 Kaszuba et al., 2014) showed that SMEs in Slovakia are increasingly dedicated to international business. But when compared with the evaluation of the EU, the internationalization of SMEs in Slovakia is low (SBA Fact Sheet Slovakia, 2010-2014).

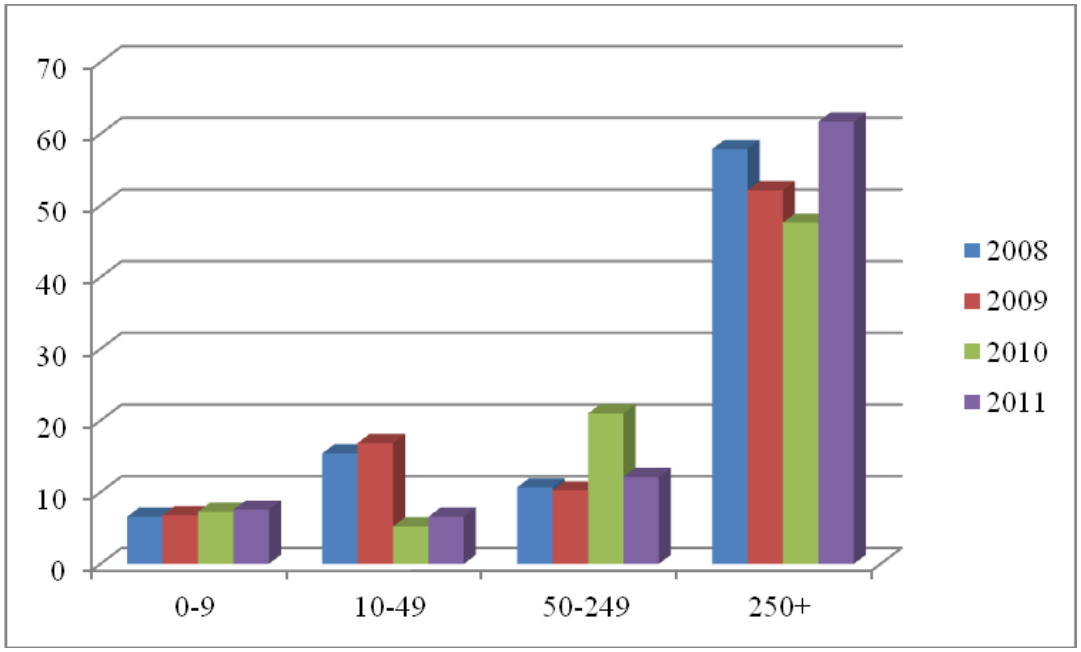


Figure 2: Share of individual enterprises by size in exports in the period 2008-2011
Source: OECD, own processing

The graph shows that the largest share of exports in the Slovak Republic have large enterprises employing 250 or more staff. With the exception of 2010, the proportion of the size of these holdings is greater than 50%. The share of small and medium enterprises during those years was fluctuating but positive is slightly increasing proportion of micro firms on export. The negative side is that this share is in the final measure of slightly over 7%.
The largest share of the exports involved in industrial production (C), which accounted for an average of 4 years 65% of total exports. Logically, the biggest exporter are large companies, which in total exports accounted for the highest proportion (78%), followed by medium-sized enterprises (14%), small (4%) and the smallest share in the export of industrial production is accounted by micro (1.9 %). Also, such distribution of exports is evident, since it is usually the production, which is demanding on machinery and is often

mass or serial challenging not only the machine but also the number of employees.
The second strongest sector in exports is G - Wholesale and retail trade, repair of motor vehicles and motorcycles, which in total exports accounts for 10%. In this sector, the situation in the field of export enterprises by size is opposite to that in industrial production. Almost half of the exports come from micro (45%). They are followed by small businesses with a share of 27%, then medium and finally big businesses. The share of large enterprises in traded value is 9%.
According traded value for the third sector, with an average share of total exports of 10% is in industry H - transportation and storage. The situation in this sector is different from previous sector and in the first two years there had the largest share on exports the small enterprises (more than 95% of exported value), in 2010 there were medium-sized enterprises (96% of exported value) and last year there were large enterprises (90%).
The share of other sectors in exports is negligible and is about 1% by industry. It is interesting that precisely those sectors that do not belong by their size between "supporting industries", there have a crucial position in proportion of the traded value just micro and small businesses that are complementary businesses. These are businesses in sectors F - Construction, J - Information and communication M - Professional, scientific and technical activities and N - Administrative and support services.

5. Import of enterprises by size

Dependence of businesses operating in the SR from foreign trade is reflected not only in exports but also in import. Balance of payment showed deficit for a long term and was balanced only in recent years. The analyzed period captures the state where the value of imported production was greater than the value of exported production.

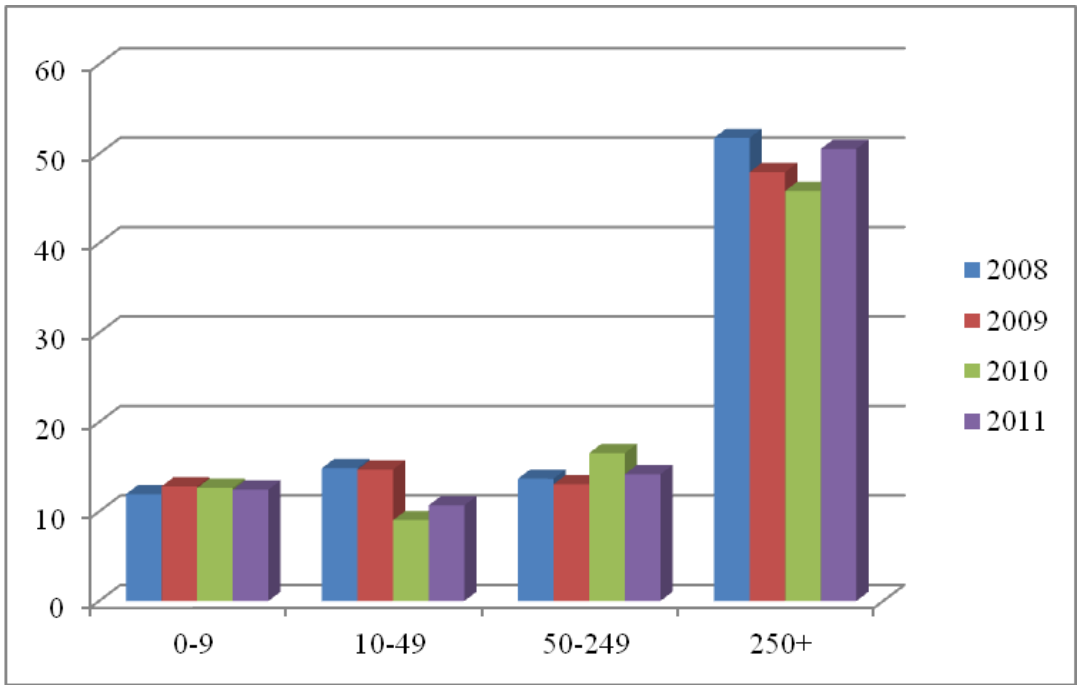


Figure 3: Percentage of companies by size of total imports in the period 2008-2011
Source: OECD, own processing

Division of import between enterprises by size is almost identical with that of export. Most

by import large enterprises, whose share on import is higher than 45%. This value compared with export is lower and that means big businesses when compared exports and imports do not create negative, but positive balance of payments. Among the enterprises by size it is the only category of undertakings in the years 2008 - 2011 with a higher value of exported than imported production.
Micro, small and medium enterprises in the total imports account for about 10%. Top deficit is exhibited by micro whose import value is in an average of USD 3,721 mil. higher than the value of exports. For four analyzed years micro firms imported by USD 14,884 million. more goods and services than they exported. The high deficit in foreign trade is exhibited by medium-sized enterprises employing 50 – 249 staff. A slight deficit in the balance of payment is shown by small businesses.
In total imports, the highest levels are in industrial production. The share of this sector in total imports is higher than 50%, while the share of industrial production in total imports fell slightly. Again, the highest share of the imported value has large firms that import 79% of total industrial production. In second place belongs to medium-sized enterprises (12.9%). The small enterprises have 3.9% and micro-enterprises are involved in the import by 3.1% on the total value of industrial production.
The second strongest sector in import is G - Wholesale and retail trade, repair of motor vehicles and motorcycles, which contributes by 28% to the total imports. The value of imported production is almost three times higher than the value of exported production. The total deficit is shared by all businesses regardless of size, and despite the fact that micro and small enterprises together have more than 60% of the imported value.
During the four analyzed years, the positive value of the balance of payments is met by the third most represented sector H in import - Transportation and storage. The value of exports is three times higher than that of imported production. The positive value of the balance of payments is shared equally by all undertakings, regardless of the size of the enterprise. Small and large businesses are involved most in the import in this sector constituting 80% of the imported value.

6. Conclusion

Based on the analysis of the corporate structure in Slovakia, we came to the following conclusions:
1. In the reporting period 2008 to 2011 there was a significant decrease in the number of small and medium-sized enterprises in favour of micro-enterprises. This condition is given by several factors - the worsening business environment, strong growth of micro to respond to the crisis, layoffs and penetration into the business in Slovakia, making it more difficult to do business, changes in the Labour Code that are not inclined to businesses.
2. High openness of the SR measured by the share of exports in GDP due to the high export potential of businesses. On the territory of Slovakia is large enterprises exported the most. However, this applies only to selected sectors. The decisive share in export of large firms is in the industrial production. In the area G - Wholesale and retail trade, repair of motor vehicles and motorcycles all businesses participate in export. But the share of micro and small enterprises is 45%, and after adding the medium-sized enterprises (27%) it makes up a significant share in exports.
3. Micro and small enterprises exported particularly in areas where large companies are not engaged in such a large extent in industrial production, in areas F - Construction, J - Information and communication, M - Professional, scientific and technical activities and N - Administrative and support services.
4. Most imported large enterprises. According to industry it is again industrial production. Other sectors - G and H are involved in import by a high proportion the micro, small and medium-sized enterprises. In sector G they even make up over 60% of the imported value.

5. Large companies that only generate positive trade balance in all sectors in which they are involved in international business. The most negative value on the trade balance represent micro, small and medium-sized enterprises. However, this finding does not apply to all sectors in which SMEs operate in foreign markets. SMEs whose main activity is H - transportation and storage, exhibit a positive trade balance.
6. SMEs are engaged in international trade, particularly in those sectors which have a high added value, often higher than large enterprises have. This applies in particular to sectors G - Wholesale and retail trade, repair of motor vehicles and motorcycles, F - Construction, M - Professional, scientific and technical activities and N - Administrative and support services.

Based on the analysis and conclusions regarding the involvement of enterprises in export and import, we can conclude that companies are engaged in international business regardless of their size. Import value of SMEs is much higher than that of exports. This is given in the form of low innovation activity of firms. According to Pilková (2012) is typical Slovak established entrepreneur like nascent or new entrepreneur who is older, aged 35 to 54 years, even less innovative and less oriented on foreign markets. Just low value of exported production may be the reason of low innovation performance of Slovak micro, small and medium-sized enterprises in 2008 -, 2011.
Any involvement of the entrepreneur in international business has a dual effect. On the one hand it offers the possibility of experience from foreign markets, the opportunity to realize their production abroad. On the other hand, the entrepreneur is faced with strong competition, which stands only if he offers quality products. It would encourage him to innovate and to implement technological innovations in business practices. Especially for SMEs purchase of licenses may be costly. They should show their initiative and cooperation with other companies or public resources. They should benefit from the ideas and experiences of the external environment from their customers and business partners (Fabová, 2014).
In supporting SMEs in their entry into international markets they should be treated separately by belonging to the sector. Not only the size but also high added value creation can be a powerful factor for ensuring that the company started to penetrate international markets, if nothing else, at least in the form of export and import.

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EMPLOYEE EXPECTATIONS AND THE NATIONAL CULTURAL FACTOR

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Abstract: *Based on the need to identify effective methods to increase work motivation and engagement of employees, this paper aims to identify Romanian employees' work expectations, satisfaction and dissatisfaction sources, and to analyze the influence that the national cultural factor has upon these. The consideration of the cultural factor is given by the fact that for decades the field of motivation was shaped mainly by occidental theories, neglecting the cultural factor and its potential influence on human behavior. To achieve the goal of the paper, we conducted a qualitative research, using the focus group as research tool. Two focus groups were carried out, each with ten participants from different generations: young employees and employees with seniority. This paper focuses on the comparison of the two generations included in the survey. For example, interpersonal relationships with peers represent the most frequent source of work satisfaction for both generations considered. At the same time, salary is frequently a source of dissatisfaction for the younger generation, and aspects related to the policy and administration of the company seem to rather displease employees with seniority. This research is part of a broader research, however, is not without limitations. So, given that the research was conducted on a population consisting of individuals with higher education from urban areas we can not claim that these results are valid also for employees in rural areas or without higher education.*

Keywords: work satisfaction; workplace dissatisfaction; employees; Romania; culture.

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1. Introduction

Browsing the international scientific literature, one can find there are few socioeconomic studies carried out in the Easter Europe, while the number of cultural studies for this area is even smaller. This is also the case of Romania. Still, there are broader research, like World Values Survey and European Values Survey, which have included Romania in their studies. Thus, analyzing the European Values Survey results (EVS 2010) for Romania it can be observed that the most important aspect in the life of Romanians is family, followed by work and religion. Yet, as against 1999, work is considered less important. Considering the diminishing importance of work, on one hand, and the widespread concern to identify efficient methods to increase work motivation and engagement, on the other hand, we feel that it is necessary to identify the work expectations of employees and the sources of work satisfaction and dissatisfaction. At the same time, we intend to analyze the influence of the national cultural factor on employee expectations and work satisfaction. To this end, we conducted a qualitative research, using the survey as research method and the focus group as research tool.

2. Research methodology

We have chosen to combine the Critical Incident Technique with the group interview. Elements of Critical Incident Technique used in the focus group refer to the inclusion of

discussion topics where participants were asked to report certain events at work and explain what generated positive or negative feelings. We conducted two focus groups. The first focus group was attended by future employees in Romania, 10 master students from the Faculty of Economics, University of Oradea, all with work experience and aged between 20 and 25 years. Of these, four are men and six women. The ten master students have a maximum of 2.5 years seniority. The second focus-group was attended by ten employees with work experience, aged between 40 and 50 years. Of these, four are women and six men. Participants have between 15 and 31 years of work experience; three of them are working in the public sector.

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The objectives set for this research are:
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To achieve the proposed objectives, participants' answers were coded according to certain categories of variables and then quantified.
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2.2. Romania and the cultural dimensions of Hofstede

Since we intend to analyze the influence of the national cultural factor on employee expectations, a description of the Romanian cultural context is required. There are numerous cultural studies that can be used to measure culture, but we'll use the one of Hofstede. Thus, in terms of Hofstede's cultural model, Romania is characterized by high power distance, with a score of 90 for this dimension. With a score of 30 for individualism, Romania is characterized by collectivism. With a score of 42 for masculinity, Romania is rather a feminine culture. With a score of 90 for uncertainty avoidance, Romania is among the countries with intense uncertainty avoidance. Regarding long-term orientation Romania is short-term oriented. With a score of 20 for indulgence, Romania is a country where self-restraint is prevailing (Hofstede, 2001, 2010).

3. Romanian employees' expectations. Comparative study: young employees vs. employees with seniority. Results analysis

The discussion topics for the two focus groups were:
- Topic 1. What are the most frequent causes of work satisfaction in your workplace?
- Topic 2. What are the most frequent causes of work dissatisfaction in your workplace?
- Topic 3. What conditions should be met for you to work to their full potential?
- Topic 4.
Think of a time when you had positive feelings about your work. Please tell me about it. Why did you feel so at that time?
The way you felt at that time influenced in any way how you did your work? How? How

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The event influenced your career in any way?
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The event affected your personal life in any way?
The event influenced your career in any way?
The first topic was correlated with the forth, and the second topic was correlated with the fifth, which is why these topics are analyzed consecutively. Discussions on the third topic are meant to highlight the needs that must be achieved for the employees to work at their maximum potential, on one hand, and to identify whether these needs differ from one generation to another, i.e. group 1 (future employees) compared to group 2 (experienced employees).
As to what work satisfaction sources are concerned, the participants from group 1 – 20-25 years category, have mentioned 33 satisfaction reasons, grouped in 11 categories, while the group 2 participants – the 40-50 years category, have mentioned 25 satisfaction reasons, grouped in 9 categories.
For both groups, *good relations with peers* represent an important motivating factor. But, if we would treat recognition unitarily (as Herzberg does) (Herzberg, 2008), and not differentially by the sources that generate it, recognition would climb the hierarchy up to the first place, becoming the most important source of work satisfaction, for group 1 – the 20-25 years category and for group 2 – the 40-50 years category.
In the case of group 1 – 20-25 year category, *acknowledgement from the superiors* is an important source of work satisfaction, having a 15 percent average of mentioning. Relations with superiors are a satisfaction source, totalling 12 percent of mentioned items. As a consequence, we can say that *superiors* represent an extremely important *satisfaction source*, through the relations they can have with the employees and through giving the acknowledgement expected by the employees or received by them from their superiors. The importance of the superior and his attitude towards employees is explainable through the point of view of distance from power in Romania.
In the case of group 2 – 40-50 years, out of the three acknowledgement sources, the most important (by number of times mentioned) is *client recognition*, while recognition from superiors represents only 8 percent out of the total items mentioned. We can suppose that, once employees start to age and have better hierarchy positions, the importance given to superiors diminishes because, on one hand, they have an increase of power felt/held by the employee and on the other hand, the employee's dependency to the superior is reduced. The comparison between the mentioned sources and their averages in the case of the two groups is synthesized in table 1.

Table 1: Sources of work satisfaction: comparison

Category	**Group 1 – 20-25 years category (Percentage of mentions)**	**Group 2 – 40-50 years category (Percentage of mentions)**
Interpersonal-colleagues relation	21	20
Actual work	15	16
Superior recognition	15	8
Interpersonal-superior relations	12	4

Category	Group 1 – 20-25 years category (Percentage of mentions)	Group 2 – 40-50 years category (Percentage of mentions)
Salary	12	20
Client recognition	9	12
Development opportunities	6	0
Workplace stability	6	0
Accomplishments	3	12
Responsibility	3	0
Working conditions	3	0
Organization's policy and administration	0	16

Source: own research

As to what the dissatisfaction sources at the workplace are concerned, participants in group 1 – 20-25 years category, have mentioned 26 dissatisfaction reasons grouped into 4 categories, while the group 2 participants – 40-50 years category, have mentioned 16 dissatisfaction reasons grouped into 5 categories. The comparison between mentioned sources and their averages for the two groups is presented in table 2.

Table 2: Sources of work dissatisfaction: comparison

Category	Group 1 – 20-25 years category (Percentage of mentions)	Group 2 – 40-50 years category (Percentage of mentions)
Salary	50	12.5
Organization's policy and administration	34.62	50
Development opportunities	15.38	0
Working conditions	11.54	0
Actual work	0	12.5
Interpersonal-superior relations	0	12.5
Interpersonal-colleagues relation	0	6.25
* Percentages go beyond 100% because four reasons have been put in more than one category		

Source: own research

Most frequent dissatisfaction reasons at the workplace for experienced workers refer to the organization's administration and policy, having a 50 percent average of total reasons mentioned. Participants are not satisfied by the "inequitable task distribution for employees", by the "large volume of work" and "lack of a durable coherence". For the 20-25 years category, the salary is the most frequent dissatisfaction reason, having a 50 percent mentioning rate. They are not pleased by the level of pay and by the fact that they don't receive their salaries and bonuses on time.

Based on the comparison between results relating to dissatisfaction and satisfaction sources, it can be seen that the variables which contribute to work satisfaction are different from those contributing to work dissatisfaction, as the results of Herzberg's research also

show.
Critical Incident Technique elements included in topics 4 and 5 have facilitated our identification of the effects of the events related on work. For the 20-25 years category, out of the 11 positive feelings generating events, 9 had an influence on the motivation for work level felt by each participant, while in the case of experienced workers, out of the 10 events, 6 had an influence on the level of motivation.
As for the negative feelings generating events for work, participants have related 10 events of this type. Most of them had as an effect work-related stress. This seems to be the most significant effect of the related events for both groups.
Referring to required conditions in order to work at full potential, for the future employee group, there have been 27 conditions mentioned, while for the 4-50 years category, a number of 16 conditions have been mentioned. These conditions have been grouped into 8 and 5 categories. The comparison between them is presented in table 3.

Table 3: Conditions for working at full potential – comparison

Category	**Group 1 – 20-25 years category (Percentage of mentions)**	**Group 2 – 40-50 years category (Percentage of mentions)**
Salary and assimilates	29.63	25.00
Effort-pay correlation	14.81	12.50
Work organization	14.81	43.75
Actual work	11.11	-
Working hours	11.11	12.50
Working conditions	7.41	-
Professional development	7.41	-
Interpersonal relations	3.70	6.25

Source: own research

Most participants have mentioned requirements that relate to work organization, as for example “setting clear tasks and respecting them”. The financial factor is mentioned as a necessary element for a better involvement in work only by public sector employees.
The content of work is not an important element for future employees. Most frequent conditions mentioned by them have to do with payment and other categories of pay that can be assimilated to the salary.
Still relating to the financial aspect is the second placed category (by number of mentions) – effort-pay correlation. Setting a decent and just payment and correlating the effort with it are the essential starting points for any motivating system.
In the case of group 2, differences have been identified about the concept of “boss”. It seems that in the public sector “an understanding boss” is that who is not so “exigent” with the employees, does not put pressure on them and does not have “initiative” to ask for more than “the bare necessities” from his employees. Instead, for the private sector employees, a “good boss” is a “fair and involved” boss.

4. Conclusions

As we have mentioned, for this research we have set two objectives: to identify the sources of work satisfaction and dissatisfaction and to analyze the influence of the national cultural factor on employees’ expectations. By synthesizing, we can state that the two participant generations in this focus-groups (the 20-25 years and the 40-50):
A. Have in common the following:
- The two generations consider that workplace satisfaction is influenced by relationship

with colleagues, actual work and the financial aspect;
- Insufficient payment is an important dissatisfaction at work, for both generations;
- Elements that relate to the organization's policy and administration can generate dissatisfaction for both generations;
- The two generations consider that payment and correlating effort with payment are required conditions for a workplace in order to maximize employee efforts.
B. Are differentiated by:
- The importance of the superior is greater for the younger generation;
- The link between accomplishments and satisfaction is stronger for the more experienced generation;
- The link between workplace security and satisfaction is stronger for the younger generation;
- Working conditions are more important for the younger generation
- The most important condition relating to the workplace for the experienced generation has to do with work efficiency;
Thus, we can state that the satisfaction and dissatisfaction sources at work are different from generation to generation. Still, there are aspects considered important by both generations.
Interpersonal relations with colleagues are a frequent work satisfaction source for both groups. As we have mentioned, the importance of colleague relations can be explained through the feminine prism but also through the collectivism that characterizes Romania. A pleasant work collective is associated with high satisfaction by employees from collectivist cultures, but with a low satisfaction by individualist culture employees (Hofstede, 2001).
For the younger generation (1 – 20-25 year category), *recognition from the superiors is an important workplace satisfaction source*, having a 15 percent average of mentioning. Relations with superiors are a satisfaction source, totalling 12 percent of mentioned items. As a consequence, we can say that superior represent an extremely important satisfaction source. The importance of the superior and his attitude towards employees is explainable through the point of view of distance from power in Romania.
In the case of group 2 – 40-50 years, out of the three recognition sources, the most important (by number of times mentioned) is customer recognition, while recognition from superiors represents only 8 percent out of the total items mentioned. We can suppose that, once employees start to age and have better hierarchy positions, the importance given to superiors diminishes because, on one hand, they have an increase of power felt/held by the employee and on the other hand, the employee's dependency to the superior is reduced.
For the experienced employees generation (group 2 – 40-50 years category), *salary is a satisfaction generating* source with the same importance as *interpersonal relations*. For the younger generation the financial aspect is also satisfaction generating, but recognition from the superiors and interpersonal relations with peers have been mentioned more frequently as satisfaction sources.
Workplace stability has been mentioned as a satisfaction generating source only by the younger generation.
Most frequent work dissatisfaction sources for experienced workers refer to the *policy and administration of the organization*, having a 50 percent average of total reasons mentioned. Participants are not satisfied by the "inequitable task distribution for employees", by the "large volume of work" and "lack of a durable coherence". For the 20-25 years category, the *salary is the most frequent dissatisfaction source*, having a 50 percent mentioning rate. They are not pleased by the level of pay and by the fact that they don't receive their salaries and bonuses on time.
Based on the comparison between results relating to dissatisfaction and satisfaction sources, it can be seen that the variables which contribute to work satisfaction are different

from those contributing to work dissatisfaction, as the results of Herzberg's research also show.
The influence of culture on employee expectations is certain and undeniable. Given the importance of human resources for any company, we believe that efforts to clarify and understand the relationship between culture and behavior should continue to be submitted. Knowing how cultural dimensions influence motivation and job satisfaction has vital implications on the individual performance of employees and the overall performance of the business.

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The objectives set for this research are:
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3. Romanian employees' expectations. Comparative study: young employees vs. employees with seniority. Results analysis

The discussion topics for the two focus groups were:
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- Topic 3. What conditions should be met for you to work to their full potential?
- Topic 4.
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Superior recognition	15	8
Interpersonal-superior relations	12	4

Category	Group 1 – 20-25 years category (Percentage of mentions)	Group 2 – 40-50 years category (Percentage of mentions)
Salary	12	20
Client recognition	9	12
Development opportunities	6	0
Workplace stability	6	0
Accomplishments	3	12
Responsibility	3	0
Working conditions	3	0
Organization's policy and administration	0	16

Source: own research

As to what the dissatisfaction sources at the workplace are concerned, participants in group 1 – 20-25 years category, have mentioned 26 dissatisfaction reasons grouped into 4 categories, while the group 2 participants – 40-50 years category, have mentioned 16 dissatisfaction reasons grouped into 5 categories. The comparison between mentioned sources and their averages for the two groups is presented in table 2.

Table 2: Sources of work dissatisfaction: comparison

Category	Group 1 – 20-25 years category (Percentage of mentions)	Group 2 – 40-50 years category (Percentage of mentions)
Salary	50	12.5
Organization's policy and administration	34.62	50
Development opportunities	15.38	0
Working conditions	11.54	0
Actual work	0	12.5
Interpersonal-superior relations	0	12.5
Interpersonal-colleagues relation	0	6.25
* Percentages go beyond 100% because four reasons have been put in more than one category		

Source: own research

Most frequent dissatisfaction reasons at the workplace for experienced workers refer to the organization's administration and policy, having a 50 percent average of total reasons mentioned. Participants are not satisfied by the "inequitable task distribution for employees", by the "large volume of work" and "lack of a durable coherence". For the 20-25 years category, the salary is the most frequent dissatisfaction reason, having a 50 percent mentioning rate. They are not pleased by the level of pay and by the fact that they don't receive their salaries and bonuses on time.

Based on the comparison between results relating to dissatisfaction and satisfaction sources, it can be seen that the variables which contribute to work satisfaction are different from those contributing to work dissatisfaction, as the results of Herzberg's research also

show.
Critical Incident Technique elements included in topics 4 and 5 have facilitated our identification of the effects of the events related on work. For the 20-25 years category, out of the 11 positive feelings generating events, 9 had an influence on the motivation for work level felt by each participant, while in the case of experienced workers, out of the 10 events, 6 had an influence on the level of motivation.
As for the negative feelings generating events for work, participants have related 10 events of this type. Most of them had as an effect work-related stress. This seems to be the most significant effect of the related events for both groups.
Referring to required conditions in order to work at full potential, for the future employee group, there have been 27 conditions mentioned, while for the 4-50 years category, a number of 16 conditions have been mentioned. These conditions have been grouped into 8 and 5 categories. The comparison between them is presented in table 3.

Table 3: Conditions for working at full potential – comparison

Category	Group 1 – 20-25 years category (Percentage of mentions)	Group 2 – 40-50 years category (Percentage of mentions)
Salary and assimilates	29.63	25.00
Effort-pay correlation	14.81	12.50
Work organization	14.81	43.75
Actual work	11.11	-
Working hours	11.11	12.50
Working conditions	7.41	-
Professional development	7.41	-
Interpersonal relations	3.70	6.25

Source: own research

Most participants have mentioned requirements that relate to work organization, as for example “setting clear tasks and respecting them”. The financial factor is mentioned as a necessary element for a better involvement in work only by public sector employees.
The content of work is not an important element for future employees. Most frequent conditions mentioned by them have to do with payment and other categories of pay that can be assimilated to the salary.
Still relating to the financial aspect is the second placed category (by number of mentions) – effort-pay correlation. Setting a decent and just payment and correlating the effort with it are the essential starting points for any motivating system.
In the case of group 2, differences have been identified about the concept of “boss”. It seems that in the public sector “an understanding boss” is that who is not so “exigent” with the employees, does not put pressure on them and does not have “initiative” to ask for more than “the bare necessities” from his employees. Instead, for the private sector employees, a “good boss” is a “fair and involved” boss.

4. Conclusions

As we have mentioned, for this research we have set two objectives: to identify the sources of work satisfaction and dissatisfaction and to analyze the influence of the national cultural factor on employees’ expectations. By synthesizing, we can state that the two participant generations in this focus-groups (the 20-25 years and the 40-50):
A. Have in common the following:
- The two generations consider that workplace satisfaction is influenced by relationship

with colleagues, actual work and the financial aspect;
- Insufficient payment is an important dissatisfaction at work, for both generations;
- Elements that relate to the organization's policy and administration can generate dissatisfaction for both generations;
- The two generations consider that payment and correlating effort with payment are required conditions for a workplace in order to maximize employee efforts.
B. Are differentiated by:
- The importance of the superior is greater for the younger generation;
- The link between accomplishments and satisfaction is stronger for the more experienced generation;
- The link between workplace security and satisfaction is stronger for the younger generation;
- Working conditions are more important for the younger generation
- The most important condition relating to the workplace for the experienced generation has to do with work efficiency;
Thus, we can state that the satisfaction and dissatisfaction sources at work are different from generation to generation. Still, there are aspects considered important by both generations.
Interpersonal relations with colleagues are a frequent work satisfaction source for both groups. As we have mentioned, the importance of colleague relations can be explained through the feminine prism but also through the collectivism that characterizes Romania. A pleasant work collective is associated with high satisfaction by employees from collectivist cultures, but with a low satisfaction by individualist culture employees (Hofstede, 2001).
For the younger generation (1 – 20-25 year category), *recognition from the superiors is an important workplace satisfaction source*, having a 15 percent average of mentioning. Relations with superiors are a satisfaction source, totalling 12 percent of mentioned items. As a consequence, we can say that superior represent an extremely important satisfaction source. The importance of the superior and his attitude towards employees is explainable through the point of view of distance from power in Romania.
In the case of group 2 – 40-50 years, out of the three recognition sources, the most important (by number of times mentioned) is customer recognition, while recognition from superiors represents only 8 percent out of the total items mentioned. We can suppose that, once employees start to age and have better hierarchy positions, the importance given to superiors diminishes because, on one hand, they have an increase of power felt/held by the employee and on the other hand, the employee's dependency to the superior is reduced.
For the experienced employees generation (group 2 – 40-50 years category), *salary is a satisfaction generating* source with the same importance as *interpersonal relations*. For the younger generation the financial aspect is also satisfaction generating, but recognition from the superiors and interpersonal relations with peers have been mentioned more frequently as satisfaction sources.
Workplace stability has been mentioned as a satisfaction generating source only by the younger generation.
Most frequent work dissatisfaction sources for experienced workers refer to the *policy and administration of the organization*, having a 50 percent average of total reasons mentioned. Participants are not satisfied by the "inequitable task distribution for employees", by the "large volume of work" and "lack of a durable coherence". For the 20-25 years category, the *salary is the most frequent dissatisfaction source*, having a 50 percent mentioning rate. They are not pleased by the level of pay and by the fact that they don't receive their salaries and bonuses on time.
Based on the comparison between results relating to dissatisfaction and satisfaction sources, it can be seen that the variables which contribute to work satisfaction are different

from those contributing to work dissatisfaction, as the results of Herzberg's research also show.
The influence of culture on employee expectations is certain and undeniable. Given the importance of human resources for any company, we believe that efforts to clarify and understand the relationship between culture and behavior should continue to be submitted. Knowing how cultural dimensions influence motivation and job satisfaction has vital implications on the individual performance of employees and the overall performance of the business.

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ROMANIAN EMPLOYERS' EXPECTATIONS AND THE INFLUENCE OF THE CULTURAL FACTOR

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Abstract: *The analysis of the cultural influence on economic processes has been the preoccupation of numerous theorists in the last decades. Culture shapes the values and norms of its members, so that we can say that organizations and organization theories have the mark of culture on them. In international scientific literature, we can see that there are few cultural studies made on the Eastern Europe region. This paper aims to identify the expectations of Romanian employers and to explain in what way the national cultural factor influences these expectations. For this, we have made a quality research, using the analysis of content as a research method. To analyse the influence of the cultural factor, we will be using the Hofstede approach. 100 on-line advertisements for hiring for an executive position have been analysed, regardless of the field of activity. These advertisements have totalled 885 employer requirements, divided into 33 types. Out of these, 10 were technical characteristics and 23 were personal characteristics. Although technical characteristics are fewer, their importance is greater than personal characteristics. The most frequently mentioned characteristic is experience, followed by higher education. Entrepreneurial and innovative spirit does not represent an important characteristic for Romanian employers. Most of the results of the analysis of the recruitment advertisement's' content could be explained from a cultural point of view through the uncertainty avoiding dimension's prism. A similar study has been made by Ingrid Tollgerd-Andersson, who examined over 1400 recruitment advertisements from various European countries. By analysing the two studies we can see that there are significant differences between countries, when it comes to employer requirements and differences related to the frequency with which each characteristic is required in each country. Knowing what the employer expects from the human resources of the organization is important in numerous fields, including in education and especially in higher education.*

Keywords: national culture, cultural dimensions, employers, Romania.

JEL classification:

1. Introduction

Analysis of the influence of culture on economic processes has been the preoccupation of numerous theorists and practitioners, during the last decades. Culture, which is often defined as a shared value system (Erez, 2008), models basic values and norms of its members, so that, we can say without a trace of doubt, that organizations and organization theories bear the mark of culture. In international scientific literature there are few cultural studies made for the Eastern European region. A research in the most important scientific databases highlights that, in Romania, the research of cultural values through the lens of human resource management is a field for which there are not too many results available.

This paper aims to analyse the expectations Romanian employers have from potential employees and current employees, with the purpose of identifying if and in what way these expectations are influenced by the national cultural factor. This research is an integrated part of a larger research. In order to use culture as a variable in explaining human

behaviour it is required to identify a way to measure culture, to understand it thoroughly. Thus, a series of cultural models and approaches have been created. Some of the most important are those belonging to: Kluckhohn and Strodtbeck, Shalom Schwartz, Geert Hofstede, Robert House, Ronald Inglehart etc. The most cited (according to Social Science Citation Index) and reproduced cultural study is that of Hosftede. We will be using his approach in our paper. Through Hofstede's approach, Romania is characterized by a great power distance, ranking 7 out of 76 analysed countries, with a score of 90 for this dimension. Power is concentrated in the hands of a general manager. With a score of 30 for individualism, Romania is situated on the 48-50th position out of 76, being characterized by collectivism. With a score of 42 for masculinity, Romania ranks the 51-53th position, out of 76 analysed countries, being a relatively feminine culture. With a score of 90 for uncertainty avoidance, Romania is ranked among countries with intense uncertainty avoidance and it is placed on 14 out of 76. For the long-term orientation dimension, Romania is short-term orientated, being placed on the 38-39 position, out of 93 analysed countries, with a score of 53. Romania is a country where the restraint dimension is predominant, with a score of 20 for indulgence, being ranked on the 13th position out of 93 analysed countries for restraint (Hofstede, 2001).

2. Romanian employers' expectations research

2.1. Research methodology

To identify the expectations of Romanian employers, we have made a qualitative research, using content analysis as research method. Content analysis has been used for collecting and analysing information from recruitment advertisements in the online environment. The aim of this research was to identify those characteristics (technical or personal) that were required/wanted by the employers. The research has been conducted in September-November 2014. 100 recruitment advertisements have been selected, from two of the most important specialized sites: www.ejobs.com and www.bestjobs.com. We focused on executive level recruitment advertisements, regardless of the field of activity. The reason for which we excluded other types of advertisements is that we supposed that for this level, the recruitment specifications would be more complex, containing more details regarding employer requests. Moreover, as Hofstede said, "*the conception on leadership reflects the dominant culture in a country. To ask people to list the qualities of a good leader means to ask them to describe their own culture. The leader is the hero of a culture, meaning that he is a model of behaviour.*" (Hofstede, Hofstede and Minkov, 2010, p.319)

The way in which the advertisements were filtered was based on the hierarchy position (executive level), starting from the newest to the oldest published ones. 50 unique advertisements have been chosen from each of the two sites.

2.2 Results analysis

One with another, the advertisements we analysed gathered 885 employer requirements, so that each advertisement had an average of 9 requirements. For a better image on the requirements, we have structured the mentioned characteristics or the competences in two categories: technical characteristics and personal characteristics. Thus, we have included requirements related to studies, experience, technical abilities, age, etc. in the technical characteristics category, while characteristics dealing with the person (communication, entrepreneurial spirit, negotiation, analytical thinking, etc.) have been included in the second category. In total, 10 technical and 23 personal characteristics have been analysed in the 100 advertisements. The composition of the two categories is displayed in the Table no. 1.

Table 1: Structuring qualities, characteristics and attitudes the employer looks after

Technical characteristics	Personal characteristics
Experience	Strong communication abilities
Higher education	Planning and organizing skills
English language knowledge	Flexibility and openness for new
Computer operating skills	Leadership skills
Specific technical abilities related to work	Negotiation skills
B type driver's licence	Positive attitude
Knowing a foreign language, other than English	Teamwork
Ability to work with budgets	Analytical thought
residence in the area	Initiative, imagination, entrepreneurial spirit, innovation
Other qualifying courses	Result oriented
	Client oriented
	Coordination abilities
	Ambition, perseverance, competitive
	Working under pressure, multitasking
	Quickness in decisions, promptness
	Integrity and morality
	Available to travel
	Personal vision and work strategies
	Responsible
	Work experience in multicultural teams
	Desire to work for a longer period in the company
	Objective and firm
	Persuasion power

Source: author research

Table no. 2 shows the hierarchy of qualities, characteristics or behaviours employers are looking for, as well as the frequency with which these appear in the analysed advertisements. Out of the first five in the hierarchy, four are technical characteristics, only one mentioning a personal characteristic. This can be explained by the uncertainty avoidance dimension. Romania is characterized by great uncertainty avoidance and this type of cultures emphasize on work specialisation and the credit given to specialists and technical solutions. (Hofstede, Hofstede and Minkov, 2010, pp. 210 - 211).

Table 2: Hierarchy of requirements sought after by employers and the frequency of appearance in the 100 analysed advertisements

No.	Searched quality, characteristic or behaviour	Number of ads in which it has been found (out of 100 ads)
1.	Experience	98
2.	Higher education	95
3.	English language knowledge	78
4.	Strong communication skills	68
5.	Computer operating skills	57
6.	Planning and organizing skills	46
7.	Specific technical abilities related to work	40
8.	Flexibility and openness for new	34
9.	Leadership skills	30
10.	Negotiation skills	30
11.	Positive attitude	28
12.	Cooperation abilities	28
13.	Analytical thought	26
14.	Imagination, entrepreneurial spirit, innovation	26
15.	Result oriented	20
16.	B type driver's licence	20
17.	Client oriented	18
18.	Coordination abilities	16
19.	Ambition, perseverance, competitive	16
20.	Working under pressure, multitasking	16
21.	Knowing a foreign language, other than English	16
22.	Quickness in decisions, promptness	15
23.	Integrity and morality	14
24.	Available to travel	14
25.	Personal vision and work strategies	8
26.	Responsible	8
27.	Work experience in multicultural teams	4
28.	Desire to work in the company for a longer period	4
29.	Ability to work with budgets	4
30.	Objective and firm	2
31.	Persuasion power	2
32.	Residence in area	2

No.	Searched quality, characteristic or behaviour	Number of ads in which it has been found (out of 100 ads)
33.	Other qualification courses	2
34.	Age	1

Source: author research

In 98% of advertisements, experience is specified, which is included in the technical characteristics category. The prevalence of experience is easy to explain, because the analysed advertisements all have to do with executive positions. Though, it must be stated that experience is, in most advertisements, the first characteristic to be specified. Because of this, we can consider experience is more important than any personal ability. Higher education is important for Romanian employers, because 94% of them require higher education. 24% of them specifically require economic higher education. Strict work specialisation and the importance of specialists are characteristics of cultures with an intense of uncertainty, as is the case of Romania. The first personal characteristic in the hierarchy of employer requirements is a strong communicating ability, being mentioned in 68% of advertisements. Computer operating skills are important, being mentioned in 56% of cases among desirable characteristics.

Imagination, entrepreneurial and innovating spirit are situated on the 14th position, only 26% of advertisements containing such a requirement. This is explainable through the intense uncertainty avoidance, specific for Romania. Organizing and planning abilities are more important (mentioned in 46% of analysed advertisements), because these management function can contribute to diminishing anxiety related to future uncertainty. In return, innovations have a significant degree of uncertainty.

Flexibility is also frequently mentioned in advertisements (in 34% of cases), thus we can consider that openness for new and adapting abilities are important characteristics for executive level employees. At the same time, the Romanian employer wants a good leader, 30% of the advertisements specifying leadership among desired qualities.

In the hierarchy of the first 10 most frequent requirements of employers there are five technical and five personal characteristics (see chart 1), but the frequency of the technical characteristics is much greater than that of personal characteristics.

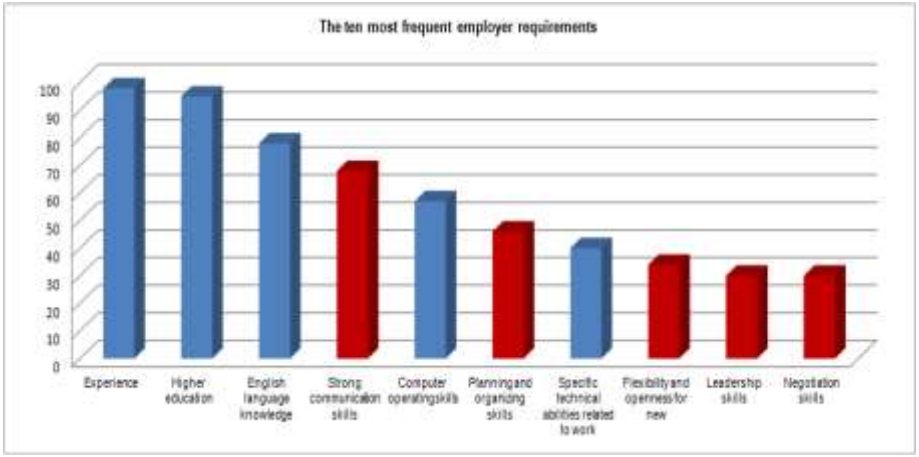


Chart 1: The ten most frequent employer requirements
Source: author research

The last 10 employer requirements have lower than a 10% frequency of showing up in

advertisements. Among these, work experience in multicultural teams and desire to work for a long time in the company, are requirements that both have only a 4% frequency in the considered advertisements. It seems that these aspects are not very important for employers. Neither are the personal vision and objectiveness.
A similar study has been made by Ingrid Tollgerdt-Andersson in 1996. Tollgerdt-Andersson has examined over 1400 recruitment advertisements from various European countries, including: Sweden, Denmark, Norway, Germany, Great Britain, France, Spain and Italy. She concluded that there are great differences between European countries when it comes to employer requirements. Also, there are differences in the frequency various characteristics are required in each country. In the Scandinavian recruitment advertisements, more qualities are mentioned in a single ad frequently. In most of the analysed countries, there were at most 3 mentioned characteristics in a single advertisement. At the same time, the author found certain similarities between nations. For example, Italy and Spain have common patterns regarding employer desired characteristics. The same is the case of Germany and Great Britain, but also for Scandinavian countries (Hodgetts, 2005). In the case of Tollgerdt-Andersson's study, based on the mentioning frequencies of characteristics, cooperation ability is situated on the last place in recruitment advertisements from Sweden and Denmark, and on the second place in Norway and Italy. Communication skills rank first in Great Britain, while in Sweden, Norway, France, Italy and Germany this aspect is not even mentioned. In countries where it is mentioned (Spain and Denmark), its frequency is reduced: under 10% of advertisements. If we were to compare the results obtained from the our analysis of 100 recruitment advertisements with the results Ingrid Tollgerdt-Andersson obtained, we can make the following observations:
- The three most frequent requirements from Romanian employers: experience, higher education and English knowledge (which we included in the technical characteristics category) are not mentioned in any of the advertisements analysed by Tollgerdt-Andersson;
- Independence is a requirement which, as in the case of France, does not show up in any of the analysed advertisements;
- Each ad had on average 9 employer requirements, as opposed to 3, which was the average of requirements in the study made by Tollgerdt-Andersson. This aspect can be explained by the desire to avoid uncertainty, the tendency to control and exigency manifested by employers;
Of course, the 18 year difference between the two researches may be the cause of these major differences between the countries analysed by Tollgerdt-Andersson and Romania.

3. Conclusions

The aim of the research was to identify the expectations of Romanian employers and to explain the way in which the national cultural factor influences these expectations. For this, we have conducted a qualitative research. Using as a method the analysis of content, we have analysed 100 recruitment advertisements for executive level positions, from the online environment. Each advertisement had on average 9 requirements (technical and personal), in total, the analysed advertisements contained 885 employer requirements. Out of these, 10 were technical characteristics and 23 were personal. Although technical characteristics are fewer, their importance (measured by frequency of mentioning) is greater than that of personal characteristic. Out of the first five most mentioned characteristics, four are technical: experience (98% frequency), higher education (94% frequency), English language knowledge (78% frequency) and computer operating skills (57% frequency). The only personal characteristic in the top five refers to strong communication abilities (68% frequency). Most of the results of the analysis of recruitment

advertisement content could be explained from a cultural point of view, through the prism of uncertainty avoidance. Because Romania is characterized by strong uncertainty avoidance, we can explain the following characteristic:
- Preference for specialists and strict specialization in work, suggested by the importance of higher education;
- Reduced importance of entrepreneurial and innovative spirit (26% frequency) and the preference for planning and organizing skills (46% frequency). Planning and organizing can contribute to diminishing anxiety related to future uncertainty. Also, these functions serve the need for rules and formalisation, both characteristics of intense uncertainty avoidance. (Hofstede, Hosftede and Minkow, 2010, pp. 210 – 211).

Knowing what the employer expects related to the organization's human resources is important in numerous fields, including in education, especially in higher education. Out of Hofstede's cultural dimensions, it seems that uncertainty avoidance is the most influent dimension on employer expectancies. The influence of culture on employer expectancies is certain and cannot be ignored. Taking into account the importance of human resources for any company, we consider that continuous efforts have to be made in clarifying and understanding the relation between culture and behaviour. Knowing in which way cultural dimensions influence work motivation and satisfaction has vital implications on individual performances of the employee and on general performances of the business.

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THE DYNAMICS OF ROMANIAN MANAGEMENT DURING 2009-2013 WITHIN INTERNATIONAL CONTEXT

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Abstract: *During last decade one relevant trend in the world management development was represented by the emphasis on the dynamic approach of the management systems and activities. In Romanian management literature, this type of management approach is not very frequent and usually referring to the certain management components. Our paper tries to overcome this situation, having a systemic approach of the national Romanian management. The paper is focused on the evolution of the essential management elements at national level, especially during last five years. The main aspects analyzed are: the evolution of quality management at the national level during 2001-2013, the dynamics of management in Romania as compared to European Union management, the evolution of management in Romania comparative with management in Central Europe, the dynamics analysis of Romanian management capacity to face economic crises and its aftermaths, the evolution of main management strengths and respectively main weaknesses at national level in Romania. In the last part of paper we present the eleven features of Romanian management - the evolution of management content and its performance indicates a positive dynamic, the management evolution in Romania was positively influenced by the entry in EU, the disposal of considerable human resources with a good ratio price (salary) - quality which is an advantage to carry out a national management to all levels of the economy, the valorization only partially of the human resources that Romania has, a large part of them emigrating, a.s.o. The information used in analysis has been provided by five yearly empirical research (2009-2013) achieved under Romanian Scientific Management Society (RSMS) auspices. In main conclusion is that in Romania, in last decade, have been developed certain essential elements of the professional management. This explains why Romanian economy has had one of the fastest developments in European Union. Despite of the progress, there still are significant gaps between Romanian management and European Union management. Romania needs a national strategy for the management development in order to maintain and develop the management strengths and to reduce the management weakness, accelerating the increase of the management functionality and performance to all level of society.*

Keywords: management; comparative management; management dynamics; management strength; management weakness; performance.

JEL classification: H12, M20, O11, P59.

1. Introduction

During last five years, Romanian Scientific Management Society (RSMS) - which has as members over 200 management university professors - has carried out yearly empirical investigations and analysis in order to evaluate the main characteristics of Romanian management at three levels:

- national
- enterprise
- management training and consultancy

In our paper we present shortly the analysis of Romanian management at national level achieved by us in an international comparative approach, which allow formulating the main features of national Romanian management.

2. The Evolution of Quality Management at National Level

In figure no. 1 we show the dynamic of the management practiced in 2009 compared to 2008, in 2010 to 2009, in 2011 to 2010, 2012 to 2011 and 2013 to 2012. The examination of the information contained in the diagram revels that for the whole period of five years, the trend in domestic management is perceived as positive, because:

- The increase by 78,8 percent of respondents who rate that management in 2013 is better than that of 2009, with 210% as compared to the 2010, with 66% as compared to 2011 and 38% from 2012;
- The reduction of the respondents number who considered that the management in Romania is inferior as compared with previous year - in four of the five years considered - the only exception being the 2011/2010;
- In the last interval, 2013/2012, the respondents who considered that the management in Romania is inferior comparative with previous year, have decreased by 17% compared to 2012/2011, by 48% in relation to the 2010/2009 and by 21% from 2009/2008.

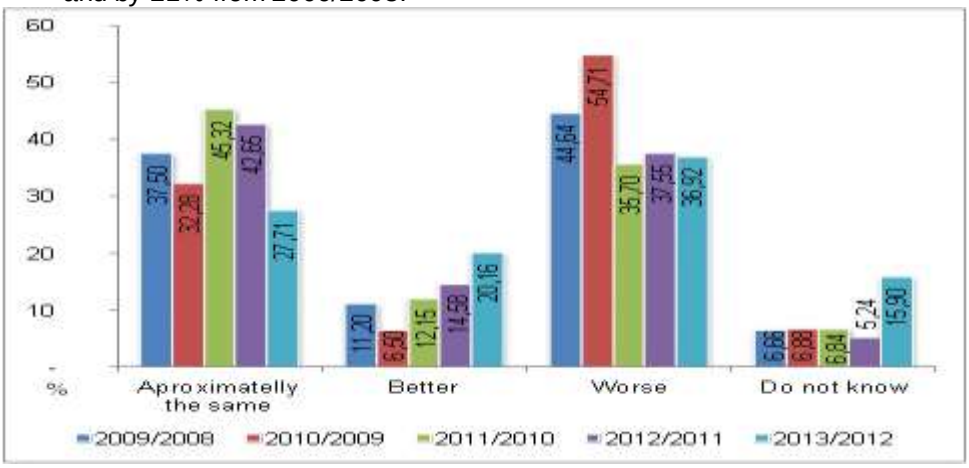


Figure 1: The dynamic of the assessments concerning the management practiced in Romania at the national level during the period 2009/2008 - 2013/2012

Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

We consider that the Romanian management dynamic is more suggestive presented in figure no. 2.

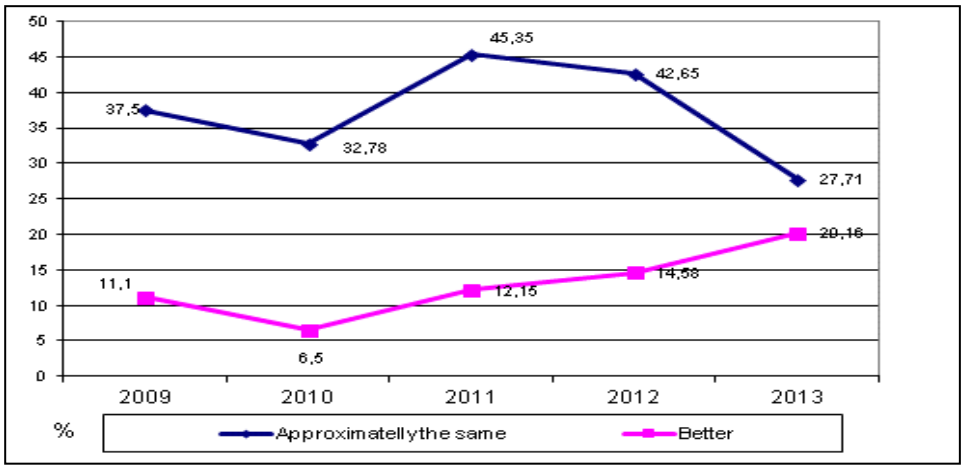


Figure 2: The evolution of the perceptions' better and stationary' management in Romania, during 2013- 2009
Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

Taking into account the significance of the information submitted we believe that in the forthcoming period we can expect a slight progress in quality of the national management.

3. The Dynamics of Management in Romania Compared to EU Management

In figure no. 3 we present the results of research as carried out in the last five years. From the dynamic analysis of such information we underline the following substantial elements regarding the dynamic of the management in Romania compared with that in the European Union:

- The general perception, throughout the period is that management in Romania is inferior to the European Union management, with a tendency to amplify during the four years until 2013, when the percentages concerned have increased each year, reaching the 73,53% in 2012, from 60,47% in 2009;
- The general perception on the quality of the management in Romania as compared with the European Union recorded a significant improvement in 2013. We hope that year 2013 to represent a starting point of the recovery process reducing management gap between Romania and the European Union.

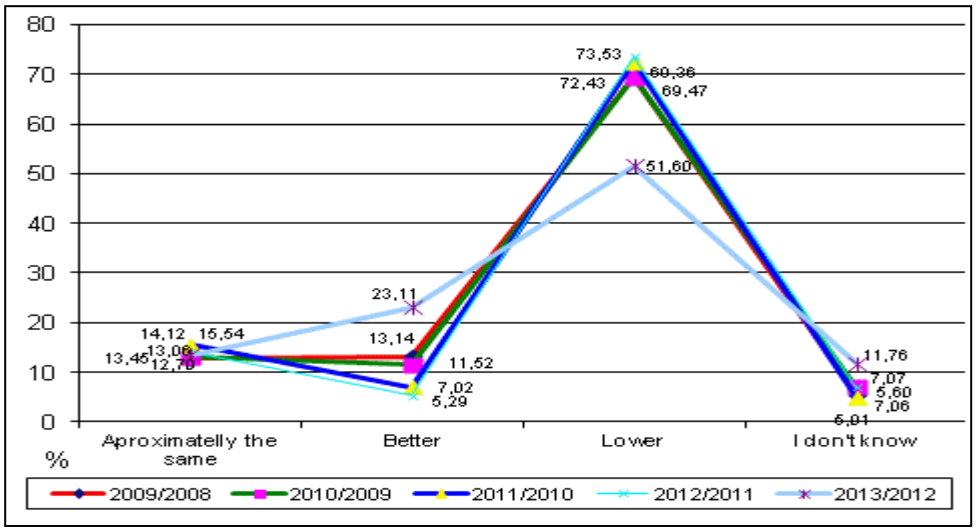


Figure 3: The dynamic of the perception regarding the evolution of management in Romania as compared with that of the European Union management during the period 2009-2013
Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

The general conclusion to be drawn is that *between the management in Romania and the management predominantly in the European Union there are major differences*, which, under the conditions of economic crisis has had a slight tendency to increase.

4. The Evolution of Management in Romania Compared to Management in Central Europe

Having in regard the „geographical location" and the communist „history", shared by Romania with the countries of Central Europe, the comparison with them presents a particular interest. In the figure no. 4 we present the perceptions regarding quality of management in Romania and Central Europe countries of the managers and specialists in management samples in Romania during 2009 to 2013.

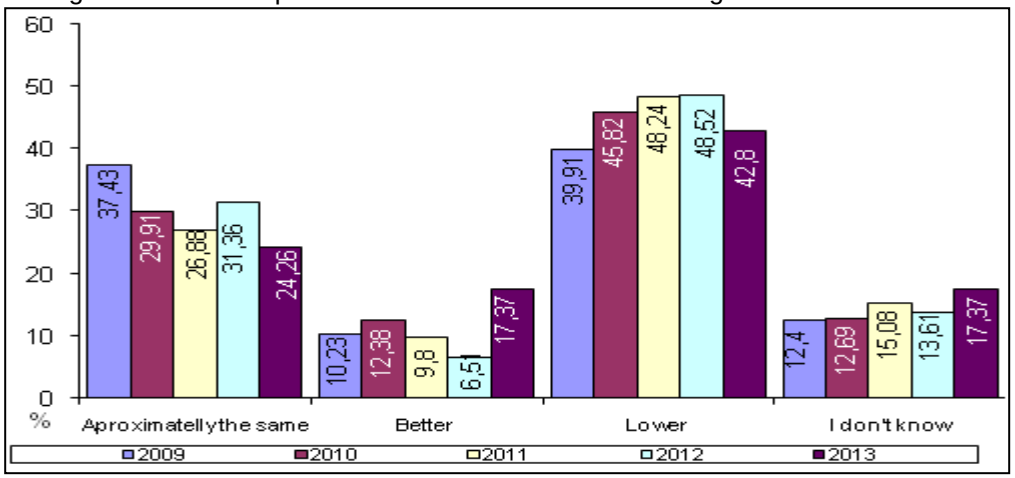


Figure 4: The dynamic of the perception of the management evolution in Romania as compared to Central Europe management, in the period 2009 - 2013
Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

The analysis of the elements contained in figure no. 4 allows us to formulate several **conclusions:**

- The existence for four years of an *upward trend of increasing disparities between the management in Romania and the management prevailing in the countries of Central Europe*. This statement arises from the drop in the perceptions about the same quality of management in Romania and Central Europe, with almost 40% in 2011 compared with 2009, but with a slight recovery of 16% in 2012. We found also an increase in the annual percentage of respondents who appreciate that the management in Romania in the country is lower than the management of the Central European countries, from 39,91% in 2009 at 48,52% in 2012 (more than 20 percents);
- The significant increasement of *the positive perception regarding Romanian management evolution in 2013,* comparative with Central European management. For the first time when we make this type of research, the percentage of respondents who considered that the top management in Romania is superior to Central European countries management exceeds 15%, more exactly 17,37%. This percentage is higher than that in 2012 by 2,66 times. Concomitantly decreases significantly the percentage of respondents who consider that the management in Romania is lower than the management practiced in the countries of Central and Eastern Europe. This percentage is 42,80% in 2013, by 13,4 percent smaller than in the previous year. Of course, there are still noticeable gaps between the national management and Central European management, but the rate of the management progress in Romania has accelerated.

A relatively high percentage of respondents who considered that they did not know enough the status of management of the countries from Central Europe, which varies during 2013-2009 between 12,4% - 17,37%.

5. Dynamic Analysis of Romanian Management Capacity to Tackle the Crisis and its Aftermaths in Romania

Naturally, a special interest is centered on the dynamic of the domestic management capacity to cope with economic crisis and its consequences. The necessary information to highlight this dynamics is presented in the framework shown in figure no. 5.

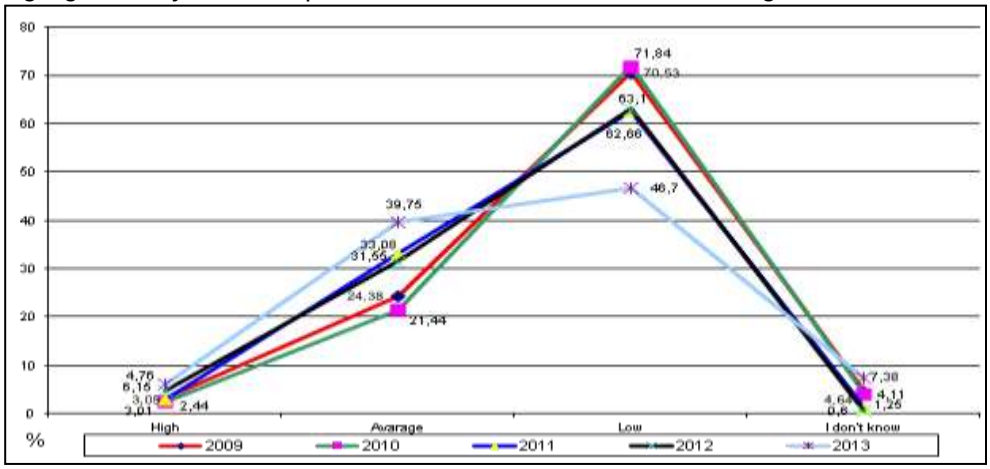


Figure 5: The dynamic of the perception regarding the Romanian management capacity to face the economic crisis and its consequences in the period 2009 – 2013

Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

Their examination has led us to formulate several **conclusions**:

- *The management capacity at country level in Romania to face the crisis difficulties is relatively reduced throughout the period 2009-2013.* In none of the five years the percentage of respondents who appreciated that the management in Romania has high and average capacity to cope with the economic crisis did not exceed 40 percents, except 2013 when the percentage is 46 percents. In other words, less than half of the specialists and managers polled believe that Romania has a management able to deal successfully with the difficulties and complex problems of the economic crisis;
- *The capacity of the national management to cope with the crisis has recorded during the period 2009 to 2013, as a general rule, a slight increase.* This conclusion has taking into consideration the slope of the curves for the five years considered. The most spectacular increase refers to the intensity of capacity, 'high', where, during 2009 has more than two times increment;
- The specialists' perception regarding the ability of the Romanian management to face the crisis in 2011 and 2012 - years following the crisis – who did not record, as we would have expected, a significant increasement. We anticipated an such increase at least for two reasons:
    - the crisis represents a very good opportunity to learn and develop the management under conditions of crisis, so that in the forthcoming period, it would normal to amplify the managerial capacity to face the crisis;
    - Romania in 2011 and 2012, was characterized by macroeconomic balances, and the GDP increased by 2,5 percent and respectively 0,7 percent, being among the EU countries which indicates a certain management effectiveness with good economic performances.
- On the other hand, in the year 2013 the ability of management in Romania to face crisis - though it remained at a modest level - *increased substantially comparative with 2012.*

6. Evolution of the Main Managerial Strengths

The examination of the strengths and weaknesses is performed not globally, but at the level of the most intense five in each of the years of 2009 - 2013. In the figure 6 we present – as an example - which are the main strong points in 2013, specifying their intensity.

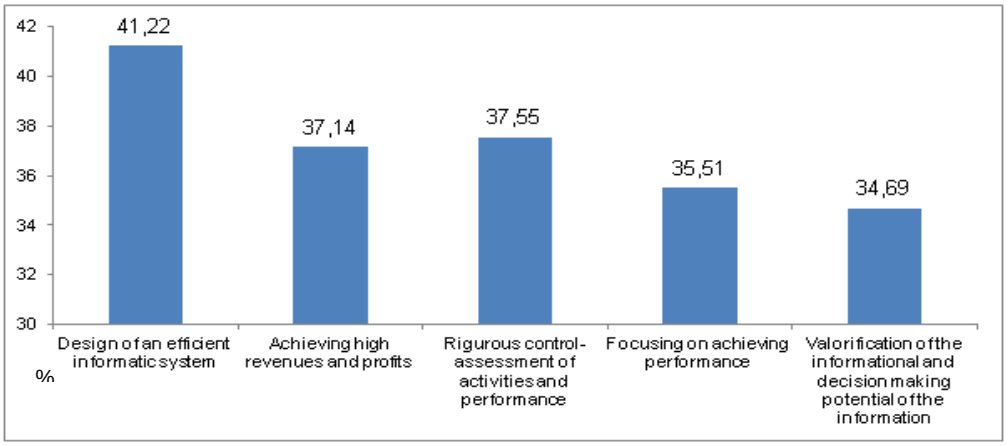


Figure 6: The main five strengths of the management in Romania in 2013

Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

From the examination in dynamic of the main *five strengths of the management in Romania during 2009-2013 we may draw the following important conclusions:*

- A dynamic relatively accentuated of the main strengths in the course of the four years, which is reflected by the fact that 12 strengths among the 5 - one in each year, two at three years, one in two years and eight in one year;
- *The focusing on achieving performance is the only strength which can be found in the first five strengths in each of the five years considered;*
- The development of performant computer systems and valorifying the informational and decision-making potential are part of the first five strong points in four years;
- The efficient organization of the activities can be found in the first five strong points over two years;
- The ensuring the sustainability of the organization, the obtaining high revenue and profits, the intense activity of training for employees, the judicious coordination of decisions, actions and behaviors of the staff involved, the intense transfer of know-how management in other countries, the rigorous control-assessment of the activities and performances and, respectively, the high creativity and innovation appear in one year among the first five strengths of the national management.

The *dynamic of the average intensity of the first five strengths during the five years* is also interesting as shown in figure no. 7.

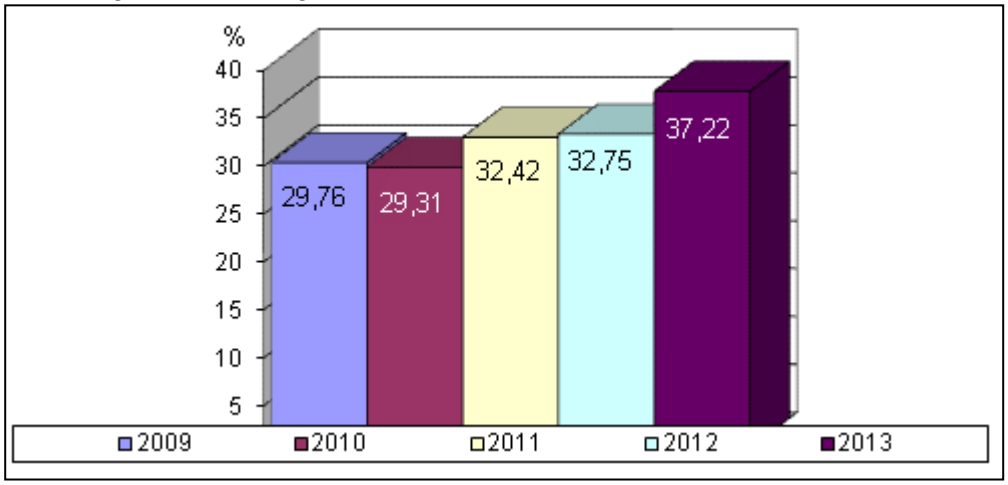


Figure 7: The average intensity t of the main five strengths in the period 2009-2013
Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

The conclusion to be drawn is obviously, this intensity has an *upward trend* during the years 2009 to 2013. The only 'syncope' year was the year 2010, the year of the maximum crisis in Romania. A tendency of amplification of the intensity of first five strengths is positive, as it may indicate certain valuable elements which generate more functionality and performance in the national management. Concomitantly, we could appreciate that although is a certain fluidity of the main strengths, *focusing on achieving performance* – the primary objective of management - remains a constant in the top five strengths of the national management, with a percentage in each year of more than 29%.

7. Dynamics of the Main Managerial Weaknesses

We have used the same approach as for the strengths for 2009-2013. In figure no. 8, we present – as an example – the main five weaknesses in 2013.

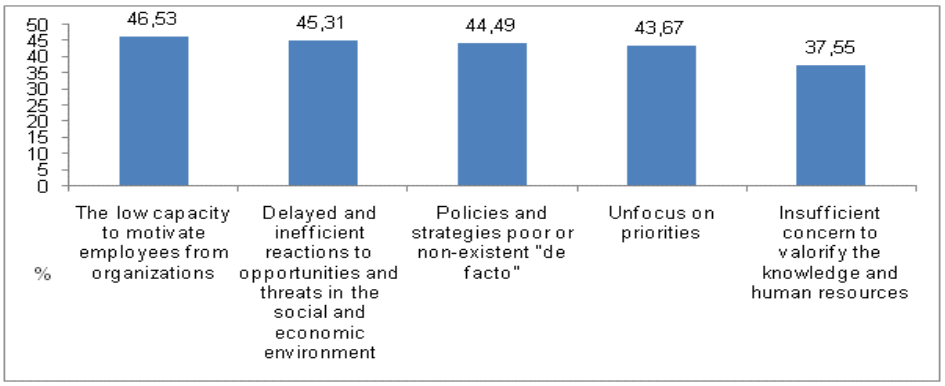


Figure 8: The main five weaknesses of management in Romania in 2013
Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

The dynamic examination of the main five weaknesses in the period 2009 - 2013 allows us to make the *main following remarks*:

- A moderate dynamic of the main five weaknesses in the course of the five years, which is reflected in the fact that although eight weaknesses are running in the three years, three weaknesses remain constant over the entire period, and another weakness lies between the main five in three years;
- The focus on priorities, the low capacity to motivate employees and the strategies and policies deficient or nonexistent 'de facto', are the three weaknesses which are to be found in each of the five years considered, the first two occupying places one and two in this hierarchy in three years;
- The delayed and inefficient reactions to opportunities and the threats of social and economic environment is to be found among the first five weaknesses in the last four years - 2010, 2011, 2012 and 2013. Their placing in this area for these years can be determined by managers awareness of the complexity of environment and of the need for rapid and effective feedback to the environments' changes after the peak economic crises, in 2010;
- The insufficient concern to capitalize the knowledge and human resources is to be found in three years in the first five weaknesses;
- The insufficient grounding of the economic decisions, the malfunctioning of the organizational activities and the ineffective coordination of the staff, are weaknesses that appear in the top five only in one year;
- *The substantial reduction of current weaknesses in 2013* - position one to 46,53% (less than 11% as compared to the first position of 2012), and the position of the fifth to 37,55% (with three percents less from the position five in 2012).

As regards the indicator *"intensity of the main five weaknesses"* it is found that it has a tendency to increase during the five years analyzed, with a leveling in the second half of the analyzed period. At the level of last year (in 2013) it recorded a significant decrease with almost three percent (see figure no. 9).

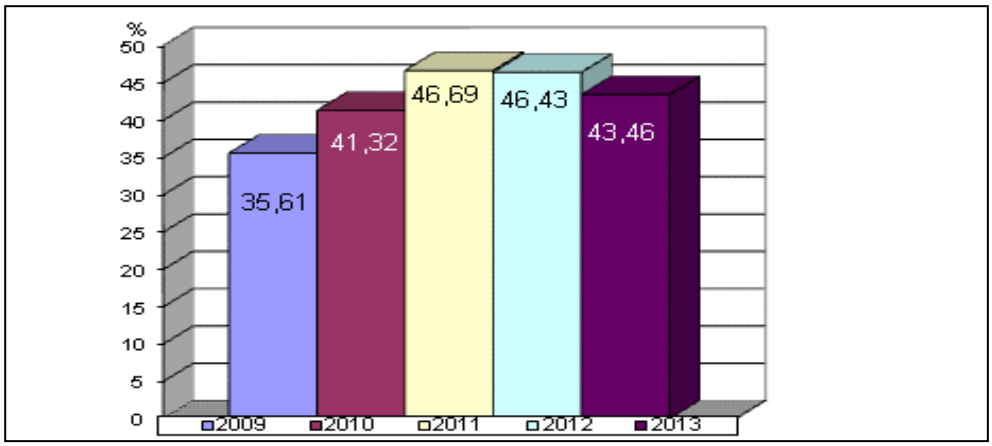


Figure 9: The average intensity of the main five weaknesses in the period 2009-2013
Source: Nicolescu et al. (2010), Nicolescu et al. (2011), Nicolescu et al. (2012), Nicolescu, Popa and Nicolescu (2013), Nicolescu, Popa and Nicolescu (2014)

Compared with the situation of strengths, we can appreciate that the first five weaknesses are more visible both in frequency and in intensity, which could indicate the persistence of typical deficiencies and explain why management at national level in Romania is less performant comparative with many European countries.
The constructive conclusion which may be formulated on the basis of what was previous stated is that the *national management must establish as a priority to counteract the causes which generate the weaknesses*, which are constant in the top five - the reduced capacity to motivate employees, the unfocus on priorities, the strategies and policies deficient or nonexistent 'de facto' and delayed and the inefficient reactions to opportunities and the threats of social and economic environment.

8. Conclusions and Features of the Management Development in Romania in Recent Years

On the basis of qualitative and quantitative analysis, we elaborate certain conclusions concerning the development in dynamics of the management in Romania, which are valid not only for 2009-2013, but also for the entire period after 1990 and in particular for the last decade. In the following we present them synthetically:

- The analysis of management practiced in Romania as a whole and in the evolution of content and its performance within the last 20 years indicates a positive dynamic;
- The management's evolutions in Romania are marked positively by the entry in the EU, in particular after 2000;
- The disposal of considerable human resources, with a good ratio price (salary) - quality, which is an advantage for carrying out a rational management to all levels of the economy;
- The valorification, only partial, of the human resources that Romania has, a large part of them emigrating;
- The quality of the managers in Romania, which has a decisive role on the functionality and performance in all economic and social systems - is very uneven, with a slight tendency to diminish;
- The Neglect of the major national interest constitutes another feature of macro-management, and in particular of the political and public administration bodies;
- The national management has a strong social dimension, often to the detriment of the economic dimension;

- The insufficient innovational and educational dimension of the management at national level;
- The management and in general Romanian society is characterized by a relatively high degree of bureaucratization;
- The high instability in the managerial structures of the central and local public administration;
- The achievement of notable advances in developing national markets of information and knowledge and, respectively, of products and services, favoring the economic activities;
- The significant improvement in 2013 of some management elements at national level.

We could appreciate that in Romania, in last decade, have been developed certain essential elements of the professional management. This explains why Romanian economy has had one of the fastest developments in European Union. Despite of the progress, there still are significant gaps between Romanian management and European Union management. Romania needs a national strategy for the management development in order to maintain and develop the management strengths and to reduce the management weakness, accelerating the increase of the management functionality and performance to all level of society. A special focus is necessary on management of central and local public administration. The development of Romanian management should take into consideration and to valorize the opportunities provided by the transition to the knowledge based economy (smart economy) and by the development of the knowledge based management.

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SELECTIVE COLLECTION – AN ESSENTIAL COMPONENT OF INTEGRATED WASTE MANAGEMENT

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Abstract: This paper proposes a selective collection scheme for *household* waste management *in the* city of Cluj-*Napoca.* The scheme is designed to serve the city of Cluj-Napoca, with a stable population of 410,923 inhabitants. *The proposed scheme is based on the finding that currently, in the investigated area, the household waste management is partially organized. Often, the selective collection points are located at quite distant places, over 1000 m, which creates the discomfort of moving for many citizens. In addition, the waste components that were selected at collection points (paper/cardboard, plastic, metal, glass) are collected together, being mixed in the same transportation car, so citizens that were otherwise responsible from the environmental protection point of view will be discouraged to continue the selective collection of waste.*
This scheme is based on principle of population access to sanitation services, under which public authorities are responsible for organizing public services of the community so that all members have equal access to these services*. In order to implement an appropriately waste collection system, the participation of citizens is necessary. By applying the proposed scheme, we aim to achieve the following goals: empowering people in terms of practical activities for selective waste collection, sanitation services at affordable prices, the reduction of generated waste and the recovery of useful materials contained in waste (paper/cardboard, glass, plastics and metal), purposeful actions that lead to a clean and healthy environment.*
In calculations across this paper, the habitation density was considered different from one neighborhood to another. This means that the city has neighborhoods in which blocks of flats prevail. In this case, the habitation density is high. But some neighborhoods (districts) are less crowded, where houses are predominant. In this case, the habitation density is lower.
The citizens of Cluj-Napoca must understand their role in the waste management system and co-operate with the local authorities for the system to work. Implementing this collection system should ensure the optimum number of collection points so that the population responds positively to all the actions of the local authorities in order to increase the amount of waste that will be recycled.

Keywords: household waste, selective collection, collection point, environmental protection

JEL classification: Q53

1. Introduction

Nowadays selective waste collection plays more and more important role in the life of companies and private persons, as well. If the waste arising at businesses and households is selected, namely separated by materials, the selected waste is recyclable. After adequate treatment the waste is reusable as secondary raw material. In this case waste is not garbage but value.

We believe that not us, but generally people do not have the required education to treat waste problem as something serious that can influence decisively our future existence. Any system that is seen to be dirty or polluting is likely to result in reduced acceptability of the whole waste management system. Clean and well-managed systems are more likely to be accepted by the public. Good public support is as essential to a waste management system as good management.
For the generated waste, it is essential to start the selective collection of the packaging waste among the population, which must be informed, and having its awareness raised through environmental education. Selective waste collection benefits include the selection of recyclable fractions (paper/cardboard packaging, glass packaging, plastic packaging, metals packaging, textile packaging), avoid storing easily biodegradable waste in landfills, and increasing calorific value of waste remains.
Collected metals are separated by type (aluminum, steel and so on), melted and transformed into new objects. Collected paper is pressed and transported to paper mills where it is used as a raw material to produce new paper. Many newspapers, magazines and boxes we use every day are made with recycled paper. Collected glass is melted and transformed into new objects or containers. This way, it can be recycled countless times. It is mandatory to dispose of waste without any food and chemical residues.
Household waste can include household chemicals and other substances for which the owner no longer has a use, such as consumer products sold for home care, personal care, automotive care, pest control and other purposes. These products exhibit many of the same dangerous characteristics as fully regulated hazardous waste due to their potential for reactivity, ignitability, toxicity, or persistence. Examples include drain cleaners, oil paint, motor oil, antifreeze, fuel, poisons, pesticides, herbicides and rodenticides, fluorescent lamps, medical waste and so on. Inappropriately managed waste can attract rodents and insects, which can harbour gastrointestinal parasites and exposure to hazardous wastes, particularly when they are burned, can cause various other diseases including cancers. The toxic waste materials can contaminate surface water, groundwater, soil, and air which causes more problems for humans, other species, and ecosystems.

2. Literature Review

In their research, Sasikumar and Krishna (2009), considered that the sustainable waste management requires continuous efforts of the waste producers of the city, irrespective of the waste quantities they generate. Therefore, waste management should not only be the responsibility of the local self-government, but also households, communities, private enterprises and NGOs. Each of them has a specific responsibility to introduce an element of sustainability into the way finance and other resources are to be used, the consumption pattern they adopt, and choices of the waste management.
Reddy (2011) considered that the sector of the waste management can contribute to greenhouse gas reduction in ways that are economically viable and meet many social priorities. Waste management is a low-cost option to reduce emissions and promote sustainable development. A safe and sustainable environment is an absolute necessity for a healthy life.
The waste collection is the contact point between the waste generators and the waste management system, and this relationship needs to be carefully managed to ensure an efficient system. The householder needs to have his/her waste collected with a minimum of inconvenience, whilst the collector needs to receive the waste in a form compatible with planned treatment methods.
From the householder's viewpoint, collection of all solid waste together probably represents the most convenient method, in terms of both time and space requirements.

Most treatment methods will require some form of separation of the waste into different fractions at source, i.e. at home, prior to collection.
Sellective collection of recyclable waste can only positively contribute to a healthy environment, that further influences the health status of the population. An improved health status of individuals would only bring socio-economical benefits along, according to Vaidean (2015).
A large numbers of Post-consumer PET products especially bottles and containers do not create a direct hazard to the environment, but are a problem due to their substantial volume fraction in the solid waste streams, their high resistance to the atmosphere, their poor biodegradability and photo degradability. PET is used in the preparation of a variety of products differing widely in their physical characteristics and hence, their end uses. The varieties of prominence are fibres and filaments, sheets and disposable soft-drink containers, soda drinks containers, juice containers, mineral water containers, soy sauce bottles, photographic films, etc. (Sadeghi and Sayaf, 2003)
The collection method influences the quality of recovered materials or the energy that can be produced for the market. The importance of market for the recovered materials cannot be over-emphasized: in the absence of suitable markets, the useful products cannot be produced. Therefore, either the collection method defines the subsequent treatment options, or taking the reverse case, the existing or potential markets will define how materials should be collected or sorted if they are to be recovered. In any case, there must be a match between market need and the materials collected and sorted. (McDougall et al., 2003)
The waste collection is the first subsystem of the technical system of solid waste management which is part of the municipalities ‘services. Some households can afford a waste bin made of concrete, plastic or steel built in front of their houses. Other simply store their waste in plastic bags or in used cartons or boxes in front of their houses. These wastes are then picked up by a community collector cart, a small truck, etc. depending on the arrangement in the neighborhood community. Some large and medium-sized cities have been contracting out part of the collection and transportation to private firms. (Damanhuri and Padmi, 2012)

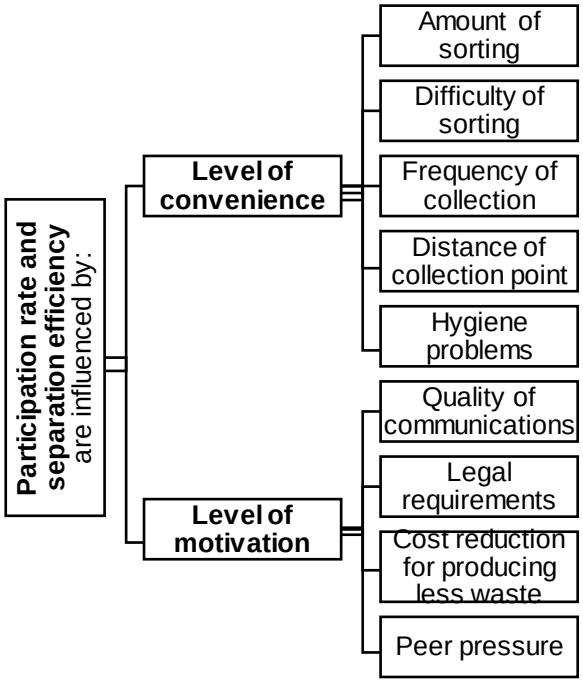


Figure 1: Influences on material recovery
Source: McDougall, White, Franke, Hindle, *Integrated solid waste management: a Life Cycle Inventory*, 2003:195

According to S. Matsumoto (2012), in a group collection program, local residents form a recycling group and agree a contract with a waste management company. Residents separate recyclables at home and take them to the collection site on a designed day. The contracted company then collects and transports these recyclables to the centralized recycling station. It is expected that recyclables are collected more efficiently in group collection programs and thereby the overall cost of recycling is reduced. Because of these reasons, many municipalities encourage group collection programs and subsidize recycling groups.

3. Methodology and Results

The proposed scheme is designed to serve the city of Cluj-Napoca, with a stable population of 410,923 inhabitants. In calculations across this paper, the habitation density was considered different from one neighborhood to another. This means that the city has neighborhoods in which blocks of flats prevail. In this case, the habitation density is high. But some neighborhoods (districts) are less crowded, where houses are predominant. In this case, the habitation density is lower. Based on input data obtained from the local authorities, we performed a calculation of the waste containers number and selective collection points in Cluj-Napoca.
MĂNĂŞTUR: having a population of 115,727 inhabitants, out of which:

885 persons live in *HOUSES*

250 households have their own waste bins

the number of houses: 250

Density habitation in the houses is equal to 2.76 people.

Number of inhabitants that have their own waste bin and live in houses is calculated as follows: 250 x 2.76 = 690 inhabitants
The number of inhabitants to acquire bins is determined as follows:
885-690=195 inhabitants
Based on these results, the number of necessary waste bins can be determined as follows:
195: 2.76 = 70 households = 70 bins (240L)
Further, we can determine the number of collection points required for people living at houses. To do this, at each 100 houses a collection point for waste can be built. Considering that the total number of houses in Mănăştur is 250, for the selective collection to function properly, a number of 3 collection points should be constructed. They will be equipped with suitable waste containers as follows:

9 containers of 0.6 m^3 (3 containers of 0.6 m^3 / collection point)

3 two-compartment container (1 two-compartment container/collection point)

The number of persons living in *BLOCKS OF FLATS* is calculated as the difference between the total number of inhabitants living in the Mănăştur neighborhood and those living in houses:
115.727 -885 = 114,842 inhabitants
The habitation density in blocks of flats is 2.84 persons. Considering these values, the number of the apartments is calculated as the following:
114.842: 2.84 = 40.437 apartments
In the calculations, we will consider a number of 400 apartments grouped to one collection point. Therefore, the total number of collection points for the blocks of flats areas is calculated as follows:
40.437: 400 ≈ 101 collection points
Assuming that the access to some of these collection points could be more difficult, we considered a total of 105 collection points for the 40.437 apartments, divided as follows:

50 points endowed with non-selective collection waste bins: 5 / collection point;

55 points collection, having:

3 containers of 0.6 m^3 / collection point

1 two-compartment container / collection point

The total number of recipients that should be purchased in Mănăştur is apparent from these results:
70 waste bins (240 L) at houses
9+165 containers of 0.6 m^3 (3+55 collection points x 3 containers/point)
9+55 two-compartment containers (3+55 collection points x 1 container/point)
250 waste bins for the nonselective collection (i.e., 50 collection points x 5 bins/collection point = 250 waste bins)

_____

558 recipients

The same calculation algorithm was applied in the other districts of Cluj-Napoca and the results are summarized in Table 2. In the proposed scheme, it was taken into account that a part of the population living in private houses have their own collection containers.

Table 2: Calculations on the number of recipients and the selective collection points in Cluj-Napoca

Districts	Population	Collection points number	Recipients number for collection		Total recipients
			selective	Non-selective	
Mănăştur	115,727	105	238	320	558
Mărăşti	88,023	70	210	140	350
A.Mureşanu	5,475	10	30	20	50
Centru	21,950	24	72	48	120
Gruia	12,456	14	42	28	70
Grigorescu	33,145	30	90	60	150
Zorilor	47,124	36	108	72	180
Intre Lacuri	17,640	19	57	38	95
Gheorgheni	23,048	20	60	40	100
Becaş	6,442	12	36	24	60
Borhanci	7,000	12	36	24	60
Someşeni	13,595	14	42	28	70
Bună Ziua	14,087	15	45	30	75
Sopor	910	1	3	2	5
D. Rotund	1780	4	12	8	20
Iris	2,521	5	15	10	25
TOTAL	410,923	378	1134	756	1890

Source: own data processing

According to the data obtained through calculations, it can be concluded that a total of 378 household waste collection points are required in the city of Cluj-Napoca. Equipping them with collection containers (containers in total of 1890 pcs) would improve the current collection system. Any improvement to this component can significantly reduce the total cost of the waste management.

Implementing this collection system should ensure the optimum number of collection points so that the population responds positively to all the actions of the local authorities in order to increase the amount of waste that will be recycled.

After collecting the selected waste it is reused as raw material. Through recycling we can protect the natural resources and our environment. Without selected collection of waste there is not recycling. Recycling makes a circulation similar to the circulation in the nature and a responsible, environmentally friendly life possible.

Participation rates in selective collection schemes will depend on the economics. If householders have to pay for an additional recyclables container participation rates will be lower. Participation rates will be higher if households are offered a cost reduction for having less non-recoverable material in their waste bin. In some schemes, separation of the recoverable fractions at source is required by law.

4. Conclusions

In conclusion, the waste is an inevitable product of the society. Waste generation is a particularly important issue because, on the one hand, it affects the environment and the human health and on the other hand, it is a reflection of the inefficient use of natural resources by the society.

It is my conviction that, in addition to the responsibilities of public authorities on implementing the waste collection system, the population is responsible for the success or

failure of such a project. Encouraging collaboration and increasing communication between citizens and public authorities is an important part of an effective sustainable waste collection program. In this context, public authorities are responsible for organizing the collection, transport and waste disposal, they are obliged to take measures such as:
-Waste collection points with a sufficient number of containers for selective collection;
-Selective collection and timely transportation of all produced waste in localities;
-Development of guidelines for businesses, institutions and individuals on how to organize waste management;
-Organization of actions on environmental restoration.
We believe that this modern system of sustainable waste management proposed for the investigated area will help reduce the amount of waste disposed in this area, being an adequate system which also treats the main fraction of household waste to protect the environment.

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Ministerul Mediului şi Schimbărilor Climatice, *Planul Naţional privind Gestionarea Deşeurilor*

Hotărârea de Guvern nr. 1872 din 21 decembrie 2006 pentru modificarea şi completarea Hotărârii de Guvern nr. 621/2005 privind gestionarea ambalajelor şi a deşeurilor de ambalaje.

CONSUMER'S AWARENESS OF TRADITIONAL FOOD LABELING - A LOCAL PERSPECTIVE

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Abstract: *Lately, an increasing concern of the consumer regarding healthy food was noticed. On one hand, this interest is constantly growing, as globalization determines consumers to favour traditional food as well as local products, which both of are important part of the culture of various places. On the other hand, there's a constantly growing interest with regards to the regulation and labeling of these types of foods. Traditional products are carefully standardization, while local food products are subject to intense surveillance for food safety. In the EU, three schemes are used, all of which are seen as a means of product differentiation of unbranded or generic agricultural products. The term "local" is used for food in different ways, however, no generally accepted, unanimous definition for food of "local origin" is currently established. Also, local food is not a clearly defined group of products and has no legal standard, but an attempt to define them, qualify them as food produced and consumed locally exists. The production and selling of local food must be seen as a catalyst to maintain and develop the local community and at the same time, a source of sustainable benefits to local economies. Consumers know and are aware of the characteristics, differences and meaning of a traditional food, but what significance does the "local food" labelling have? How well are they known and how do consumers use the information on labels? Do they make the necessary differences? How important are certain characteristics in choosing these products? To answer these questions, I used a self-administered structured electronic questionnaire as an instrument for data-gathering. The sample was randomly selected from a database of e-mail addresses all over the counry Bihor. Most likely that Romanians have a certain reluctance to respond to messages as "fill up" questionnaire or test aiming a research, so the response rate was very low. This (work-in-progress) paper is a qualitative empirical research paper, that will give an image of the consumer's awareness of traditional food and local products' labeling; it is a local perspective and it will inform Department's future work in piecing together more pieces of the big puzzle in the field of marketing, management and economics of food.*

Keywords: food labeling, traditional food, local food, TSG, consumer awareness

JEL classification: D12, D18, D83, L66, Q13, Q18

Introduction

While some are thinking locally and are acting globally, meanwhile, others are thinking globally and are acting locally; we tried to clarify a matter that seems to be quite confused in the minds of Romanian consumers. This issue is related to the consumer awareness about labeling of traditional food, as well as of local products. The approach of the matter was from a local perspective, which was chosen because of the limited resources that we have.

Lately, an increasing concern of the consumer regarding healthy food was noticed. On the one hand, this interest is constantly growing, as globalization determines consumers to favour traditional food as well as local products, which both of are important part of the culture of various places. In addition to this, we also noticed a growing interest with regulation and labeling of these types of foods.
On the other hand, we advocate local products, as well as traditional ones. Romania under the terms of its social, economic, political conditions arising from its history has this advantage, or this should be a strength of the development strategy (which seems to be a paradox; to go towards the development and yet to remain authentic/traditionalist which to some extent, in European terms, would mean somewhat underdeveloped!).
This paper is a short study of consumption. Nutrition and food consumption habits were always interesting to both manufacturers and retailers, but also in terms of legislators and consumers.
Nowadays, the place of origin regarding food products becomes more and more important, the consumers being highly interested by this: movements such as *"slow food"*, *"from farm to table"/"from farm to fork"* have more and more followers by the day. All this gave rise to changes in consumer behavior of food products.
Much more, the legislation of many countries support this: the European Union is preoccupied by the traceability of food products and as such uses labels like Protected Denomination of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Specialty Guaranteed (TSG). This labels are for the products made in the areas where local culture and traditions are still preserved, products which are trying to penetrate strongly on a more and more crowded and competitive market.
These officially used paradigms emerged from the need to provide protection for agricultural products and food stuffs obtained or manufactured by farmers and various producers whose geographical origin is identifiable and it was recognized, as peculiar characteristics, namely the ***'Designation Origin Registered'*** (DOP), ***'Protected Geographical Indication'*** (PGI) and '***T'raditional Specialty Guaranteed'*** (TSG) which supports producers as incentives to pursue obtaining higher revenues. Thanks to these, the consumers of such agricultural products or food stuffs will be encouraged to consume these products owing to qualitative characteristics particular to their origin which inspires trust. Registration of the food products and obtaining labels such as DOP, PGI and TSG can be a solid protection for small producers; at the same time, these labels should guarantee the product's quality in the eye of the consumer. This guarantee will encourage the consumer to repeat to purchase, convinced that it will purchase an authentic product (Turek Rahoveanu, 2009), a quality product. (Placeholder1)
These labels certify the authenticity of the products. Through introduction of the Council Regulation (EC) 509/2006 on traditional specialties, the European Union had guaranteed the agricultural and food products and it seeks to protect small producers. This document defines what it is a traditional specialty guaranteed: "a traditional agricultural product or foodstuff with specific character, the latter has been recognized by registration. The registration is under the provisions of Regulation (EC) 509/2006 and under the conditions a product must meet to be registered in the database of the European Commission.
In the contemporary world, a culture of reading the information on the label needs to be created; this is important not only for the consumer, but also for the competitive landscape of the market, the regulatory legislation regarding consumer rights and their protection.
It is well known that small producers using traditional recipes inherited from old times are completely helpless when faced with major corporations which manufacture traditional products in the industrial system, without full conformity with natural ingredients and also with their specific old traditional recipes.

The traditional food products have particular value for their authenticity, aiming to maintain a strong bond with customs and traditions of the area of origin, with reference elements of local identity and/or the national one.
Capitalization on this kind of product is built on incomplete presentation in retail, shops, on-line stores and specialized fairs, without the story of the associated product.(Tarcza 2012)

Conceptual and theoretical framework
Traditional products are subject of a careful standardization; local food products are subject of intense surveillance for food safety. In the EU three schemes (logos) are used as a means of product differentiation for often unbranded or generic agricultural products (PGI, TSG and DOP/PDO).
The term "local" is used for food in different ways, however, no generally accepted, unanimous definition for food of "local origin" is currently established. Also, local food is not a clearly defined group of products and has no legal standard, but an attempt to define them, qualify them as food produced and consumed locally, exists. The production and selling of local food must be seen as a catalyst to maintain and develop the local community and at the same time, a source of sustainable benefits to local economies. (Lester 2012)

Metodology
This (work-in-progress) paper is a qualitative empirical research, that will give an image of the consumer's awareness with regards to the labeling of traditional food as well as the local products. Taking a local perspective, this approach will inform the Department's future research, in the fields of marketing, management and economics of food.
To clarify certain aspects of consumer protection and their education as consumers, study on traditional foodstuff from the local Romanian consumer's point of view was needed. This study was carried concerning the consumer and her awareness regarding the implications of labeling these type of products and their characteristics. The research objectives for this paper were trying to identify how consumers are aware by characteristics and particularities of traditional foodstuff, indicated by labels as TSG (traditional special garantee).
Hypothesis I: Consumers are accustomed to reading labels such as TSG, they know the significance of these designations when they decide to buy certain products.
Hypotesis II: Consumers know the characteristics and particularities of foods labeled as above.

The method of this study is the *survey* based on a questionnaire. The purpose of the study is a qualitative one, which has rather the purpose of identifying awareness of consumers, as stated above.
The study was conducted on a sample of 500 subjects, being on-line self-administered questionnaire. The sample was randomly selected from a database of e-mail addresses all over the county Bihor, which overlaps largely to the Romanian historical region called Crisana and the survey was opened for approximately three weeks (from 1 to 22 April 2015).
The questionnaire was divided into three parts, the first part comprising of six general questions; the second – the main part – comprising of eleven questions and the third comprising seven questions referring to the subjects' socio-demographic and professional status. The questionnaire was filled anonymously, thus ensuring confidentiality.
Most likely that Romanians have a certain reluctance to respond to messages as "fill up" questionnaire or test aiming a research, so the response rate was very low (8%). It is known that the response rate is modest for online surveys, but taking in consideration that this study at the moment is only a preliminary step, this method was deemed satisfactory for our present goals. The advantages of this data gathering approach were: speed, ease, and reduced cost.

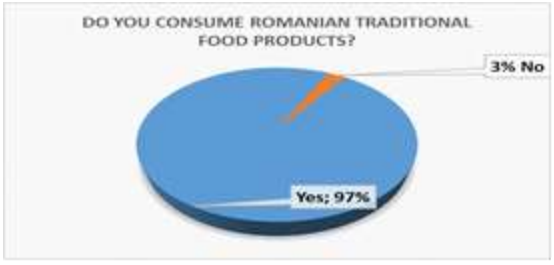
Findings and Disscution

Initial analysis of the data may also further help subsequent data collection, in fact is what we do here in the first stage of this survey as the preliminary study on this topic.

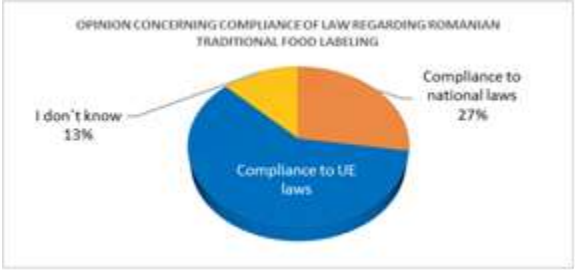
In the first part of questionnaire is comprising six general questions regarding introductory items, such as: “Are you interested of the origins of food products that you consume?”. This question had a 100% response rate; a similar rate was given to the question: “Do you consider the labelling of foodstuff important?”. In our opinion that signals how important are these two topics to consumers.

To get closer to the subject of our research, next questions inquired about the habit of consuming Romanian traditional foods.

A rate of 97% answer consume Romanian traditional food products.



Participants opinions concerning the compliance if the products are labelled (question 6), shows that most of the participants have confidence in the food products labelled, and know that EU or national law is respected (87% =60% UE law+ 27% national law).

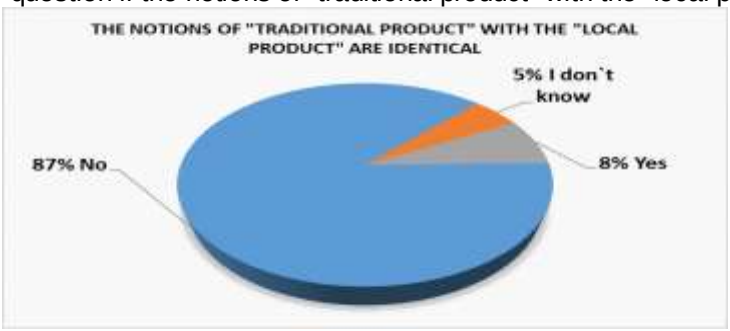


To check the validity of the response to the previous question, we continued firstly by asking the respondents to indicate the names of traditional Romanian food they eat, and secondly, what other food (from other countries) get use to consume and/or know.

In the first case, the most common responses were: sausages, salami, cheese, wines, but also some names of Romanian dishes / cooked food (mititei, sarmalute etc.). We note here that some of participants have named the brand of some large Romanian companies producing cold cuts and dairy products, such as: Scandia, Cristim or Napolact LaDorna, Covalact, which makes us think already to a clutter knowledge and to an improper usage of concept traditional products.

In the second case, generally, are known products, so are mentioned the specific references to different countries, such as: goose fat (Hungary), the Spanish Serrano ham,

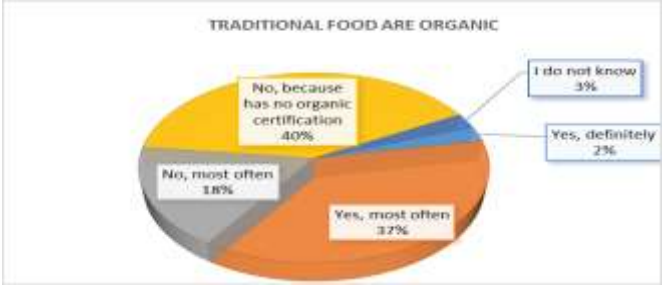
the Franch types of cheese (Brie, Camembert, Roquefort etc.), the Italian specialties (Mozzarella, Gorgonzola, Parmigiano Reggiano etc.), beside cooked food as italian pizza, various pastas, Spanish tapas, paella, Arabic couscous, tahini etc.
At the question if the notions of "traditional product" with the "local product" are identical?



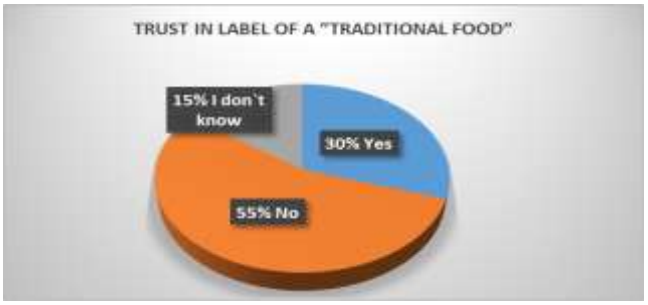
Participants opinion about what indicates the label of a certified food product as traditional product is following:



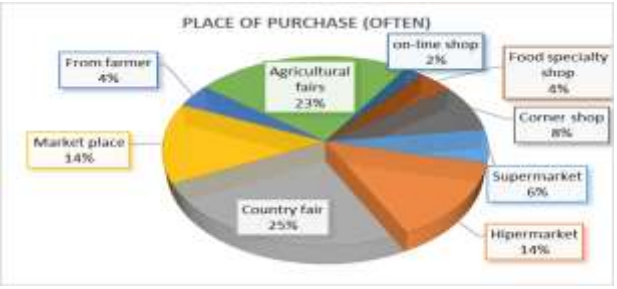
Question 9 whether traditional products they consider to be organic 39% answered affirmative, 3% declared they don`t know, 40% declared: ”No, because has no organic certification”.



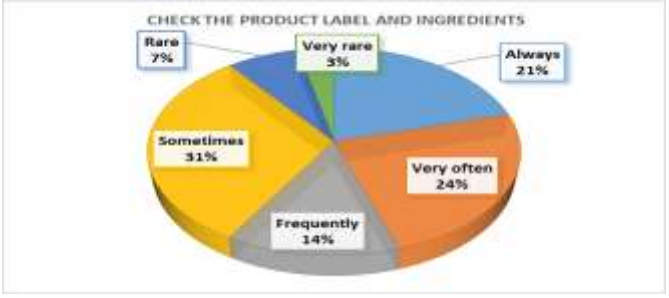
This is the consumer`s perception based on presumption that in Romania most farmers practice organic agriculture, without chemical fertilizers, insecticides or any other helping chemicals, without using GMO, everything being natural.



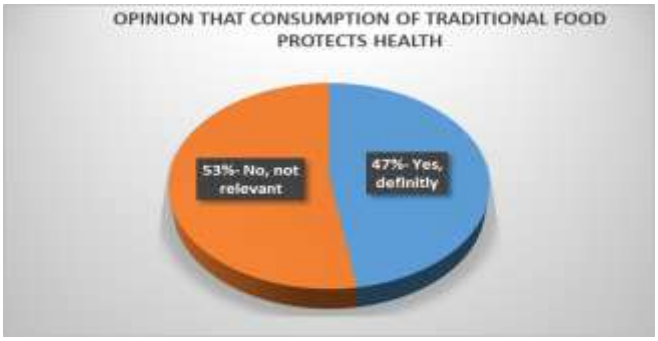
To the question that probed participants' opinion on compliance with traditional recipe that guarantees the quality and authenticity indicated by label ”traditional food”, most participants answered no, which shows distrust in the producers, in traders and also in the authorities that should verify this!
Respondents declare that most often purchase traditional products from:



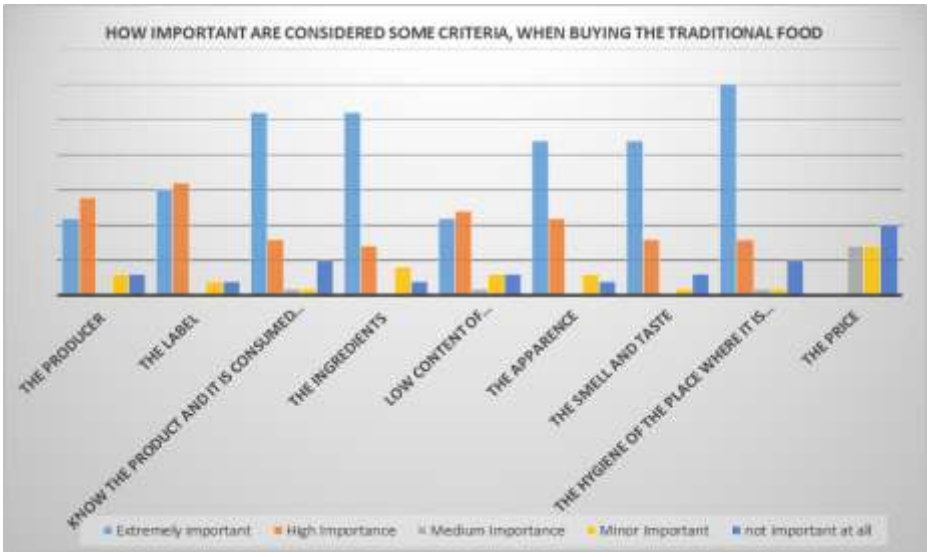
Participants were asked whether when they buy, they usually check the product label, if the product is traditional, and also, whether they read ingredients of the product?



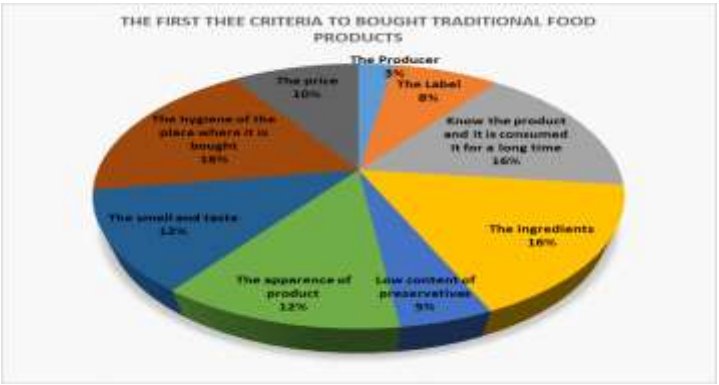
Participants asked if the consumption of traditional foods protect their health were devided in two category almost equals, 53% apreciate this characteristics being not relevant for them, and 47% are strongly convinced that traditional food proetect their health. No other category between!



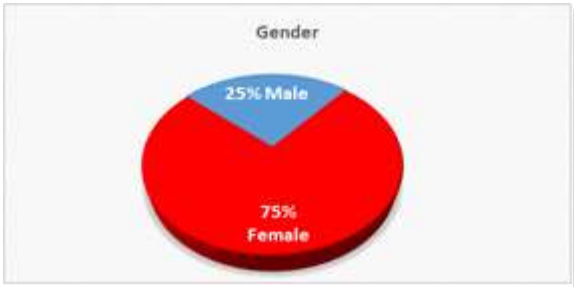
If we examine the criteria that are taken into account when participants should buy traditional foods, (criteria which are assessed on a Likert scale start with - ”not important at all - to - ”extremely high importance”).



The nine criteria that are taken into account are: the producer; the label; know the product and it is consumed it for a long time; the ingredients; low content of preservatives; the aapparence; the smell and taste; the hygiene of the place where it is bought; the price.
The next step was asking participants to choose the first three most important criteria of traditional food products that are taken into account at purchase. Here we used analysis of variance and after outcomes have been compared, the results are the following: ”higiene of the place where it is bought” (18%), were on the first palace, then it comes at the same place (16%) two criteria: ”know the product and it is consumed it for a long time” and ”the ingredients”, on the third place respndents choose, another two criteria (12%): ”smell and taste” at the same place with ”appearance of the product”.
Probably here there are more things liable to be refined, in order to have answers more relevant. Due to the limited space allocated to publishing, we stop here.

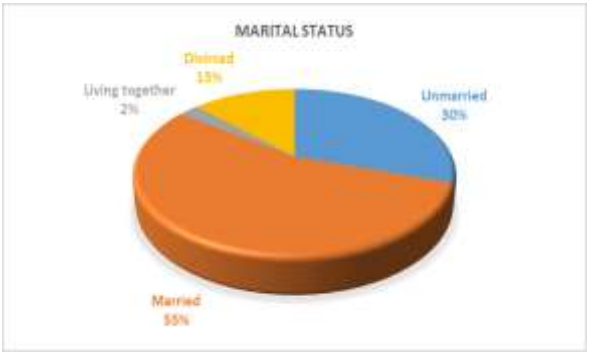


Leaning on the profile of participants, we find most of respondents are female (75%); Respondents are living 90% in urban areas, and 10 % in rural.

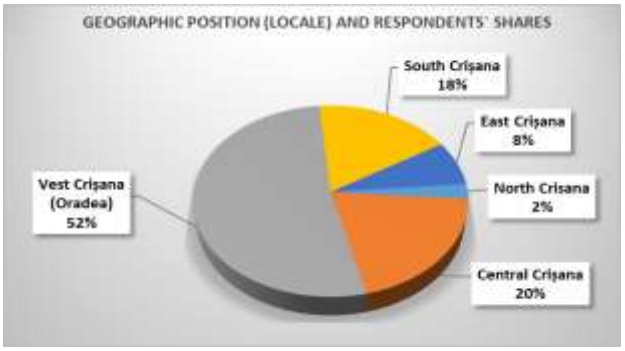




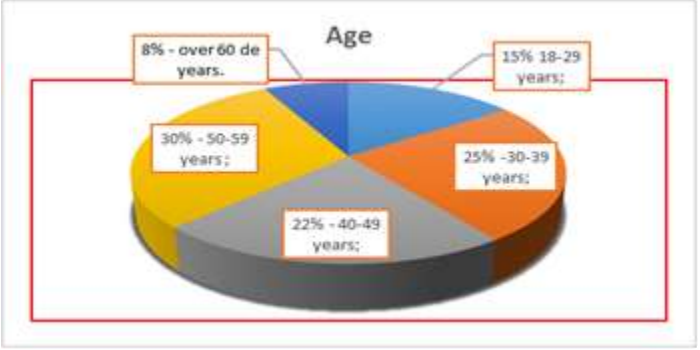
Their marital status we find predominantly proportion 55% married:



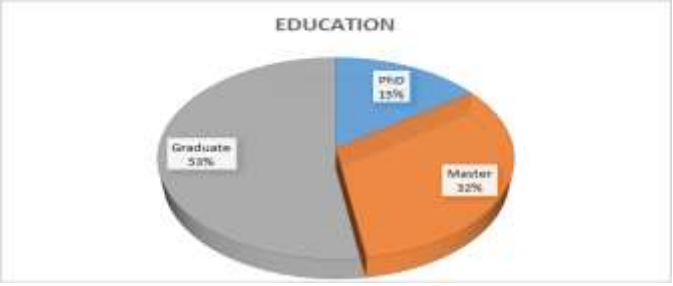
Considering term ”local”, we focused on the territory of Romania historical region called ”Crișana”, we divided the region into five parts (Vest, East, South, North and Central. The respondents were localized by their answer as following: 52% in Vest, 20% Central, North and East, and at last, 18% in the South. If we examin the map we note that the North and the East of Crisana Region it is a mountainous region, less populated –so we do the relationship among the percentages of answers to the correspondent questions about the area in which they live (90% of respondents in urban area, 2% in rural area).



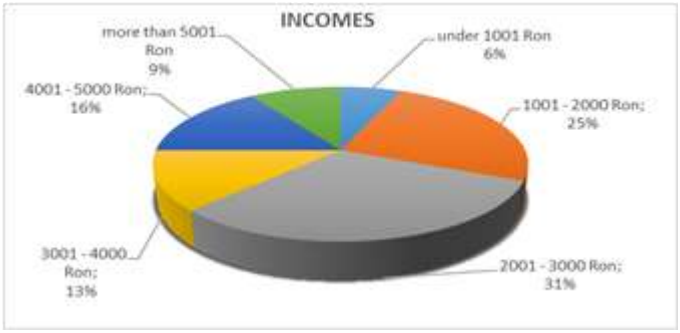
The fact that we have a few representatives in countryside, and also we can have the explanation that the Internet is less used in this kind of areas.
Most respondents are senior adults (30 % between 50-59 years old) and 25% adults (30-39 years old); 22% middle-age adults (40-49 years old); the extreme of age interval are 15% young adults (19-29 years old) and old people over 65years are 8%.



Respondents education:



Respondents incomes are presented below:



Finally, to characterize the profile of the participants in our study: the selected sample consist largely of married people (55%); most of the sample consist of women (75%); living in urban area (90%), into the Western part of region Crisana, where the main city in the region, Oradea, is located. Predominantly, the respondents are mature adults (30% - range of 50-59 years old), with higher education (graduate 53%, master 32%, and 15% PhDs) and incomes of 2001- 3000 RON (31%).

Conclusions

This research paper is a proof-of-principle publication, aiming to inform future research in the field of local food issues and will be followed by a more extensive research paper. As already noted, this work was presented here is a preliminary stage of research of this topic and will be continued.

Our two hypotheses are confirmed. The Romanian consumers living in Crisana region are aware to consume traditional food products. They are accustomed with reading labels as TSG, they know in some extent the significance of these designations, as well as our survey shows there are some misunderstandings also regarding correctly defined traditional food products.

Consumers know the characteristics and particularities of the labeled foods as traditional food products. They find that are very important some criteria as: appearance, smell and taste, ingredients, and the fact that is extremely important is knowledge of the product. This make us to think how important marketing of the traditional food product is and of course an associate story to promote the tradition!

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CASE STUDY: DRIFTING CHANGE

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Abstract: *Addressing itself to the management students, the case presents the situation of a fusion of two offices belonging to the same ministry, in the province of Québec, in Canada. This fusion of two entities having entirely different organisational cultures is not so easy to put into practice. We dread the personal experience of one of these offices, seen through the eyes of some of its administrators and employees who talk about their demanding change experience. So as to answer the case questions, the reader must relate to two management models (Bareil, 2004 and Collerette, 2007), described in the works listed as references.*

Key words: *change, public organisations, fusion, human resources management, change actors, preoccupation stages*

JEL Codes: M0- Business Administration and Business Economics; Marketing; Accounting: General

1. Presentation of the case context

The case action takes place in two cities located in the Eastern part of Canada, in the province of Québec. The first one, Montréal, counting more than three million inhabitants in 2014, represents the capital city of the province. Montréal is a cosmopolitan city but the vast majority of the population speaks either English or French. In fact, the latter is the official language of the province. The second city in the case is Québec, an almost entirely francophone city, counting approximately 500 000 inhabitants. Historically, there has always been a certain rivalry and some animosities between the city of Montréal and that of Québec, especially due to the rather Anglophone heritage of Montréal.

2. The beginning of the change

The Government of Canada has several organisations under its charge. Each of them is different, so it must find a reasonable way of managing them in an appropriate manner. To ensure economy and effectiveness, it tries to reduce the administrations which basically have duplicates.

We are in the presence of two public organisations, out of which one is in Montréal and the other is in Québec city that have been independent and autonomous until now. Both of them must relate to the head office in Ottawa and receive their directives and budgets from the latter. The majority of their employees have part-time jobs, which is excellent for student jobs or as supplementary income.

Both of them have their own personnel, although the organization in Montreal encounters certain difficulties in filling key positions, such as: vice-president, operations manager or planning and financial manager. Although the office in Québec city is significantly smaller, it has the persons that own these qualifications. The latter is renowned for its healthy

management and effectiveness. In fact, it has won several prizes and acknowledgements for the financial planning, for its relations with the community or for its management in general. The communication of the point of service of Québec city with the parent company is excellent. The office of Montréal, in turn, is often blamed for its inefficient management, for its lack of rigour in following the directives of the parent company and for the fact that its key positions are often held by people lacking of motivation and/ or qualifications.

The work teams of the two offices have different specific features and cultures. In fact, the enterprise in Montréal is located in a mainly Anglophone quarter. Here, the level of schooling is very high, although the majority of tasks do not require such a high degree of qualification. The prestige of the quarter and its history attract a lot of people. And not to mention that most of the employees are Anglophone. As for the office in Québec city, most employees are students. The schooling level is significantly lower there, as the persons that hold these positions do it for paying their studies.

As the organisation is the only one of this kind in the province of Québec and also due to the attachments built by the employees during many years, it benefits from a strong feeling of membership.The office in Montréal is not the only one belonging to the ministry that can be found on the Island, a fact which allows the employees to be transferred from one office to another. Here, the team spirit is also weaker.

During the years 2000, the government analyzed the composition of the structure of all the offices in this ministry and reached the conclusion that a part of them, providing services of the same kind, should be grouped together. This was the case of the offices of Québec and Montréal which have been officially informed on this decision in September 2007.

Jean Tremblay, the manager in Québec city, has a length of service in the organization of more than 17 years. When the fusion was announced by the ministry, the latter became immediately reluctant. As a matter of fact, he did not accept the decision at all and he initially continued using the ancient methods, mainly in what concerned the communication network. The latter has only transmitted the message concerning the fusion to his employees a month after he received the official announcement. He tried to reassure them by mentioning that the change would only have little impact on their employment and on the used methods, that only the administrators would be affected and, all this, even if he didn't really believed what he was saying.

The technician, Albert St-Onge, because of his work, must go both to the office of Montréal and to that of Québec city. Albert has been holding this position for more than eight years. He has a calm attitude and he is not the kind of person who would make a stir for nothing. As a consequence the fusion causes him no reaction.

As for Roger Plourde, he has been one of the supervisors in the office of Québec for more than 26 years. He was absent when the announcement about the decision was made and he found out the news through a simple letter, which caused him a lot of frustration. Among other aspects, it was because of the way they used to inform him on this major change. He completely ignored the new procedures and the tasks that needed to be fulfilled.

The new structure implied that the point of service of Québec would not be autonomous anymore and that it would become a part of the office in Montréal. The two entities did not really like the new structure imposed by the government. The first one, because it was forced to accept a team which had values and a culture that were very much different from its own. The second one, in addition to the above-mentioned reasons, was losing its

autonomy and was forced to accept work methods that were unknown to it, and moreover, in a language to which it was not accustomed.

3. The change: follow-up

Starting from the month of January 2008, the managers of the two points of service have met several times. They did not really know how to organize the new division, especially that they did not have any model on which they might rely. In spite of their solicitations addressed to certain senior executives in Québec, no method or tool for guiding them in their approaches has been given to them. Moreover, there has been no specific team that may have organized the change. This is the reason why, in April 2008, the date on which this fusion takes effect, no planning has been instated. As a consequence, they started the process without a structure, by trying to be logical while doing the change.

The first decision that the manager of Montréal made was to transfer certain managerial staff to the large city in order to improve the potential of the management. The purpose was praiseworthy, yet no piece of information has been transmitted to the members of the two organizations. Some felt the decision was an attempt of « stealing » the jobs of the point of service of Montréal. Others rather considered the intervention as a way of weakening the leadership of Québec city.

In the next two months that followed the fusion, it was decided by the high management of the new organization (that is Montréal), that the two entities needed to have the same work methods. Almost simultaneously, it has been decided by the government to cut 50 % of the full-time positions in Québec city, so that the tasks can be fulfilled by the full-time employees of Montréal, achieving thus a part of the objectives aiming at the reduction of the expenses related to the fusion. The cuttings concerned, among others, the human resources manager and the clerks supervisor. This new change caused a lot of shocks, since the personnel management was then made from a distance. This new structure has been especially felt by the secretariat clerks who were not accustomed to working without a direct supervision or mentoring. The supervisor in Montréal was not prepared for this process. So, little by little, the supervision has been neglected. The transmission of directives was often not so assiduous and it even happened that that ones were in English. This particular aspect was perceived by the employees of the office of Québec city as a lack of respect coming from the administrator of Montréal, since this one ignored the fact that the employees in Québec city only spoke French. On the other hand, nobody took the time to explain that the supervisor of Montréal was Anglophone and did not always have the means for having the documents translated and that, due to the emergency of certain circumstances, it was better sometimes to have the documents available in another language than to not have them at all.

In April 2009, which is one year after the fusion, the office of Montréal started to do the implementation of this one, but Jean Tremblay persists in resisting, since he is afraid of not recognizing himself in this new organization and of seeing his authority become weaker. In this implementation approach, Sophie Martel, who has been working in the office of Ottawa for several years as a secretariat clerk, has come back to the region. When she arrived in Québec city, she faced the fait accompli of the fusion with Montréal.

We have been able to surprise a snatch of conversation between Sophie and Roger, one of the supervisors of the office of Québec.

Roger– Hello, Sophie, I am very pleased that you are back among us.

Sophie – Hello, Roger, I must confess I was not expecting such news this morning. I do not know why, but I am not sure that I have all the training and contacts necessary in order to perform my job appropriately. When I was in Ottawa, I could rely on my immediate supervisor and now I am afraid I won't be able to do it all by myself. It seems he doesn't speak much French!

Roger – Well, Sophie, if you want, you can do like me and continue to contact the office in Ottawa directly, thus we shall avoid problems for the moment. M. Tremblay won't have anything against it; in fact, he does it, too.

Sophie – It's a great idea, but do you think I could lose my job ? You know that, with the job cuts that have been made, I don't want to end up in the street, unemployed. Ah! If only I knew this, I would have stayed in Ottawa!

Roger – I don't believe you will lose your job; a few persons must be kept to do the work in Québec city. Anyway, I do not worry about this because it's certain that they cannot cut mine.

Sophie doesn't really feel reassured concerning her position, but she considers that Roger's proposal will help her do her job in a better way.

4. The end of the Odyssey?

At the beginning of the year 2010, the frustration intensified. Roger decided to go meet Jean in his office and talk about the means to which they could resort in order to carry out their tasks in the most effective manner possible.

Roger – Jean, I don't know what to do anymore. If we respect their communication network and we stop passing through the capital, it's the services that we provide to the population that will be affected and we will be considered incompetents.

Jean- You are right! Moreover, they will certainly begin to cut our resources, both financial and material, to give them to Montréal. If the situation goes on like this, I won't have much left to manage.

Sophie, who arrived meanwhile, is joining the conversation

Sophie – Yes, especially that the important decisions are made more than 250 km away from here and they do not take into account the fact that our region and our realities are very different from theirs. They should take into consideration our points of view. A decision may be good for them, but inappropriate for us. They should consider the impact of the decisions they make.

Jean – Ah, you're right with this and it is not like we haven't tried. We were supposed to have two or three meetings in Montréal every year, but it seems it costs too much and it is not worth spending money on these meetings. As for me, I can say that talking in a foreign language it's always easier when we are face to face. Even if the meetings were in French, I still think it's very important to have a meeting in person once in a while, just to make sure all is understood. They have even tried to do a telephone conference, but after 10 minutes they behaved as if we were no longer there. Not to mention that they even forgot to contact us once.

Roger – I was present several times when these telephone meetings took place, but as

they spoke English most of the time, I didn't understand anything, so I got back to work in my office. Such meetings are a complete waste of time. They do them only to try to make the right impression.

Jean – I completely agree with you, Sophie. I don't even know which way we'll go. They transmit directives, but they don't make sure these directives fit with the specific features of our area and we fail every time. All we do is putting out fires and correcting the problems caused by their directives. What we need would be effective procedures and that they try to consult us before applying them. All these things being said, we shall return to correcting the problems and trying to find a way of having the information we need in order to carry out our work.

In spite of his conciliatory nature, Albert St-Onge has his own opinion and he is not afraid of telling it to everybody. Actually, in the light of his tasks, he should work both in Quebec and in Montréal. So he knows really well the employees and the culture of the two organizations. In his opinion, the fusion will only bring troubles caused by the cultures differences that separate the two work teams. Moreover, he is convinced that neither one nor the other is ready to face such a change. However, he is convinced that this fusion is beneficial, but he thinks that it has been hurried and wrongly implemented, which caused the employers' reluctance to contribute to the fusion.

Now that 2011 is here, the manager of the office in Québec admits that he was not successful in resisting the change. So he resigned to accept it even if he doubted the organization skills necessary in doing the fusion. Just as the manager, the employees begin to be willing to get involved in the change process, but the lack of information is a major obstacle in reaching the purpose. All the employees look for methods and pieces of information so as to be able to make the offices work in spite of the new structure. As things didn't go perfectly, several employees were discouraged and left the organization.

New persons have recently joined the management of the two organizations, which contributed to the creation of a new vision and the implementation of new procedures. At present, certain employees are still reluctant while, on the contrary, other employees enjoy the advantages.

Questions:

1. Which is the nature of the change and which are the affected areas of the human resources management?

2. Actors' analysis
   a. Introducing the actors of the change and their reactions.
   b. Analyzing the causes of the actors' resistance to change that have been identified in the case , according to the model of Bareil (2004)?

3. Describing the preoccupation stages experienced by each of the addressees according to the model of Bareil (2004)?

4. In your opinion, has the change approach, according to the model of Collerette (2007) been applied?
   Explain.

5. Could the change have been made in a different manner? If you think it could have been made differently, how would this be?

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SUB-SECTION: MARKETING

BUSINESS EDUCATION IN THE PRESENT SOCIETY: PROBLEMS, CHALLENGES AND SOLUTIONS

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Abstract: *The popularity of business studies in today's University system is clearly demonstrated by the number of candidates, places and specialisations available in higher education institutions. On the other hand, the existence of multiple social, economic and ecological crises raises valid questions regarding the content, purpose and focus of these studies for the wellbeing of the modern society. Despite the growing number of students enrolled or graduating in business studies, the present-day society is fraught with economic crisis, disequilibria and waste, which manifest at society, group and individual levels. Analysing the existent literature, the paper presents and discusses three main problems of the business studies available in higher education institution: focus on short-term profitability; fragmentation and specialisation; and, lack of connection with other types of studies. Emphasizing the importance of considering the role of business education from the perspective of a generalized and complex stakeholder analysis, the paper proposes four possible, interconnected solutions to the identified problems: business schools should become not only specialized institutions of teaching and learning, but also centres of knowledge creation and dissemination, oriented towards developing creative thinking and a holistic vision regarding the role and impact of business activities in the present day society; business schools' curriculum should be modified to include, on one hand, information regarding the short- and the long-term impact of business decisions and activities on society and environment, and on the other hand, courses designed to increase the responsibility of business specialists for the harmonious development of the present day society (such as business ethics, ecological and equitable business, social corporate responsibility); business studies should adopt a more holistic, integrative approach, by including into the curricula methods of research and analysis derived from the theory of ecology and complex systems; the criteria for evaluating academic research in business studies should be centred around its impact on an extended set of socio-economic values, which go beyond simple profit maximization to include increasing and balancing stakeholder value, creating more social and economic justice at organisation, national and international level, and creatively solving the socio-economic problems of the modern society.*

Keywords: business education; stakeholders; problems; challenges; solutions; modern society. .

JEL classification: M30

1. Introduction

Business schools raise a lot of expectations considering their role in the structure and functioning of the modern day society (Cornuel, 2005). The transition of Central and Eastern European countries initiated at the beginning of the 1990s, the accelerated economic development of China and other emerging countries, such as India, Brazil and Mexico, and the quick globalisation of the world economy, increased the importance and the need for business specialists capable to lead, organise, create value and jobs, and, generally, to increase the wealth of various business organisations and nations. On the

other hand, the increased complexity and interdependence of the economic activity at national and international level, with other social activities, such as education, culture, health, social assistance, politics and public administration, requires a new profile of business managers, capable to accurately anticipate or identify the existing problems, and then to create and to implement swift solutions for an improved functioning of the socio-economic system (Wallace, 2010).

Considering the existing global challenges and the importance of business activities for economic and social prosperity, it is legitimate to consider what should be the role of business studies in the modern society and to compare this ideal with the present situation. Using an exploratory approach, this paper attempts to identify the main problems related to business studies in the present-day society, to discuss their role, and to provide a series of tentative solutions.

The importance of this paper is not only philosophical, but also pragmatic, at both organizational and individual level. As researchers involved in the academic systems, we represent a 'service provider' for various categories of clients – depending on various opinions, these clients are the students, their families (who pay for their studies), the organizations which are going to use their skills, or even society in general. However, no matter which client is considered in priority, the characteristics of the business education (and indeed of most other economic activities considered in an ecological context) is the necessity to permanently and dynamically balance the often conflicting interests, needs and wants of different categories of stakeholders (Mainardes et al., 2010; Marić, 2013). From this perspective, we consider that business education should be analysed and investigated from a holistic perspective that takes into account a long-term perspective, and the existing interdependencies that serve as a – positive or negative – multiplier of its effects in the present and future society (Jongbloed et al. 2008).

2. A high and increasing popularity of business studies

The popularity of business studies is proved by the large number of candidates, available places and specialisations from various types of higher education institutions dedicated to this study area (Edmunds and Richardson, 2005).

Although worldwide statistics are not easily available, there are many signs that business represents one of the largest areas of tertiary education. For example, for the academic year 2009-2010 (US Department of Education, 2012), out of 1,650,000 bachelor's degrees conferred in the United States, 358,000 were in the field of business, 173,000 in social sciences and history, 130,000 in health professions and related programs, and 101,000 in education. On the other hand, the greatest number of business degrees was conferred in education (182,000), followed by business studies (178,000). Similarly, in the UK, the area of business studies has the highest number of students enrolled (353,910 in the academic year 2009-2010), the second highest number of students being enrolled in medicine-related studies (305,220). In Canada, according to the data published on the website Statistics Canada regarding the distribution of students on various disciplines in the year 2007 (Statistics Canada, 2009), the students enrolled in business studies represented approximately 21% of the total number of students, being overcome only by the students registered for a degree in social and behavioural sciences and law (23%).

This situation can be encountered not only in developed countries, but also in emerging economies. The statistics published by the European Union (2012) regarding the number of students in tertiary education and their distribution on study areas, show that in emerging economies the proportion of students enrolled in social sciences, business and low courses is even higher than in developed economies. These figures demonstrate not only the popularity of business studies, but also the fact that business expertise is widespread into the general population.

3. Paradoxes of the present-day economy

Despite the large number of business graduates in the present-day global society, it seems that business and economic decisions do not lead to better results. For example, very few business and economics experts were able to predict the 2008 financial crisis (Wall Street Economists, 2010). A group of researchers analysed the failure of academic and professional economists to predict the crisis, outlining the existence of a systemic failure of their way of representing the world economic realities: "Over the past three decades, economists have largely developed and come to rely on models that disregard key factors—including heterogeneity of decision rules, revisions of forecasting strategies, and changes in the social context—that drive outcomes in asset and other markets. It is obvious, even to the casual observer that these models fail to account for the actual evolution of the real-world economy." (Colander, Föllmer, Haas, Goldberg, Juselius, Kirman, Lux, and Sloth, 2009, p.2).

It is possible to argue that in many business schools, macroeconomics and financial economics does not represent a mainstream area of studies and research. In fact, in some countries, such as France, management and economics represent two different areas of business studies, the first focusing on micro-elements related to corporate systems, while the second studies mainly the interaction between macroeconomic factors and financial flows. However, the economists are not the only ones to blame for the financial crisis. A report published by OECD (Kirkpatrick, 2009) argues that "the financial crisis can be to an important extent attributed to failures and weaknesses in corporate governance arrangements. When they were put to a test, corporate governance routines did not serve their purpose to safeguard against excessive risk taking in a number of financial services companies" (p. 2).

If in the case of the 2008 financial crisis it can be argued that a series of unfortunate events has created an interplay of macro- and micro-economic conditions that were difficult to observe and understand by economic specialists; other situations indicate more directly the failure of the corporate governance system. For example, the Enron case outlines another important feature of the present corporate system, the lack of internalised ethical rules at the level of top management teams. The corporate culture of Enron, based on individualism, innovation and aggressive cleverness, encouraged personal achievement, but left the company without compassionate, responsible leadership (Rondal and Brinkmann, 2003).

Another important area of concern is the high rate of start-up failures (Gage, 2012). Entrepreneurship is nowadays almost unanimously considered as a source of innovation, creativity, employment and economic development. However, despite the large number of start-ups created every year, statistics show that the typical new business started in the United States is no longer in operation five years after being founded (Shane, 2012). It raises a number of important questions regarding the reasons of this high number of failures. Although adverse economic circumstances might sometimes represent a good explanation, it is also necessary to question the capacity of the educational system to provide useful information for the would-be entrepreneurs (Matlay, 2009).

The three examples presented above outline important failures at macroeconomic, corporate and entrepreneurial level, which correspond to the three main orientations of business studies in developed countries: economics, management and entrepreneurship. This situation indicates an important paradox of the modern society: despite of the prevalence of business-related knowledge in the society, and of the popularity of business studies among students' cohorts, the present business environment does not show encouraging signs of growth and personal fulfilment.

To these examples we could add also an exploration of the social effects of the present-day business practices to the society, group and individual level. Juan (2001) presents a

critical analysis of the consequences of productivism and consumerism on the constituents of social systems, identifying direct correlations between excessive economic growth, the malfunction of modern social systems and the malaise of individuals. The increased specialisation and fragmentation of economic skills and activities enhances the number and the dynamism of business transactions, but on the other hand, alienates the individual from its local community and natural environment.

4. The role of business education from a stakeholder's perspective

Many publications and reports (Fitzgerald and Cormack, 2006; Dahlsrud, 2006; Jenkins, 2005; McWilliams, Siegel, and Wright, 2006); outline that business leadership in modern society is not limited only to profit-making, but also includes an increasing responsibility towards the society at large and the environment: "Company leaders are not leaders of business but leaders within society" (Fitzgerald and Cormack, 2006, p. 8).

The stakeholder theory emphasises that the exclusive focus of business organisation on consumers is no longer valid, and therefore, the economic performance of the company is only one aspect of the social performance, which has to take into account various categories of stakeholders (Kakabadse, Rozuel, and Lee-Davies, 2005). On the other hand, stakeholder theory should not be applied only formally, by making a list of the main company's stakeholders and attempting to address each of them separately and punctually. Modern companies should adopt a holistic approach in which the needs of various categories of stakeholders are integrated at strategic level and declined than at the level of management, functions, processes and operations (De-Burgos-Jiménez, Vazquez-Brust, and Plaza-Úbeda, 2011; Freeman and Velamuri, 2008).

The application of the stakeholders' theory in the analysis of business education is surprisingly new, considering the obvious impact of business studies on various social categories and phenomena (Mainardes et al., 2010; Marić, 2013). On the other hand, even when they exist, the aim of stakeholders' analysis in business schools is mainly operational, attempting to address the specific and punctual needs or a specific category of stakeholders. Unfortunately, most of these exercises neglect the complex interdependence of various categories of stakeholders, and the holistic effect of business studies on the long-term development and prosperity of the society. Because of this, even when the business schools develop or reformulate their mission and strategy, they do this either in a highly focused way, considering only a set of operational skills – the 'toolbox approach', or the needs of a specific category of stakeholders – usually students.

5. The main problems associated with the business education

A general survey of the recent literature on the role of business schools in the modern society points out to the following problems (Cavico and Mujtaba, 2009; Datar, Garvin, and Cullen, 2010; Khurana, 2007; Locke and Spender, 2011; Morsing and Sauquet-Rovira, 2011):

- focus on short-term profitability;

The curriculum of many business schools is centred on the theories of economic liberalism, which consider profitability as the only important purpose of a business organisation. Increasing profitability becomes thus the goal that justifies any means, encouraging ethical relativism and freeing the students from any sense of moral responsibility (Ghoshal, 2005). On the other hand, these theories encourage a short-term business orientation, which in real life can significantly damage long-term opportunities, and relationships with suppliers, customers and distributors (Bellow and Feron, 2011; Mitroff, 2004).

- fragmentation and specialisation;

The increased specialisation of tasks and posts in medium and large business organisations, on one hand, and the internal development of various business disciplines,

on the other hand, have determined an increased fragmentation and specialisation of business education (Raffo, O'Connor, and Lovatt, 1998). This trend is in line with the general transformation of university education, which has lost in the last 50 years the aura of universalism and interdisciplinarity (Burke, 2007). However, the perspective that business studies represent a specialised 'toolbox' for obtaining organisational profits, neglects the need of small business entrepreneurs for a more generalised and interdisciplinary approach (Raffo et al., 1998). On the other hand, most business schools teach exclusively the economic theory and the business perspective of developed, capitalist countries, although some of these schools may be located in emerging or poor economies.

- lack of connection with other types of studies.

Given the complex and dynamic interdependence among various social forces, business education cannot be considered as an independent part of social studies. The trends towards increased isolationism has lead the world economies to the present manifestation of multiple, interrelated crisis. There is an increased need for a more diversified and open approach of business education, which also includes in the academic curriculum cultural and science studies. Even when these courses are present in some business schools, they are organised and delivered in a very fragmented way, being separated by discipline or time of delivery (Sullivan, 2011). This isolationism and fragmentation reduces the capacity of business graduates to fully understand the impact of their decisions on society.

6. Possible solutions

Considering the situation discussed in the previous section, it is imperative a change of course in the functioning, structure and focus of business schools in order to create more social and economic harmony in the present day society. The following propositions outline some of these changes, although the list is by no means exhaustive:

- business schools should become not only specialized institutions of teaching and learning, but also centres of knowledge creation and dissemination, which attempt to develop creative thinking and a holistic vision regarding the role of business activities in the present day society;
- business schools' curriculum should be modified to include, on one hand, information regarding the short- and the long-term impact of business decisions and activities on society and environment, and on the other hand, courses designed to increase the responsibility of business specialists for the harmonious development of the present day society (such as business ethics, ecological and equitable business, social corporate responsibility);
- business studies should adopt a more holistic, integrative approach, by including into the curricula methods of research and analysis derived from the theory of ecology and complex systems;
- the criteria for evaluating academic research in business studies should be centred around its impact on an extended set of socio-economic values, which go beyond simple profit maximization to include increasing and balancing stakeholder value, creating more social and economic justice at organisation, national and international level, and creatively solving the socio-economic problems of the modern society.

These solutions are not isolated actions addressing punctual disequilibria, but rather a system of interdependent measures that aims to increase the flexibility, openness, sensitivity and relevance of business education in the modern day society. They are based on the scientific reality that today's society is increasingly complex and dynamic, but also inter-connected and holistic, which increases the impact of even small unbalances between economic, social, cultural and environmental activities. To answer these challenges, it is necessary to emphasise more design thinking, passing from a 'rock

logic' to a 'water logic' system (De Bono, 1991).
The implementation of these propositions may seem utopic at the present moment, although several initiatives point out in this direction: e.g. following the recent corporate scandals many US business schools developed a renewed interest in teaching business ethics (Cavico and Mujtaba, 2009; Sims and Felton, 2006); while international accreditation organisations (AACSB and EQUIS) have recently introduced on their agenda new criteria for evaluating business schools' research.

7. Concluding remarks

There are many specific challenges for the future implementation of these changes. Business education does not represent an isolated social activity, but just a part in a complex and dynamic society system, being influenced by contextual, social, economic and political factors. The start of the global financial and economic crisis in 2008, coupled with an ongoing and aggravated ecological crisis, has clearly shown the limits and the problems of the present economic system. However, as in the case of business studies orientation, most of the proposed solutions are focused on local changes and a short-term perspective, lacking the capacity to reform a system that has become too complex to be understood and controlled (Cornuel, 2005). Considering the complexity and dynamism of the present socio-economic environment, business studies cannot continue to apply a fragmented, discipline-based approach, but to encourage holistic thinking and action (Folke, Hahn, Olsson, and Norberg, 2005). A change in the focus of business education, by implementing the four propositions presented above, could represent a first step towards finding global, durable and sustainable solutions to the inter-related crises of the modern-day society.
This paper has several important limitations, which stem from a purely theoretical, speculative approach. However, its merit is to provide a basis for further thinking and discussion, regarding the implications and the role of business education in the modern society. It is maybe necessary to use more the skills taught in different business disciplines in investigating the situation and purpose of business schools and business education in the present, and for the future, society; considering the inter-dependence between various effects of pedagogical policies, strategies and activities.

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MARKETING AND SOCIAL ECONOMY IN THE EUROPEAN UNION

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Abstract: *Social economy in Europe has established many organizations to act as representatives. Through them, this took part in processes of elaboration and implementation the national policies and the policies of U. E.*
In different European countries, associations in the social economy have given rise to platforms that represents credit cooperatives, and agricultural cooperatives, mutual insurance companies, enterprises and associations of complementary insurance and other non-governmental organizations of social action.

Keywords: *non-profit sector; social enterprises; social economy actors; solidarity economy;*

JEL Code: M 31

1. THEORETICAL APPROACH OF THE SOCIAL ECONOMY

The term tertiary sector is mostly used in English speaking countries to describe private non-profit sector which is formed from foundations and associations, a term used as a synonym for the social economy.
In the U.S., Levitt was the first who used the term tertiary sector, identifying it with the non-profit sector. In Europe this term has begun to be used later to describe a sector between the public and the capitalist sector, being closer to the concept of social economy.

The approach of the modern concept of non-profit sector has been known on a large scale all over the world through an international research project, which was initiated in the 1990s and led by Johns Hopkins University (Baltimore, USA) to discover the size and structure and to assess its impact on society.

The approach of the concept of solidarity economy has developed in France and in some countries in Latin America at the end of the XX century, still linked to the important organizations which produce and distribute some goods known as social goods or social interest. Social goods are essential for a decent living and must be made available to the entire population, regardless of the purchasing power or revenue.

In the last period there are new social needs due to the social exclusion, they are: massive unemployment, living conditions of elderly people, immigrants, people with disabilities, reintegrate former convicted, female abuse, persons with chronic diseases, etc. The approach of the social enterprises has occurred in the last period and you can distinguished
two important approaches of social entrepreneurship: one Anglo-American and European continental one. The Anglo-American includes various currents which considers social enterprises as commercial enterprises, homologous to private nonprofit organizations that have a social purpose.

The European continental approach considers these enterprises as the result of collective entrepreneurship from sphere of social economy.
Other theoretical approaches propose replacing market economies with other modes of organization of the production system:
(a). Alternative economy, with the origins in anti institutional movements from France of 1968;

(b). Popular economy occurred in Latin American countries in the 1980 year. This form excude any form of relationship employer-employee and consider that work is the main production factor.

2. MACROECONOMIC CONSEQUENCES OF SOCIAL ECONOMY IN THE COUNTRIES OF THE EUROPEAN UNION

Due to the diversity in which the social economy is understood, it is difficult to identify the components in each country. In this sense it was done a study in order to identify the different forms of specific social economy in each country. Results are given in table 1.

Table 1. Social economy Components

No Crt	Country	Coope-ratives	Mutual entre-prises	Associa-tions	Founda-tion	Othe rs
1	AUSTRIA	X	X	X	X	X1
2	BELGIUM	X	X	X	X	X2
3	BULGARIA	X	X	X	X	
4	CYPRUS	X	n.a.	n.a.	n.a.	
5	CROATIA	X	-	X	X	
6	CZECH REPUBLIC	X	-	-	-	X11
7	DENMARK	X	X	X	X	X3
8	ESTONIA	X	n.a.	X	X	
9	FINLAND	X	X	X	X	
10	FRANCE	X	X	X	X	X4
11	GERMANY	X	-	X	X	X5
12	GRECE	X	X	X	X	X6
13	HUNGARY	X	-	X	X	X12
14	IRELAND	X	X	-	-	X7
15	ITALY	X	X	X	X	X8
16	LATVIA	X	X	X	X	
17	LITUANIA	X	-	-	-	X13
18	LUXEMBURG	X	X	X	X	
19	MALTA	X	X	X	X	X14
20	NETHERLANDS	X	X	X	X	
21	POLAND	X	-	X	X	X15
22	PORTUGAL	X	X	X	X	X9
23	ROMANIA	X	X	X	X	X16
24	SLOVAKIA	X	X	X	X	X17
25	SLOVENIA	X	X	X	X	
26	SPAIN	X	X	X	X	X10
27	SWEDEN	X	X	X	X	
28	UNITED KINGDOM	X	X	X	X	
Admitted and candidate states						
29	ICELAND	X	X	X	X	

Source : Social economy in EU- Report 2012

The question in the questionnaire was: Which of the following institutional forms would belong to the social economy in your country, or a related concept that you consider as the most widely accepted
(Social economy in EU- Report 2012)
Other forms of social economy:
X1 social enterprises;
X2 enterprises with social purpose(SOCIETES á finalité social security);
X3 social enterprises;
X4 committees by the enterprise (32.450 - French-West African d'entreprise), social voluntary protection;
X5 services and agencies of voluntary,social companies for disadvantaged people, alternative enterprises of feminist movements and for environmental protection, self-help organizations, socio cultural centers, enterprises for integration in employment, local exchange systems, Community enterprises.
X6 popular enterprises;
X7credit unions;
X8 voluntary organizations, associations of promoting social and family associations, Community foundations, Non-governmental organizations (IPAB: Istituziono di Pubblica Assistenza e Beneficenza - institutions of public assistance and charitable);
X9 Misericórdias (associations charitable);
X10 workmen's companies, firms for inclusion, special centers of employment, special groups, enterprisesof the processing of agricultural products;
X11 associations of common benefits;
X12 nonprofit enterprises;
X13 credit co-operatives and social enterprises;
X14 BandClub;
X15 socioeconomic integration centers;
X16 approved establishments protected;
X17 protected workshops, social services.

Social economy in Europe has established many organizations to act as representatives. Through them, this took part in processes of elaboration and implementation the national policies and the policies of U. E.
In different European countries, associations in the social economy have given rise to platforms that represents credit cooperatives, and agricultural cooperatives, mutual insurance companies, enterprises and associations of complementary insurance and other non-governmental organizations of social action.

Social economy played a historical role in different policies of U.E., from the year in which they signed the Treaty of Rome, when it was founded EUROCOOP, organization which represents consumer cooperatives in Europe and in the process of developing the common agricultural policy.

European Standing Conference of Cooperatives, Mutual enterprises, Associations and Foundations, is the body most informed from European social economy sector in relation to European institutions.

2.1 The situation of the social economy of the Member States of U. E.

Social economy in Europe is very important both from an economic point of view as well as human, providing jobs for more than 14.5 million people or approximately 6.5 % of the world's working population in the U. E. - 28. What emphasizes the fact that social economy is a reality that cannot be ignored by the company and its institutions. The social economy has grown faster than population as a whole in the periods between 2002-2003 and 2009-2010, from 6% of the labor force paid employment in Europe of 6.5 percent and 11 million jobs to 14.5 million jobs (Social economy in EU- Report 2012).

Table 2. The work paid employment in the social economy in compative with any remuneration in total activity in the European Union, for the period 2009-2010, expressed in thousands:

No. crt.	Country	Employment in the social economy	Total employment in U. E.	%
1	AUSTRIA	233,53	4.096,30	5,70
2	BELGIUM	462,54	4.488,70	10,30
3	BULGARIA	121,30	3.052,80	3,97
4	CYPRUS	5,07	385,10	1,32
5	CZECH REPUBLIC	160,09	4.885,20	3,28
6	DENMARK	195,49	2.706,10	7,22
7	ESTONIA	37,85	570,90	6,63
8	FINLAND	187,20	2.447,50	7,56
9	FRANCE	2.318,54	25.692,30	9,02
10	GERMANY	2.458,58	38.737,80	6,35
11	GRECE	117,12	4.388,60	2,67
12	HUNGARY	178,21	3.781,20	4,71
13	IRELAND	98,74	1.847,80	5,34
14	ITALY	2.228,01	22.872,30	9,74
15	LATVIA	0,44	940,90	0,05
16	LITUANIA	8,97	1.343,70	0,67
17	LUXEMBURG	16,11	220,80	7,30
18	MALTA	1,68	164,20	1,02
19	NETHERLANDS	856,05	8.370,20	10,23
20	POLAND	592,8	15.960,50	3,71
21	PORTUGAL	251,1	4.978,20	5,04
22	ROMANIA	163,35	9.239,40	1,77
23	SLOVAKIA	44,91	2.317,50	1,94
24	SLOVENIA	7,09	966,00	0,73
25	SPAIN	1.243,15	18.456,50	6,74
26	SWEDEN	507,21	4.545,80	11,16
27	UNITED KINGDOM	1.633,00	28.941,50	5,64
	Admitted and candidate states			
28	ICELAND	0,22	165,80	0,13
29	CROATIA	9,08	1.541,20	0,59
30	**TOTAL UE -27**	**14.128,13**	**216.392,80**	**6,53**

** Active population between 16 and 65 years. Source: Eurostat 2010.*

From the table we saw an increase of paid employment in the social economy, in the period 2009-2010. The country with the greatest increase is Sweden, followed by Belgium and Netherlands. The conclusion would be that the social economy is relatively small in the new EU member states, compared with the oldest ''countries in EU. Legal framework governing social economy actors in the European Union.The institutional framework is a key factor in the size and visibility of the social economy. Legal provisions defining this framework establish three types of recognition of this sector:

1.explicit recognition by the public authorities of specific identity for these organizations, which requires a special treatment. In this sense, the objective of legal system is institutionalization

them with the status of private agents;

2. recognition capacity and freedom of organizations to work in any sector of social and

economic activity;
3. recognition of their negotiation role in the process of elaboration and implementation of public policies, according to which they are perceived as factors of co decision and co execution of policies. (Social economy in U. E. , Report 2012)

Another macroeconomic consequence concerns public policies that have been implemented by the Member States of U. E. , such as: active policies of employment, with the involvement of cooperatives of workers and firms to integrate, policies concerning social services, where associations, foundations and other non-profit organizations have played a role, policies on agriculture and rural development with the involvement of the, agricultural cooperatives. Specifically, the field of application and the importance of policies implemented include social and political recognition of social economy as an institutional phenomenon, visibility and image of the sector perceived by the society and the decision-factors in relation to the role they play in the multinational development of the nations, the economic weight and history of this phenomenon, its ability to be a credible representative in the various processes of developing and implementing public policies.

One of these factors relate to conceptual model of the society and constitute the basis for social and economic integration of the various forms that coexist in a country. Thus there are three predominant models of society in which the role of the social economy is different:

In the first model "traditional social democracy", social economy is considered to be a legacy of the past and takes up a residual role. Social problems involve only investment from the state;

In second model "the neoliberal model ", social economy is excluded in determining the key challenges and contribute to economic and social duality in two sectors: in commercial activities and informal economy (CHAVES R. ,2005);

In the third model "social and economic democracy model' or plural economy, social needs are approached simultaneously by the state and society, the state is still the main regulatory and redistribution body. the social economy is involved in both commercial activities, as well as non-commercial services. According to this model, encouraging the involvement of social economy requires appropriate mechanisms to assess the potential and its limitations in the generation of social added value, on the one hand and important socio- economic and institutional changes, on the other hand.

In recent years, some European countries have paid increasing attention in lawmaking the social economy, the most recent examples are: Romania, Poland and France where were discussed regulations projects on social economy.

2.2.Social economy in a Europe in full crisis

The crisis that Europe feels in the last years rooted in very deep political, social and economic processes, such as effects of globalization on national models of capitalism and on the pattern of welfare state, on the governance of Europe and on intellectual paradigms of the models of society.

These items constitute the documents detailing and gives it at the same time a feature CDRW_COMMAND, linked to the greatest extent of financial problems and economic crisis and public financing, and gives it a more structural nature. From any perspective, social economy plays an important role to play (social economy in U. E. , Report 2012).

Distinguishing between an analysis of structural economic crisis and an explanation more recent, it can be demonstrated that social economy can be part of a structural solution out of the crisis for two reasons:

1. due to its special rules (for non-profit purpose, allocation of surpluses, dual nature), may not be bought, because there is no market for its activities, is more resistant due to its

financial reserves that can not be distributed to shareholders, seeks long-term strategies;
2. due to the importance of its social commitments, the result of a form of governance that works on representative democracy, allows a certain consensus in matters of crisis (social economy is more flexible in regard to the program of work and wages and salaries, Has a wage structure less hierarchical and provide a certain stability in the number of jobs).

Social economy, as an agent for a structural solution for getting out of the crisis, it is based on a new relationship between individuals and society, between autonomy and independence and between individual and collective responsibility -- that was the feature of a high level of knowledge and innovation, often referred to as the "fourth sector".

It is a knowledge-based economy, due to the emphasis put on lifelong learning, it is an economy of functionality, a predecessor of recycling and re-use of goods, invests in the conservation of energy, in renewable sources of energy, in green construction and rehabilitation.

In the current context of rationalisation of the credits and the growth of financial exclusion, social economy has proved able to meet social requirements. The microcredits banks developed by economist Muhammad Yunus from Bangladesh- a winner of the Nobel Prize for Peace in 2006- are a classic example that provides women an opportunity to express themselves, buying power and negotiating capacity in countries where their financial and scocial position is currently marginal.

Social economy has the regulatory role of the capital market, it is a primary source of public funding and subsidies for persons without possibilities and controls financial flows generated from activities and social economy organizations (funds of wages and pensions, Ethical and social banks, credit cooperatives, other funds coming from cooperatives and mutual enterprises).

Social added value of social economy can be seen clearly in regulating the imbalances in the labor market, thus contributing to the creation of new jobs, exploring new occupations and establishing new routes of employment in the labor market, especially for disadvantaged groups and for social excluse persons .(Danièle Demoustier, CIRIEC, 2000).

A result of the cooperation between the state and social economy, in view of the way in which it allocates and distributes resources, the latter can provide a guarantee that public funds allocated for various policies, in particular for those social, will not be diverted and appropriated by political interests (Vienney, C. 1994).

I think that one of the most important roles of social economy in Europe, is to contribute to social inclusion, in the context in which excluzion is on the rise. Social integration provides people both economic independence, as well as dignity in society and acces to services and facilities. Usually are excluded social groups of the population which are less competitive, for reasons of skills, qualifications or culture, such as: people with physical and mental disabilities, unemployed persons, ethnic minorities and immigrants.

Accordingly, through the social economy the company is consolidating its democratic culture, stimulates the level of social participation and manages to offer the posibility of expression and negotiating ability of social groups which have previously been excluded from the economic process (RedESMED, 2004).

The Committee of Ministers in the Council of Europe in 2000 and revised in 2004, defines social cohesion as the ability of society to ensure the well being of all its members, minimizing disappearances and avoiding polarization. Are distinguished here four dimensions of well-being: fairness regarding access, dignity and recognition, freedom and personal development, participation and involvement. Social economy contribute to turning social cohesion in a competitive factor.

2. SOCIAL ECONOMY IN THE EUROPE 2020 STRATEGY

Through different programs (EQUAL, ESF, etc.), which have positive effects as regards federations, networks, research, culture and policies, social economy contribute to the building of Europe and the European project.

The "Europe 2020" strategy lays down three priorities: smart growth (development of a knowledge-based economy and innovation), sustainable growth (promoting a more efficient, Eco-friendly and competitive economy), inclusive growth (development of economy with a high rate of labor force, which entails economic, social and territorial cohesion).

As indicators of these priorities, they have been laid down five objectives: increasing the employment rate from 69% to 75 %, invest 3% of the GDP in research and development, reducing the greenhouse effect, development of renewable energy and energy efficiency, reduction of the rate of school abandonment and reduce by 25% the number of people living in poverty (social economy in U. E. , Report 2012).

With regard to sustainable growth, enterprises from the social economy have systems of values which are reflected in solidarity with the environment, internalisation of costs and generating positive externalities.

In the fight against poverty and social exclusion, social growth of enterprises has been significant both in northern and Southern Europe, and in the Member States of the European Union from Central and Eastern Europe. All enterprises in the social economy, whatever their field of activity, contribute positively to increasing inclusion favorable.

4. CONCLUSIONS

Social economy - an emergent sector in a plural society

The most important and recent consequence of social economy is strengthening the role that the european society has as a "pole of social utility" between a capitalist and public sector, consist of the following actors: associations, foundations, cooperatives, mutual associations and other similar forms.

Associative activities of the citizens registered a considerable increase by promoting entrepreneurial ideas oriented to production of social goods or social interest.

Social economy affirmed the ability to contribute effectively to solve new social problems and consolidated its position in some traditional sectors such as: agriculture, banking, retail, industry, services and insurance mutual associations.

Social economy and public policies

In the last few years it has been noticed a conceptual identification process of social economy, a process which has involved both its actors as well as political and scientific bodies.Also, ts recognition as a specific interlocutor in the social dialogue is a big challenge.

Social economy has become an important institution of the civil society, through its contribution to the development of participatory democracy .

Member States of the European Union must make concrete commitments to make social economy as an effective tool for achieving public policy objectives, as well as an objective in itself, essential in the development of associated values of the european social model.

Education systems in U. E. plays a crucial role in promoting entrepreneurial culture and democratization of the economy, through training projects to stimulate entrepreneurial initiatives based on the characteristic values of social economy.

New social economy, together with its specific actors, is now taking shape in the U. E. as a "pole of social utility" within a system of plural economy, together with a public sector and a private sector for profit.

As a macroeconomic consequence, in general, we can say that social economy has an important role in European economy by combining profitability with solidarity, creating jobs, strengthens social, regional and economic cohesion, generating social capital, promote active citizenship, solidarity and a type of economy which gives priority to people and supports sustainable development and social, technolgical and environmental innovation. It may be treated as important both from the symbolical point of view, as well as from performance perspective for consolidating industrial and economic democracy.

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SOCIAL ECONOMY IN ROMANIA – EUROPEAN PERSPECTIVE

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Abstract: In the European Union the social economy named solidarity economy or the third sector it is recognized in the member states and at the European institution level. And so, the social economy represents 10% from the whole European enterprises that mean two millions enterprises and 6% of the whole working places, with a high potential to generate stable work places. In the European Parliament Resolution from 19th of February 2009 regarding the social economy it is said that the models of the social economy has to be capitalized to fulfill the common objectives of the UE polices that regards the economic growth, setting for a job, the formations and the services for the persons (source: A public policy favorable to the development of social economy in Romania , September 9, 2011).

Keywords: Romania; social assistance; social economy; non-profit sector; cooperatives.
JEL Code: A13

In Romania, the principal factors that define the social economy can be found in some organized forms as cooperatives, associations, foundations and mutual benefits societies, which composed the principal institutional components of the social economy, being known under the name of social economy enterprises.

1. Non-Governamental sector in Romania. General aspects

Social economy in Romania it is still at the beginning, its evolution from the last 20 years being determined by the Communist period.

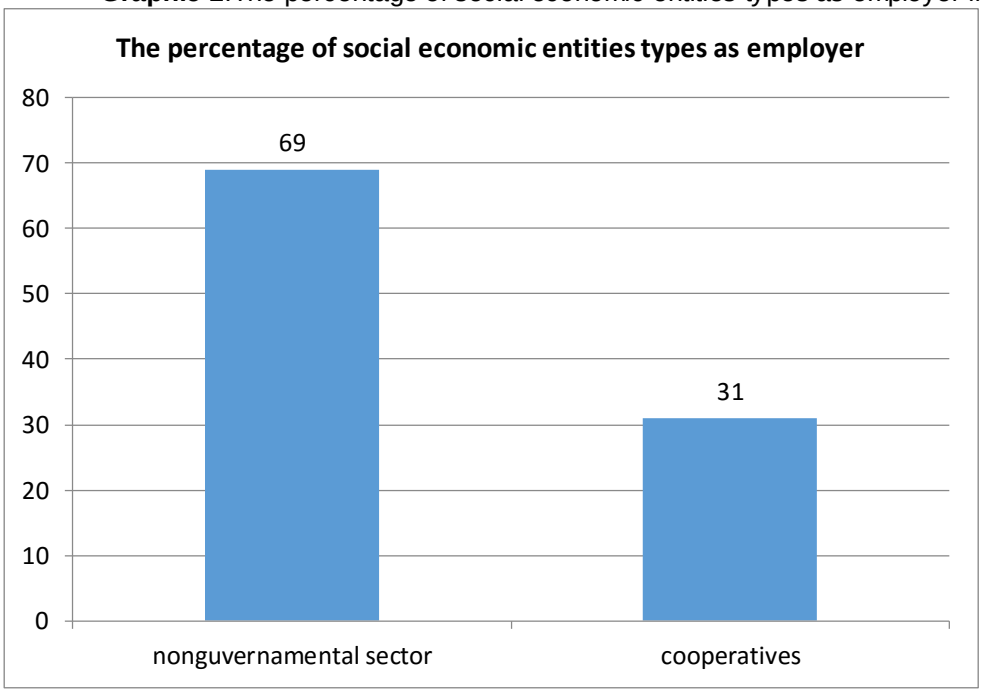
Form the numbers, in the year 2009, the social economy in Romania was giving 159.847 working places, it is contribution as a employer is rising getting to 3,3% from the total of employers.

The principal actors in Romania are the associations and foundations that reach in 2009 a percentage 95% of the total active organizations. The cooperatives reach a percentage of only 3% of number of organizations, their percentage in jobs places in social economy is 31%.

The number of social economic organizations it is raising every year throw the registration to a big number of associations and foundations. We can see that the non-governmental sector it is a true foster-mother of social innovation in our country. Instead, the cooperatives are falling, their number has drastically diminished in the last period, their number getting under 30.000 members-cooperative owners.

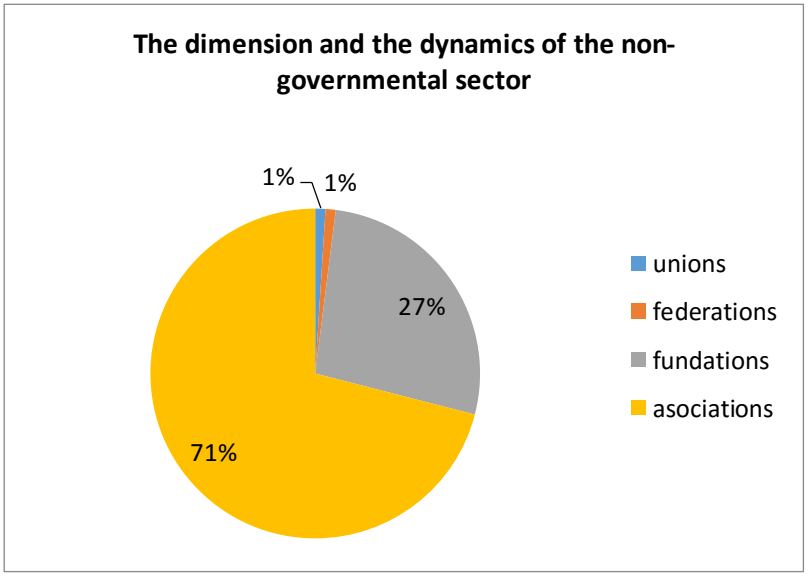
The non-governmental sector in Romania it is an important employer, next to the big volume of work in voluntary system, which is hard to evaluate for the moment. The number of working places in this sector it is small, in comparison to the occupation capacity of the sector in other countries. From all ONG actives, 68% work in voluntary system.

Graphic 1.The percentage of social economic entities types as employer in 2009.



Source: INS Social Economic Atlas.

Graphic 2. The dimension and the dynamics of the non-governmental sector in numbers.



Sursa:Ministerul Justiţiei.
http://www.just.ro/MeniuStanga/PersonelInformation/tabid/91Default.asp (21.01.2010)

Figure 1: The structure of the counties regarding the number of consumption cooperatives existed in 2009.



2. Organization forms of social economy in Romania

In Romania there are the next categorize of legal entities specific to social economy:

1) Nonprofit organizations that have economic activity, regardless the activity domain:
   - In the organization
   - Trough commercial societies
2) Nonprofit organizations organized as CAR form:
   - Every retired persons
   - Of employees
3) Credit cooperatives;
4) Cooperative societies of stage 1, regulated through the law 1/2005:
   - Crafting cooperative societies;
   - Consumption cooperative societies;
   - Capitalization cooperative societies;
   - Agricultural cooperative societies, that benefit of special legislation through the law 566/2004 of agricultural cooperatives with later modifications and additions;
   - Dwelling cooperative societies;
   - Fishing cooperative societies;
   - Transport cooperative societies;
   - Forester cooperative societies;
   - Other forms of cooperative societies.

   Source: research report regarding social economy in Romania, 2009.

3. Financial sources of social economy organizations

Financial instruments for financing economy in Romania can be group as: structural funds, mutual funds, social investment funds, micro credits, public guaranty and private guaranty

Financing sources comes from: market economy, non commercial activities, voluntary actions, state budgets and social security budgets, special funds and sources (like FSE, BM financing, PNUD, POS-DRU, PHARE etc.), 2% from the earnings from work through redirection of funds to nonprofit organizations.

Table 1. Sources and financing forms of social economy organizations

No.	Types of enterprises involved in social economy activities	Financing sources. Instruments. Policies
1.	Voluntary organizations that offers services for vulnerable or at risk social groups.	- The unit near to which is functioning (religious units, associates or economic agents) from the own earnings; - Attracted external funds (financing programs); - Other funds or donations.
2.	Mutual benefits groups	- The counter value of voluntary activities; - The management of the local sources (support in the implementing of social activities financed by the local community); - Donations of the group members or economic agents or organizations, etc.
3.	Cooperative societies	- Commercial entities – their profit is used for social objectives; - The attraction of the external sources through projects; - Donations of members or external independent donors.
4.	Mutual aid societies and mutual organizations	- Own funds from the participation of the members regarding the participative schedule named through democratic vote from all the members.
5.	Foundations and associations	- Financing through direct attraction of funds and fundraisings; - Donations transfers and partnerships.
6.	Associations and foundations that have economic activity through commercial entities and use the earnings and the profit in social or public benefit	- Profit financing.
7.	Individual or family enterprises	- Participation percents of the members of the Constitution of affection patrimony; - Earnings from the economic activities for sustaining social activities; - Activities that promote social inclusion (conciliation trainings, requalification and perfection programs);

No.	Types of enterprises involved in social economy activities	Financing sources. Instruments. Policies
		- Promotes economic activities for persons in need (produce and commercialize products or services).

Source: Research report regarding social economy in Romania 2010.

Solitary financing is based on the idea that financial traditions sector is not fulfilling entirely it's purpose to finance the economy, because the banks are not replaying their financing needs for some types of activities that have a high failure risc. So, some of the entrepreneurs are taken off from the financial-banking system from various reasons: they don't have enough guaranties, don't have specific competences and need special consulting services.

Solidarity financing is characterized trough:

- Preoccupation to fix the inadequacies of the traditional financial system, supporting categories of persons or types of activities that are excluded;
- The possibility to accept smaller remunerations and accepting a higher risk, which leads to the identification of complementary financing forms to ensure the financial balance of this solitary structures;
- The final objective is the preoccupation to support the access of the solitary financing beneficiary to traditional financial services (Research report regarding social economy in Romania 2010).

The active protection trough occupying in the flexible shapes and adequate activities, based on innovative financing forms that compose today a viable option that ensures social assistance, trough promoting the development of social economy forms. In fact, the changing of the paradigm of social protection responsibility in the late XXth century was determined especially from the financial factor that becomes a development restriction of social assistance based on "traditional models" and one stimulant for the promotion of active social inclusion in it's modern forms: promoting support activities, prevention, creation of opportunities, valorizing of positive externalizations(Jana Hainsworth, Reinforcement of the Open Method of Coordination, as well as for the adequate funding of programs and initiatives which focus on poverty and social exclusion).

4. Proposals for the development of social economy in Romania

Romania has access, for a while, to four big European funds: Cohesion Fund, Agricultural and Rural Development Fund, Regional Development European Fund and Social European Fund.

For a successful implementation of this funds the strategies adopted by Romania and verified by European Commission, it is important the approach for the idea of long lasting development, functionary discipline in the point of view of the state, civil society and every factor that can contribute to the development of Romania on long term(the fond absorption situation that was under 10% from the total UE money, in 31.07.2012)

Under the pressure of European Commission, the Romanian Government made a series of plans to increase the absorption of European funds. From the measures we can mention the forming of work committees between ministries, the appearance of state councilor jobs for the prime minister on this theme and the creation of the External Business Ministery (White Cart of ONG sector from Romania).

As proposals I would recall:

1. The development of the associative sector trough the rising of registration and developing barriers for the existent economical activities with the help of adequate fiscal and financial measures;

2. The developing of cooperatives in the critical domains, such as: agriculture, forest and rural development;
3. Recognition of the social and economic potential of social economy entities and inclusion of small and medium enterprises in all the programs destined to support them;
4. Review of the occupying policies to get from assisting to active inclusion trough efficient integration of social economy mechanisms in this policies (insertion social enterprises, disadvantaged groups cooperatives, multi-stakeholder, etc.) ;
5. Favorable legal field for the developing of social economy in Romania, wich at this time is almost inexistent.

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QUANTITATIVE BENCHMARKS ON TRADITIONAL FOOD PRODUCTS MARKET IN ROMANIA

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Abstract:*The demand for traditional products is becoming a growing tendency worldwide, especially in the well-developed countries. Due to globalization, development, industrialization and technology used in the agro-food sector, there has been a desire to return to the natural and organic, to the cultural values and lost traditions, to the forgotten taste of healthy homemade food. Although it is a developing country, Romania has lost most of its cultural and culinary traditions in the detriment of consumerism. Even so, the niche of traditional foodstuffs is making its way between the myriad of processed products and supermarket offers that are trying to attract the consumers' attention. These consumers are either conservative, who miss the bygone days, or futuristic ones, who accept and promote the trend of healthy, bio, traditional, and homemade food. The Romanian institutions, as all the national institutions of EU member states, are obligated to abide by and adapt the current national legislation to the EU regulations, concerning the recognition and registration of foodstuffs as traditional food products. The food industry producers turn their attention on traditional foodstuffs as they can see it as a means to earn profit. This paper is intent on investigating the supply of traditional Romanian foodstuffs by analyzing not only the geographical distribution, but also the product classes. Moreover, it observes the changes in supply in the past ten years owing to the first national regulation. This time interval begins with the recognition and registration of traditional foodstuffs in 2005 up to present. In addition, the paper puts forward a ranking of the top counties with the most diverse traditional foodstuffs registered in Romania. The ranking will show different time intervals. The results of this research consist of some quantitative benchmarks that are needed in order to understand the traditional foodstuff market in Romania. Last but not least, our analysis takes into account some correlations between the supply of traditional products and Romania's geographical distribution. These correlations could be deemed useful when elaborating strategies for supporting and promoting certain development regions which show great potential in producing and supplying traditional products. The conclusions of our research can spark the interest: of the producers of traditional products, who can take notice of the evolution of supply and market competition in the past ten years, of the consumers who wish to familiarise themselves with the traditional products, and of the researchers when it comes to elaborating decision-making strategies based on the aforementioned data.*

Keywords: traditional food products; market; Romania; quantitative results; registration

JEL classification: M31; Q13;

1. Introductive Aspects Regarding Scientific Approaches to Traditional Foodstuffs

Discussing and debating the notion of traditional foodstuff has to be done in a larger context, namely that of agricultural food products market. This market represents the place where demand and supply meet. The demand for agricultural products stands for the quantity of such products that the buyers are willing to buy at a certain time from the market. From an economic approach, supply stands for all the products put at the buyers' disposal; supply comes to meet their demand, and it entails a study of the production costs

and profit (Turek Rahoveanu, 2009).
Based on a study led by Modernbuyer in 2010 (Frăsineanu, 2010) regarding the market of traditional Romanian products, we raise the following question: what is the supply of traditional products? We asked ourselves this question since the beginning of our study on the premise that there already is a clearly defined demand for these products.
The approach for traditional products is not an easy one, due to the fact that it pertains to a plethora of fields. According to the literature review, traditional products are seen from different perspectives (Barham&Sylvander, 2011): social and cultural (Bowen & Mutersbaugh, 2014), economic, commercial, and legal (Broude, 2005), even from the technical standpoint – which insists on the manufacture and preservation – and from the standpoints regarding innovation, food safety, and the improvement of its nutritional qualities (Espejel, Fandos et. Flavian, 2007; Brito et al., 2010; Guerrero et al., 2009). This paper will focus on the commercial standpoint as offer on the Romanian market.
A brief review of the definitions of traditional products will facilitate our understanding of our study. Therefore, Jordana (Jordana, 2000) stated that: "In order to be traditional, a product must be linked to a territory and it must also be part of a set of traditions, which will necessarily ensure its continuity over time". UNIDO (UNIDO, 2010) defines them as "products obtained through olden methods that are deeply rooted in a region and have peculiar properties." Guerrero et at. (Guerrero et al., 2009) defines them from the point of view of the buyer, namely: "a product frequently consumed or associated with specific celebrations and/or seasons, normally transmitted from one generation to another, made according to the gastronomic heritage, and (…) associated with a certain local area, region or country". From the same perspective, Kuznesof et al. (Kuznesof et al., 1997) demonstrated that "the product authenticity is one of the most important aspects of regional and traditional foods".
In the EU, traditional products are considered an important part of culture, national identity and heritage (Guerrero et al., 2009). Thus, they received support (Pieniak et al., 2009), being protected by law in the sense that they are officially registered in the DOORDATABASE based on the CE 509/2006 Regulation. It states that "traditional specialty guaranteed" refers to all agro-foodstuffs whose specificity has been acknowledged in the community and registered according to the regulation (CE 509/2006).
Due to the fact that our analysis comprises only traditional products in Romania, we will insist on the national legislation and regulation according to order 724/2013, which implies that in order for the product to appear in the NRTF, "the product has to be made of local raw materials, have a traditional recipe peculiar to the area of processing in which it reflects a traditional approach to manufacturing, and to prove that the processing operations are done manually and traditionally" (Order 724/2013).

2. Research Design

In order to achieve the aforementioned main objective of our study, we have made up a list of secondary objectives:

- To analyze the offer of traditional products (in term of quantity) over the last ten years since the introduction of the national legislation which corroborates the European one;
- To observe the product classes with the most registered products;
- To make a top of the counties with the most registered traditional products;
- To make a comparative analysis of the number of registered traditional products in terms of their county and product class in 2013 and 2014;
- To identify the areas which show potential in order to produce and promote traditional products;
- To make up a frame for strategies of regional and national development regarding the support and promotion of traditional products.

The aforementioned objectives are a continuation of a research carried out by Turek Rahoveanu (Turek Rahoveanu, 2009) and of the colleagues Petrache (Petrache, 2013) and Gheorghe (Gheorghe, Nistoreanu& Filip, 2013).
In order to achieve the set objectives, a quantitative research has been carried out by using secondary sources (Popa, 2013), especially by using data found on the database of MARD (http://goo.gl/Nnii0J) from 2005-2015 and by using information regarding the geographic distribution of such products in terms of counties and the map of developmental areas of Romania. The timeframe is 2013-2014. Graphic representations will enable us to make correlations with other products and services in Romania, as well as with some strategies to support and develop the local and regional areas.

3. Romanian Traditional Food Products

3.1. Context and Environment of Romanian Traditional Food consume

Food products are edible products meant to help with the metabolic processes (Borda, 2011). It is an essential link between humankind and the environment. It is a fundamental condition of man's existence; food products can either help the human metabolism or upset it due to poor hygiene and blandness. Nutrition is the most important factor for the environment, because it influences the development of the body, it maintains health and also man's work ability (Vizireanu, 2006).
Nowadays the consumers have a wrong understanding of food products when it comes to *quality* (Linnemann et al., 2006). If years ago the products would simply sell out, today – due to high offer, wide range of products, and long expiration date – consumers have unlimited access to the product they want, anytime they want it. Hyper-technology has made this phenomenon possible, due to the fact that now it is possible to preserve, dehydrate, conserve, pack foodstuff, and even alter nutritional values. A rise in demography led to an increase in food demand (Cotillon et al., 2013), which eventually needed technological processes to alter the initial qualities of the food products.
It can be said that intrinsic characteristics of food products (taste, aroma, texture) were decisive for decision-making (Linnemann et al., 2006). But now the buyers are more and more educated and concerned with social problems and lifestyle, thus insisting on the extrinsic characteristics of the food products they buy.
Although some researchers state that consumers' perspective on traditional food products lacks analysis (Guerrero et al., 2009; Lang, 2014), Sijtsema and his collaborators (Sijtsema et al., 2002) propose a model – food perception by consumers - made of four pillars (Individual, Food, Context and Environment) and highlighted that the two aforementioned pillars – Context and Environment – are of utmost importance. On a micro-level, the consumption of traditional products tends to rise in certain periods of time (holidays, anniversaries, family reunions) and tends to be highly influenced by the traditions and customs of the household. On a macro-level, the prime resources we have as a country influence the consumption and production of food. Owing to these factors, there are traditions and customs, culinary recipes peculiar to certain areas.
Owing to geographic disposition, climate, and the inhabitants' occupations, we can talk about a specific traditional cuisine. Therefore, our country prides itself on having a temperate-continental climate, diverse landforms, rivers, the Black Sea, the Danube Delta, the Danube, thus having a rich and diverse gastronomy (Vizireanu, 2006). On fields people plant crops of grains and corn. From corn flour people make traditional *polenta* which can be eaten with cottage cheese, eggs, butter, sour cream, and milk or with stuffed cabbage rolls, which constitute another Romanian traditional dish. Although we proposed to approach the Romanian traditional products, we realized we have had encountered difficulties in analyzing the Romanian cuisine as a whole. The differences are in terms of used technology, association between raw materials and finite products, food structure,

which lead to regional peculiarities (Vizireanu, 2006). Every region has a peculiarity of its own which remained whole and enriched in terms of quality and wide range. Therefore, due to the peculiarity of the area, we can discern between the following cuisines: cuisine from Moldavia, Dobrudja, Lesser Wallachia, Greater Wallachia, Transylvania and Banat (http://goo.gl/JmcsuT).
Romanian cuisine continues to be rich spiritually through elements of complex traditions of food, and of table culture. The influences of neighbouring countries (Serbia, Hungary, Bulgaria) or others as Germany, Austria, Russia and Turkey despite the distance, and also many other elements on culinary aspects that gave the local peculiarities creating an unity, that is highlighted in anthropological studies about food culture in Romania (Tomescu & Botezat, 2014).
Thus, the traditional products and consecrated traditional recipes are respected and spread throughout Romania. Therefore, it is understandable why between 2005-June 20013 there have been 4402 such registered products (MARD, 2014).

3.2. National Legislation Regarding the Registration of Traditional Foodstuff

Romanian Traditional Foodstuff have been recognised and registered between the years 2005- 2013 according to the Order 690/ 2004, taking in consideration the European legislation, for preparing the Romania's accession to European Union. During the year 2013, the Ministry of Agriculture and Rural Development (MARD) issued a new Order, no. 724/ 2013 (MARD, 2013), which states that a traditional foodstuff is obtained on a national territory, for which the producer uses only local raw food, which have no additives, and respects a traditional recipes and / or a traditional way of production, and distinguishes itself from all the others products from the same category.

3.3. Consecrated Romanian Recipes

Along with traditional products, MARD decided to register such products made after consecrated Romanian recipes. Therefore, Order 394/2014 defines the term as "food products produced by respecting the composition 30 years prior to the present-day order" (MARD, Order 394/2014). The attested recipes will be comprised in a National Register of Consecrated Recipes (RNRC) which will be published online at MARD and updated monthly, starting year 2015.
According to RNRC 2014 (MARD, 2014), 14 products have been attested in 2014 by three producer companies. Of the 14 products, 6 were bread products (for example, Bucharest loaf) and 8 meat products (for example, Torpedo Salami).
Once attested, the producers have the difficult task of promoting and selling their products in an oversaturated market of industrialized agro-foodstuffs (Turek Rahoveanu, 2009). The producers have to use marketing strategies and effective ways of reaching consumers. Labelling and tagging these products as traditional products or consecrated recipes will be an added bonus, which will help them stand out.

4. Findings (tables, graphics, comparative analyses, evolution)

4.1. The Situation of Traditional Products Registered Between 2005 - 2013

According to Order 690/2004 between 2005-2013, the following are the counties which had a high number of registered products labelled as “traditional product”. In our analysis, we wanted to categorize in groups and class products for the registered traditional products from the leading counties.

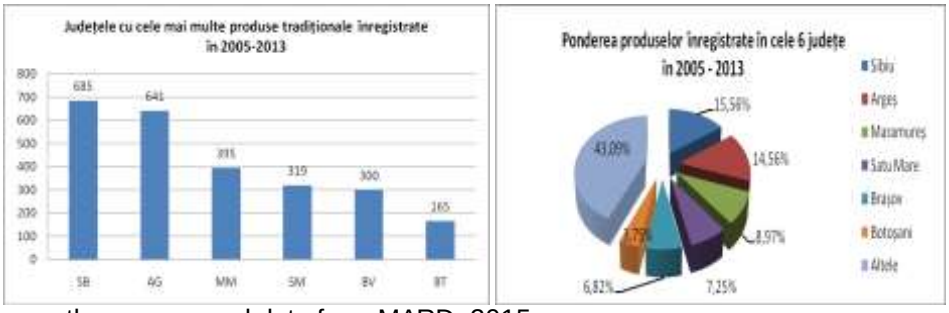
Table 1. The Situation of Registered Traditional Products between 2005-2013

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
No. of products	280	695	774	325	450	279	1050	438	111	4402

Source: MARD, 2013

By structuring the data, we could identify the first and most productive counties in terms of registered traditional products. Considering all the registered traditional products, we observed that the first three counties were Sibiu (685 products), Argeș (641 products), and Maramureș (395 products). We observed that the total of the registered traditional products from the six counties (Sibiu, Argeș, Maramureș, Satu Mare, Brașov, and Botoșani) – 56,9% make up more than half of the total in that period (see Graph 1).

Graph 1. Top Counties with the Most Registered Traditional Products and Their Average on a National Level between 2005 and 2013



Source: author, processed data from MARD, 2015

If we focus on class products, we can see that Sibiu County comes first when it comes to meat, dairy, bread and pastry. Likewise, a significant number of registered products is found in Brașov, Argeș, and Maramureș. This raises a question since Sibiu is well-known for its dairy products, not meat products, although most of Sibiu’s products pertain to the meat class (Graph 2).

Graph 2. Distribution in Terms of Class Products of the Registered Traditional Products between 2005 and 2013



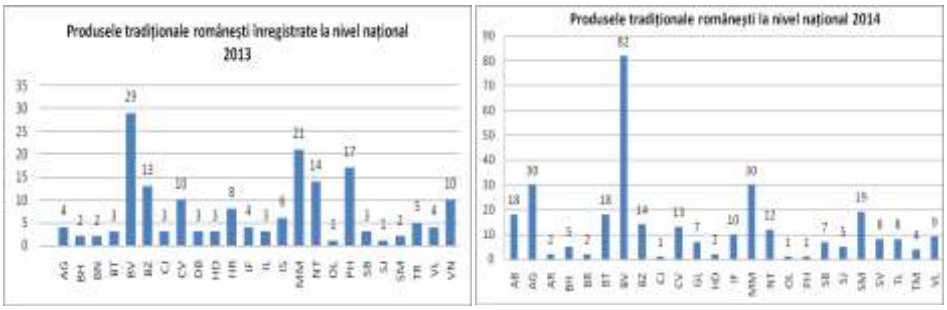
Source: author, processed data from MARD, 2015

Until 2013, there have been 4402 registered traditional products according to Order 690/2004. Of these, there have been 1541 meat products, 1535 dairy products, 750 bread and pastry products, 285 registered drinks, 193 (processed) fruit and vegetables, 11 fish products (MARD, 2013).

4.2. Comparative Analyses Regarding Registered Traditional Products for the years 2013 and 2014

As stated in Graph 3, in 2013 there have been 171 traditional products registered. In 2013, Brașov applied for the registration of traditional products (29), followed by Maramureș (21), Prahova (17), and Buzău (13). Counties like Sibiu, Argeș, Satu Mare, and Botoșani, that had a significant number of registered products in the past, were no longer in the lead. In 2014, after the new legislation, there has been a slight increase in traditional products on a national level, reaching 308 (a raise of 80% since 2013), although 191 case folders were rejected due to the new tough regulations.

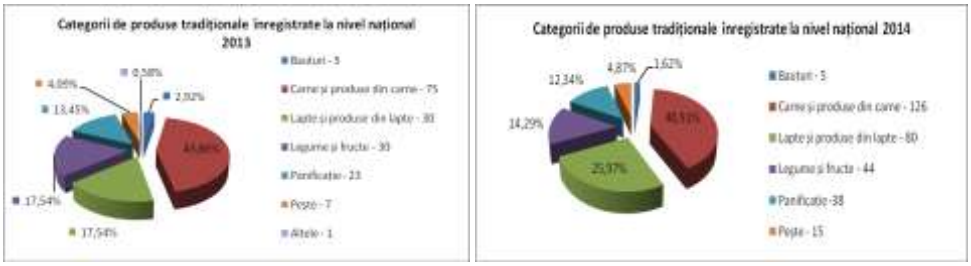
Graph 3. Number of Registered Traditional Products on a County Level in 2013 and 2014



Source: author, processed data from MARD, 2015

As for 2013, meat and dairy products are on the first ranks, but in this case, the difference between the two is big. Meat products are significantly numerous (75). Dairy products are on the same rank with fruit and vegetables (30 each). There is the same trend for fish products (7) – small number – but it is higher than that of beverages (5).
As for 2014, meat products are leading with 126 products, followed by dairy products (80), fruit and vegetables (44), bread and pastry (38), fish products (15), and beverages (5) (see Graph 4).

Graph 4 Distribution of Registered Traditional Products in Class Products in 2013 and 2014



Source: author, processed data from MARD, 2015

4.2. Evolution in Time (2005-2014) of Registered Traditional Products

Graph 5 presents the timeline of the registered traditional products between 2005 and 2014. We observed a strong ascending trend in the first three years (2005-2007), descending between 2008 and 2010, followed by its climax in 2011 with 1050 registered products. In 2012 there have been only 438 traditional products, and in 2013, as we mentioned before, has the lowest number of registered products, due to the fact that the legislation changed mid-year, even so in 2014 the trend increased to 308.

Graph 5 Evolution in Time (2005-2014) of Registered Traditional Products

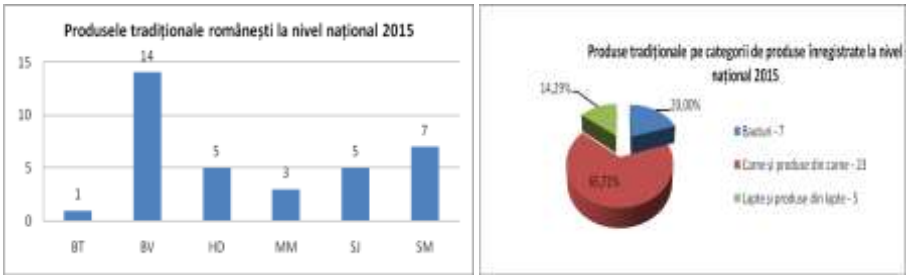


Source: author, processed data from MARD, 2015

4.3. The Situation of Registered Traditional Products in 2015. Tendencies and Perspectives

According to National Registred Traditional Foodstuff (NRTF) available online at MARD, the first two months of 2015 already had 35 products, the county with the highest number being Brașov (14), followed by Satu Mare (7), Sălaj (5) and Hunedoara (5). The rest of the products were registered in Maramureș (3) and Botoșani (1), as one can see in Graph 6. Just like in past years, meat products are registered the easiest (23). Beverage producers registered more products in the first two months (7) than those handling dairy products (5).

Graph 6 Top Counties with the Most Registered Traditional Products and Their Distribution in 2015



Source: author, processed data from MARD, 2015

During those ten years we observed that meat products were always leading the top; this tendency is maintained in 2015 as well, followed by dairy products. The least represented categories were fish, fruit and vegetables, and beverages. The most lucrative counties were in the Centre (Alba, Brașov, Sibiu, Covasna, Harghita, Mures), followed by the North-Western area (Maramureș, Satu Mare, Bihor, Salaj, Cluj Napca and Bistrita Nasaud). It is interesting to mention that although the Western area (Timișoara, Arad, Caraș-Severin) has a great cultural diversity, it places last in the rankings, all along this ten years period.

5. The Importance and Utility of the Obtained Results

Local resources, just like traditional food products, can have a significant impact when it comes to sustainability and promoting opportunities offered by the rural environment to the urban consumers (Brito et al., 2010). Sustaining these products at a local level has certain advantages, such as rural development, avoiding depopulation in the rural environment, protecting the culture and economy of certain areas, sustaining and developing rural tourism and gastronomy (Guerrero et al., 2010; Szakaly, et al. 2010; Tomescu et Botezat, 2014).

Utility of the study can be summed up for the following categories of stakeholders:

a) for producers, to understand the evolution and distribution of offer and competition; b) for consumers, to understand the national traditions and customs in certain areas, to understand traditional products of certain areas, and to know what to search for when purchasing such products; c) for researchers, to elaborate marketing strategies that are adapted to traditional products and areas; d) for State Institutions, to have an overview of the traditional products on a national level, to find how to develop and promote certain areas richer in traditional products, to elaborate and implement supporting strategies for local producers; e) for mass media, who is willing to educate and raise awareness on the area of distribution of traditional products on a local scale and on the impact they have on health; f) for the tourist services, to understand the possibility of associating such services of accommodation with providers of natural traditional products peculiar to certain areas; g) for future research – we propose a correlation between the information found in this paper with the information on corruption or on unemployment in Romania.

6. Conclusions and Proposals

To conclude, we observed that in Romania there are counties that not only abound in culture and tradition when it comes to producing food products and registering them as traditional, but also there some areas that are packed with traditional products.

Even so, although we have the legislation established in 2005, there is little literature review published on this matter. In the EU since 2000, there have been a couple of pan-European projects (with European and non-European members such as USA and China), but none referred to Romania.

Some shortcomings of our analysis:
The secondary data approach takes into consideration only the quantity (number) of the registered traditional products, without taking into consideration their economic worth on the Romanian market.
The comparative analysis between 2013 and 2014 may not be relevant, since 2013 is a year of change, due to the new legislation in July 2013. This change made the registration difficult for producers of traditional products. Therefore, an analysis between 2014 and 2015 is recommended.
In the future, we propose to identify the most relevant categories of registered traditional products on demand on the Romanian market and the correlation between demand and offer.

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CURRENT MARKETING STRATEGIES USED BY ROMANIAN MANAGEMENT CONSULTING COMPANIES

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Abstract: *The most important challenge for management consulting company is generated by the environment in which it operates, considering that the market for consulting services has diversified so much, is changing so fast and the competition is so high that it is not possible that all things remain the same. No matter how strong would be the sole competence for which the consulting firm can hold at one time, and which generates competitive advantage becomes legitimate the question: "For how long will be maintained this competitive advantage, what can be done to maintain and improve it as a long term?". Therefore, to provide viable and useful benefits to customers, consultancy firms are obliged to be constantly updated with new economic and social trends, to anticipate changes that may affect the business of customers and provide those consultancy services to ensure a high level of business performance in the context of a complex, competitive and highly dynamic environment. The strategic decisions on the level of a consulting firm are the ones that will have a significant impact on the shape and profile of this, both in terms of professional and business activity. It is essential that a strategic alternative chosen by the management of the consulting firm to be translated into operational and marketing decisions. Whether it is about new customers, new services or new approaches for improving the quality of services or changes concerning the company's image, are all strategic changes that require changes at the operational level and, very importantly, the level marketing activity. Considering these aspects, this paper aims to identify and highlight a number of strategic marketing direction to ensure not only the survival on the market of management consulting firms in Romania, but also the differentiation, attracting and customers retention. Creating strong market relationships with beneficiary undertakings, efficiency of client-consultant relationship, increasing the customer loyalty and implementing a process of interactive marketing are just some of the strategic marketing recommendations formulated in this paper.*

Keywords: strategy, marketing, management consulting, interactive marketing, service marketing.

JEL classification: M31.

1. Introduction

Management consultancy developed in the United States, more than 100 years ago. In the contemporary period, consultancy is present in almost all areas of business.
Organizations may find themselves at some point in the condition to require additional human resources, in order to cover the lack of skills or specialized knowledge or due to the inability to identify suitable personnel to cover the existing urgent short term projects, for the completion of which is not justified an increase in staff.
In both cases, an organization outside the firm can provide the necessary human

resources in a timely manner, providing what might be called, generically consulting services.
As an integral part of professional services for business, consultancy can be defined as a temporary relationship in order to provide assistance to a person, organization, group or community in which they serve a building capacity, accomplish a task or achieve a goal (Carol, 1998).
The Association of Management Consultants in USA, defines management consulting as a service provided for a fee by objective outsiders who help managers to improve their leadership activity and economic performance of the organization (McKenna, 1995).

2. Strategic approach of the consulting firms

Management consulting services constitutes one of the most dynamic and challenging areas of professional services intended for business. To provide reliable and useful benefits to customers, consultancy firms are obliged to be constantly updated with new economic and social trends, to anticipate changes that may affect the business of customers and those providing advisory services that ensures a high level of performance of the business, within a complex, competitive and highly dynamic environment.
The current knowledge based economy generates multiple challenges and also opportunities to management consulting firms. In this regard, the area of management consulting strongly felt the influence of factors such as: information and communication technology, globalization generated by the Internet, liberalization of markets, major geopolitical changes, educational progress, changes in the consumer behaviour, changes on the role of the public sector and government, and influence from other categories of factors.
Therefore, consulting firms are forced to "reinvent" themselves constantly, so that they can provide efficient customer service adapted to complex and challenging problems that they face.
In the past, most consultants do not follow a particular strategy, trying to respond to any opportunity or interest from a potential client. The current context, however, requires consulting firms either to provide unique services in the marketplace or to act on those market segments in which they have a competitive advantage. In other words, consulting firms are "obliged" to adopt a strategic approach to the market.
All consulting company strategic decisions will have a significant impact on the shape and profile, both in terms of professional and business activity. It is essential that an alternative strategy chosen by the management of the consulting firm to be translated into operational marketing decisions. Whether new customers, new services or new approaches for improving the quality of services or changes in the company's image are all strategic decisions that requires changes both at the operational and marketing level.
It should be noted that into consultancy, marketing is as old as the consultancy itself (Kubr, 2002). James McKinsey, one of the management consulting pioneer spent many hours dining with clients or others who have brought him benefits to the business that he conducts. Since then, the leaders in this field have made a considerable effort to achieve marketing activities for the services of their companies, seeking systematically opportunities to establish social relationships with potential clients, being referred by existing customers of achieve rapid surveys without charging a fee and actively participate in the management conferences.
All of these methods, combined with the firm's reputation, used to be attractive for customers of consulting firms, as long as such market of services was restricted and with a limited competition. Only in 1970 was admitted the advertising in the United States as a marketing technique for the professional consulting services specific to a competitive environment.

3. The marketing strategic approach of Romanian consulting companies

The Romanian market of management consulting services is, by its nature, a free market, companies entering in this market is generally accomplished without too many entry barriers. The development that consulting area has known in recent years has transformed this market into an increasingly competitive environment and the number of consulting firms continues to expand. Moreover, the intensity of competition is strengthened by the entry of major international consultancy market forces, opening offices and subsidiaries in Romania.

In this context, it is clear that local consulting firms must identify and implement the most effective means for the purpose of differentiation, attraction and retention of customers, generally represented by the SME category.

A series of arguments as being a member of The Romanian Association of Management Consulting Organization (AMCOR) or certification of this activity by this organization, the mere presentation of the portfolio of projects completed, membership in various international organizations and bodies or network of partners and partnerships are not always strong enough to ensure the success in marketing a consulting firm.

It requires that the consulting firm adopts a strategic approach to the market, using those policies and marketing strategies that ensures customer, market and profit focus. A first condition for achieving this is the awareness of management consulting organizations regarding the distinction between service marketing and product marketing, given the basic characteristics of services.

Specifically, services are intangible, without being seen or tested prior to purchase, are inextricably linked to individual provider, are perishable and cannot be stored and also completely dependent on who, when and where they are provided.

Given these issues, it is necessary that the attention of consulting firms to be focused on services utility offered to consumers and on the benefits that they will derive from their use. In the case of management consultancy services, it becomes a prerequisite condition for commercializing on the market, on the one hand due to organizational peculiarities of behaviour and consume, and, on the other hand, because of the image that management consulting has formed in time.

Returning to the peculiarities of marketing services, one can say that the promotional policy becomes particularly important, a key element in this regard being the strategy of recommendations to customers who have benefited from the service. At the same time, the negative messages that can be transmitted by some dissatisfied customers can have a devastating impact on the company.

Marketing orientation of management consulting organization also involves knowledge of the principles of an internal marketing, referring to the company's activity of training and motivation of its employees, in order to provide quality services as well as the proper organization of processes. Finally, we must consider the principles of interactive marketing, aimed at interaction between consultants and client, plus the physical premises of the provision of consulting services: equipment used, buildings, ambience of the place to provide consulting process etc.

Given the peculiarities of the current economic environment, the direct relationship between the management consulting service providers and their beneficiaries becomes extremely important and the way these relationships are being managed practically contributes to the success of marketing a consulting firm.

The interaction with client organizations requires their involvement in the consultation process for defining requirements and the problem that caused the need for such services, establish expected results, suggested solutions implementation and assuming the change process.

The creation of such relationship requires a high level of communication and cooperation of the management consulting firm in order to obtain a large amount of information from

current and prospective customers. This information aims, on the one hand, the level of customer satisfaction in the relationship with the consulting firm or the quality of services provided and, on the other hand, identifying the requirements and needs of potential customers, finding new ways of cooperation etc. The information shall be transmitted in both directions, thus communication become interactive.
Moreover, an important role regarding managing information exchange and client-consultant relationship, has the presence of trust feeling from the customer side in the person of provider. Generating the trust feeling in the client-consultant relationship has become a key element in building a long term commitment, for this being necessary to respect four fundamental principles (Green, 2006):
1. Customer focus - to act in the client's interest and not self-interest (the adoption of this principle implies that the company is willing to give up at a client in favour of a competitor if this is in the interest of the client).
2. Medium and long term actions that involves focusing on the relationship with the client rather than to the transaction itself.
3. The emphasis on collaboration with the client. A trusting relationship is formed when the client is involved in the consulting process, in a constant way, and the basic attitude is the one of cooperation and not the one of negotiation from competitive positions.
4. Promoting transparency in the relationship with the customer. In this regard, the most common way to compromise a client – consultant relationship happens when the consultant hides key information or is trying to control his client.
Improving client - consultant relationship and increasing the degree of customer loyalty, as major objectives of a marketing strategy for a management consulting firm, can be achieved by implementing an interactive marketing process, based on the model S.I.C.S.A. (Dumitrescu, 2007). This model provides five major steps to be followed in order to effectively manage a client - consultant relationship:
S: seducing the customer
I: influencing the customer
C: determining to purchase service
S: serving the customer
A: anchoring the client or loyalty
This model is recommended for any category of services and is perfectly applicable to the management consulting services. The model is based on the emotional component of client-consultant relationship, while the contact staff or the consultant plays the main role in its materialisation.
The essence of this proposed interactive marketing model is based on the assumption that any client will be "seduced" by the consultant, whether it has a positive image towards the provider, does not feel threatened by his position and believes he is well understood. Moreover, it will accept the consultant influence with no objections, if he has the impression that the problems he actually has are being taken into account. Subsequently, the customer will buy the consultancy services and will evaluate those services according to the promises which were made. Finally, the customer will remain loyal to the consulting firm if his experience was a positive one.
The first step in the process of attracting customers is the management of first contact between the consultant and the decision making person within the beneficiary organization. In this regard, a special attention should be given by the consultant to elements such as clothes, attitude and self-confidence, to his ability to show kindness, neat attire, smile or the opening to the client, all reflecting the consultant's ability to give a particular note to the future relationship with his client.
An important role in client - consultant relationship has the process of expectation from the client side, which handled improperly, can become a real source of dissatisfaction. To avoid a degraded situation, the consulting firm must know the waiting time that consumers

consider them acceptable and to establish precise standards in this regard.
Consulting companies have to work, in most cases, with "unscheduled" customers that do not have a lot of information relating to consultancy services in general or do not have a very clear idea regarding their needs. In these cases, customers are attracted by the consulting firm through a promotional way, through a potential benefit, trough related information they might want. In other words, they do not know what is, in fact, a consulting service, are not fully aware of the potential benefits generated and do not know very well what are the expectations across these services.
In this case, the consultant affective behaviour becomes more important than the cognitive one, being decisive in generating customer satisfaction or dissatisfaction. For this reason, the consultant must show patience, empathy and intuition to identify even those needs that are not yet aware by the client, to adapt the services to these needs and explain this services from the perspective of their benefits and not technically speaking. Moreover, the consultant must adjust the price of services offered considering the financial potential of the client, in terms of acceptability from his perspective.

4. In conclusion

The main challenge that the XXI century brings to companies is to identify the resources required to achieve sustainable long - term competitive position and generate value and profit of all stakeholders directly involved. At the same time, organizations must constantly adapt to increasingly higher standards on new services, systems of relationships and business models, many of them based on Internet technology.
To successfully meet these challenges is important for a company to have a marketing department and it is vital to have a market approach that involves the use of a strategic marketing tools, developing a marketing strategy based on a deep understanding of market mechanisms and supported by a continuous process of learning and improving consumer generated value.
Thus, to meet the companies' needs for consulting services, the providers of these services must develop policies and marketing strategies that will help and support these consumers. Under these policies, an extremely important role is held by concentrating the efforts of promotional messages on the client – consultant interaction, along with physical premises of the delivery process. Given the peculiarities of the current economic environment, the direct relationship between management consulting firms and beneficiary companies are of a particular importance and the way in which these relationships are being managed practically contributes to the success of management consulting companies.

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SUB-SECTION: ECONOMIC INFORMATICS AND CYBERNETICS

HOW CAN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEMS IMPACT ON LABOUR PRODUCTIVITY

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The changing financial and accounting environments are critical to enhance production ability of firms in the globalized and competitive markets. Managers should focus on IC technologies to integrate information and communication across each unit of the enterprises. An ERP system is an attempt to integrate all functions that can decrease the costs of firms with improving the production effectiveness. While the ICT-producing sector is relatively small, it can make large contribution to economic performance. Although, productivity growth is essential in IT industries and has risen over the 1990s, but some unanswered theoretical questions have still remained for the policymakers. The main purpose of this research paper is to support the theoretical insights to the economic role of EPRs in ICT industries and also to highlight how they can impact on labour productivity growth. All in all, the usage of ERPs can be resulted in increased sales efficiency and the improved interactions in warranty services lead to satisfy the customers through providing lower quotations and increased awareness. The enhanced production and the less cost of inventories also improves the performance of organizations.

***Keywords**: ERPs, ICT contribution, labour productivity.*
***JEL Codes**: D23, E24, J24,*

1. Introduction

Nowadays, the changing financial and accounting environments are critical to enhance production ability of firms in the globalized and competitive markets (Darabos, 2014). Many challenges are faced to the organizations in this perspective, such as international trade barriers, economic liberalization and privatization etc., and also made other burdens for organizations. Therefore, managers should focus on IC technologies to integrate information and communication across each unit of the enterprises. In business world, a popular approach of an integrated system is the implementation of an enterprise resource planning (ERP) system (Beheshti, 2006).

An Enterprise Resource Planning (ERP) System is a fully integrated Business Management System solution that covering the functional areas of an enterprise, such as Accounting, Finance, Human Resources, Logistics and Production etc. (Anderson, 2011). The world of 'Integration' is a key element for ERP implementation. An ERP system is an attempt to integrate all functions across a company to a single computer system that can serve all specific needs of users. Moreover, the ERP systems can successfully decrease the costs of enterprises with improving the production effectiveness, increase the clients' level of satisfaction and immediately share information with the whole enterprise (Davenport et al, 1998).

The strong economic performance of the OECD countries over the 1990s led the scientific attention for searching the sources of economic growth. The contribution of the ICT-producing sectors to recent growth performance reflects the importance of productivity. So, labour productivity is principally an important issue to the managers, as the primary purpose of their job, to maximize the outcome of the companies they are responsible for. Nurmilaakso (2009) also stated that one of the reasons behind investing in ICT solutions is to improve labour productivity.

While the ICT-producing sector is relatively small, it can make a relatively large contribution to growth and productivity performance if it grows more rapidly than the rest of the economy. The OECD database of Key Indicators provides helpful information in this

regard. Figure 1 reflects the contribution of ICT manufacturing to labour productivity growth from the 1990s until 2011.

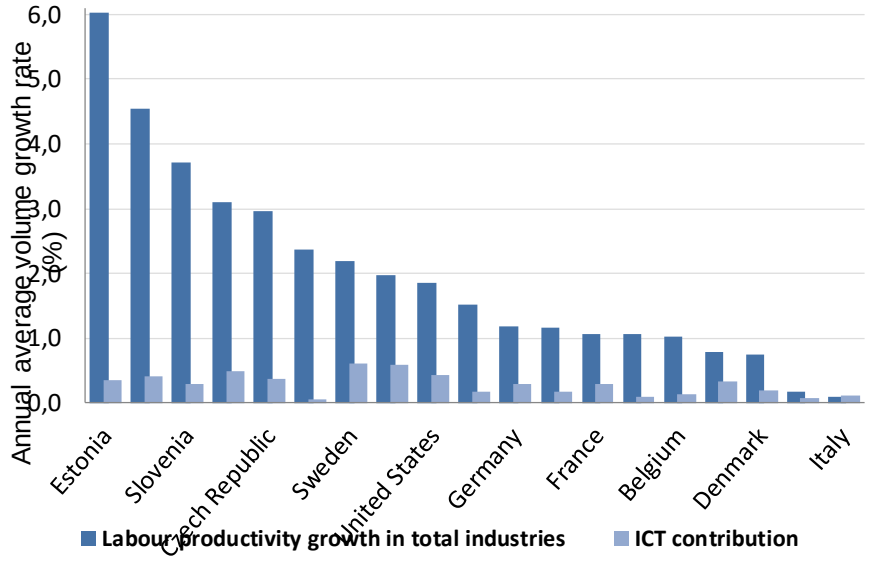


Figure 1: ICT contribution to labour productivity growth (%) in total (OECD-19) industries, 1995-2011
Note: The annual average growth rate (AAGR) is based on geometric average.
Source: based on OECD(2015)

In most OECD countries, the contribution of ICT industries to overall labour productivity growth has risen over the 1990s. This can chiefly be attributed to more rapid technological progress in the production of certain ICT goods, such as semi-conductors etc., which has contributed to more express price declines and thus to higher growth in volumes (Jorgenson, 2001). ICT made the largest contributions to aggregate labour productivity growth in Finland, Sweden and Hungary, with close to 0.5 percentage point of aggregate labour productivity growth in the examined periods. Although, the productivity growth seems to be essential in IT industries, some unanswered dilemmas have still remained for the policymakers.
The main purpose of this research paper is to support the theoretical insights to the economic role of EPRs in ICT industries and also to highlight how they can impact on productivity growth to support our future researches. This paper will also end with some brief conclusion.

2. An overview of the theoretical framework and empirical findings of ERPs and productivity relationship

According to the solowian paradox, the computers are fundable everywhere in the economies except in the productivity data (Solow, 1987). Although there was an appropriate economic growth in the world during much of the 1980s and early 1990s, the rapid diffusion of computing technology seemed to have little impact on productivity growth (Dirk at. al.).
Several research studies over the past decade pointed out the factors that contributed to this contradiction. First, some of the benefits of ICT were not selected in the productivity statistics (Triplett, 1999). This is mainly a problem in the service sector, where most ICT investment occurs and very difficult to capture in statistical surveys. A second reason is that the benefits of ICT usage might have taken a considerable time to emerge, as did the

impacts of other key technologies. Hence, ICT has diffused very rapidly in many OECD countries in the 1990s and several empirical studies could find a larger impact of ICT on economic performance than the earlier ones (in 1970s or 1980s). Thus, the role of ICT at the firm level was based on relatively small samples, drawn from private sources and the initial impact of them on productivity performance was unimportant.

Much of the current interest in ICT's potential impact on growth is not only linked to the ICT-producing sector, but to the potential benefits arising from its use in the production process. The use of ICT could have several impacts on productivity in this perspective. For example, it might enhance the firms' production to expand their products and gain market share. Moreover, it could customise the services of firms offered, or respond better to the client demand. Thus, ICT may help reduce inefficiency in the use of capital and labour to reduce the spare inventories. These effects, in our hypothesis, might lead to higher productivity growth in firm level.

All these channels brought about by ERPS made them a very attractive research object of business disciplines to answer how they can impact on labour productivity. Earlier approaches in accordance with this question identified non-financial performance as proxies for financial value (Bhatt, 2000; Booth et al. 2000). Only lately, the accounting discipline has originated with studies to provide domestic evidence of the economic impacts of ERPs (Hunton et al, 2003; Nicolaou et al, 2003; Matolcsy et al., 2006 etc). The results of these studies find some proof of immediate or delayed increases in firm performance after ERPs adoptions. Moreover, *Engelstätter, B.* (2008) found that the combined effects of adopting the different software systems without controlling for other obstacles interfering with enterprise system usage. *Amer et al.* (2012) also claimed the ERP implementation has a positive impact when a company employs a prospector business strategy, which enables the firm to achieve higher levels of financial performance.

3. Conclusions

However, while the academic literature has earlier claimed that the presence of EPRs leads to better economic performance and they are essential elements of well-functioning economies, others some unanswered dilemma has still remained. In this paper we have an objective to answer how EPRs might impact on labour productivity.

For instance, the usage of ERPs can be resulted in increased sales efficiency and the improved interactions in warranty services lead to satisfy the customers through providing lower quotations and increased awareness. The enhanced production and the less cost of inventories also improves the performance of organizations. Thus, Hu and Png (2012) demonstrated that more patent-intensive industries, such as ICT responded to stronger patent laws with higher growth, which resulted in increased GDP per capita.

An additional research direction has also emerged in this study. We argue that, such as (Rózsa, 2015) suggested, the changes in real value of the enterprises might impact on productivity and also critical to decision making. Hence, further researches, in accordance with this research perspective, could be fruitful.

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THE WAY IN WHICH THE GRADUATES OF HIGHER EDUCATION ECONOMIC USES MICROSOFT EXCEL IN THE MARKETING ACTIVITIES OF THE COMPANIES IN BIHOR COUNTY

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Abstract: *The multitude of the decision situations of the marketing activities, their complexity and particularities are assuming the organizing, processing, aggregating, modeling and analyzing of the great volume of information. By using Microsoft Excel which offers specialized instruments of aggregation, summarization, presenting and analyzing of data such as consolidation of multiple lists, filtering, sorting details in logical groups, subtotals, PivotTable, charts for estimating trends and relationships, Solver, the company management can achieve significant information about market, costs, prices, selling, promoting activities and market development related to different locations and consumer categories. Also overview of different aspects of marketing activities can be achieved. Microsoft Excel software provides efficient solutions to many situations for a marketing activity. Thus, PivotTables creating a dymanic summary data for effective analysis. PivotTable can be used to make a rapid synthesis of data about sales. Charts are used to calculate a trend series data, such as monthly sales over a period of time, and to predict future sales.Solver can be used to solve optimization problems. Based on these considerations we conducted a study in which we sought to obtain information on how instruments such as filtering, sorting, consolidation, subtotals, PivotTables, chart and Solver are used in the marketing activities of companies. From the survey it was noted that all the responders are familiar and use basic techniques of Microsoft Excel facilities in their marketing activity. Charts are also frequent used which means that the great importance is given to visual representation of data. Companies with over 50 employees are those which they attention to data consolidation and aggregating. Much too few are using solver instrument in marketing activities. Among them just a few are using GRG Nonlinear and Evolutionary algorithms. Therefore Solver is generally used for problems which need linear programming.*
By using in a greater extent PivotTable and Solver instruments in marketing activity significant information can be achieved in a quick way for decision-making activities. Collected and stored data would have been better used so that companies wouldn't be deprived of information which can offer advantages on a continuous changing market.

Keywords: data analysis, worksheet, economic analysis activity, working reports

JEL classification: M21; C83

1. Introduction

Marketing activities involve the use of large amounts of data. The data, in their basic form, are to be found in different documents, records, lists from the company's activity. In order to be used effectively in the economic activity, they must be organized, aggregated, processed, modeled, presented in a form suitable and properly analyzed.
One of the main concerns in software was to create powerful software instruments for marketers or other users having decisional roles, instruments which can be used when situation must be analyzed and decision must be taken.
Among the most software instruments used are those offered by the spreadsheets

solutions.
Spreadsheet applications offer a series of advantages in organizing, data processing and analyzing such as:

- the easy of data collecting and complex calculation
- automated change of the results when modifying data
- sorting facilities of data using various criterion
- possibility of data finding using different criteria
- the possibility of using a wide variety of statistical or mathematical functions
- possibility of selecting specific lists of data
- possibility of creating data aggregations
- the possibility of creating the suggestive reports with different levels of detail, using data from multiple spreadsheets or register
- the possibility of creating the diagrams for visual reprezentation of data and their relations with other data
- the possibility to make complex economic analyzes and forecasts that lead to the best decisions using

Data can be retrieved quickly, due to their organization in the form of spreadsheets. Thereby, all the worksheets related to a supplier, a customer, a particular project may be suggestively called and stored in a single worksheet, necessary information is quickly located. It is also very easy to enter data into a spreadsheet and then be altered, removed or added to other data.
Microsoft Excel software is used by many of those who know and use spreadsheet applications for carrying out the work.
Microsoft Excel software has the status of standard in spreadsheet software. Being integrated in Microsoft Office, raw data and processing results can be transferred between all Office components, which is an important advantage.
Microsoft Excel 2010 allows you to analyze, manage and share information in more forms than ever before, so that the user can make better decisions. Visualization tools and data analysis enables us to track and highlight important trends in a timely manner (Vătuiu and Guran, 2012).

2. Possibilities of using Microsoft Excel software in the marketing activity of the companies

The most complex and difficult problems are related to marketing activities because this is the interface between the company and the market or in another way that domain which binds the company to the environment.
The difficulty of solving marketing problems inside companies is greater than those related to other fields of activity. Marketing problems such as those regarding the product which has to be offered to the consumer, selling promotions are much complex than production related or supplying or costs related decisions. Previous experiences can assure but general frame for decision-making process. Also the interface „marketing actions-consumers" may lead to frequent changes which may surprise the decision-maker, to unpredictable interactions, to unexpected phenomena and processes, or reaction in buying behavior of the consumers which cannot be controlled by the company.
The allocation of marketing expenses on different products is also difficult due to the existence of several products while the resources for expenses are limited. Not even the spatial allocation of marketing expenses is easy because it's the expression of a decision concerning for example the choice between focusing marketing efforts in the regions where enterprise seems are good or conversely in areas where such sales represents weakness for the company.
Kotler said that "for sure marketing decisions are amongst the most difficult economic decisions" (Kotler, 1976).

Marketing decisions are inter-functional. A decision taken inside a specialized marketing activities have direct implications both on other specialized marketing subsystems and on production, research and development, technological systems. Decisions taken on products are influencing decisions from the related marketing subsystems and vice versa. Price must be correlated with the product quality which on its turn influences the promoting activities. Decision taken for the promoting activity will be decided after all the decision regarding the product have been made. Decisions regarding the way in which the product will be highlighted by the mean of the producer's brand or distributor's brand will be made only after the marketing channel through which the product will be distributed was chosen. The level of the product's price influences the way in which it will be distributed, this influence being mutual. Also all marketing decisions are correlated to those taken in other sections of the company.

The multitude of the decision situations of the marketing activities, their complexity and particularities are assuming the organizing, processing, aggregating, modeling and analyzing of the great volume of information.

By using Microsoft Excel which offers specialized instruments of aggregation, summarization, presenting and analyzing of data, the company management can achieve significant information about market, costs, prices, selling, promoting activities and market development related to different locations and consumer categories. Also overview of different aspects of marketing activities can be achieved.

Microsoft Excel software provides efficient solutions to many situations for a marketing activity. Among these are:

- filtering techniques and sorting data in logical groups
- consolidation method and subtotals method. By using those two methods, detailed information (for example, lists of expenses, sales records) are organized and processed so that it can be used effectively in making decisions.

  By consolidating detailed data from more lists we obtain a summary list without details. Therefore, data consolidation is only suitable in certain situations, such as, for example, monthly expenses in a systematic quartely summary. In contrast, subtotals integrates details.

  By subtotals we obtain a summary of the details which includes details that can be displayed or hidden.
- PivotTable is one of the most powerful tools of Microsoft Excel. PivotTable allow instant aggregation of large amounts of data. The results are presented only a few seconds and with just a few mouse clicks (Bălan and Dumitru, 2011).

  PivotTable combine best features of consolidation and subtotals, going well beyond the two instruments and providing greater flexibility in data presentation. Pivot tables that offer great flexibility in data presentation (Jacobson, R. 1997). Allows creating a dymanic summary data for effective analysis. Data presentation can be changed easily, by changing the pattern or level of details displayed.

  PivotTable can be used to make a rapid synthesis of data about sales.
- Charts. A chart creates a visual reprezentation of data and their relations with other data, enabling rapid understanding of their significance. Related data series, but represented by different numerical scales, such as, for example, sales volume (in pieces), and price (in euro/piece), can be displayed in the same chart, using a secondary axis. Thus, is possible to be put in relation sales volume with selling price in a directly and significantly manner. Charts are used to calculate a trend series data, such as monthly sales over a period of time, and to predict future sales.
- Solver, useful in optimization problems. Solver or "problem solver" is an optimization tool which generalizes technical end value, offering more

opportunities for simulation of parameters that give rise to optimal situation (Vătuiu and Guran, 2012). Solver can use linear algorithms (Simplex LP) and nonlinear (GRG Nonlinear and Evolutionary) depending on the nature of the optimization problem to be solved.

3. The premises of the research

In the performed research we started from the following hypothesis:

- Tools for organizing, processing, presenting and data analysis offered by Microsoft Excel software are used by people who have graduated from university economic studies in the marketing activities of the Bihor County companies.

The following issues were considered:

- How much is used Microsoft Excel software in the marketing activity of the Bihor County companies
- Complexity of the processing and analysis data made in the marketing activity using Microsoft Excel software

4. The research methodology

Following a previous study we concluded that the existing spreadsheet software, the most used software is Microsoft Excel. In the marketing activities of Bihor County companies the most used software is Microsoft Excel.

This is due, on the one hand, to the fact that companies use mainly Microsoft Office software package, and secondly, that economic graduates know how to use Microsoft Excel application from school.

We have continued to the study in order to see the measure in which the instruments of organizing, processing, presenting and data analysis offered by Microsoft Excel are used by those who graduated economic studies of the University.

In order to collect the necessary information we used questionnaires that were distributed to the students, both at license and master degrees in the economic field, at the University of Oradea, trained in using Microsoft Excel.

The great majority of the students at master degree and part of the students at bachelor's level, especially those following the distance education system have working places in different companies in the Bihor County being implied in economic activities. They were asked to complete the questionnaires and also to give it to their colleagues which also graduated economic studies of the universities which use Microsoft Excel in marketing activities in which they are implied. Thus we obtained information regarding the level of knowledge in using Microsoft Excel by the economists and also the importance given by the institutions and companies' managers in improving these knowledge.

Of the 600 questionnaires distributed, 532 were completed and used for analysis, resulting a response rate of 88,66%. Persons who have completed the questionnaires come from 216 institutions and private and public companies. A classification of these companies sorted by size is presented in Table 1

Table 1: Responses for each category considered

Company's size	**Total number of companies**	**Total number of respondents**
up to 10 employees	67	69
between 10 and 50 employees	89	265

Company's size	Total number of companies	Total number of respondents
with more than 50 employees	60	198

The questions were grouped as follows:

- Questions related to the company's size.
  The companies were structured as follows:
    - up to 10 employees
    - between 10 and 50 employees
    - with more than 50 employees
- Questions related to marketing activities of the company.
- Questions related to department in which the employee in charge with marketing activities is hired (if the company does not have a marketing department) and position which he holds in the company.
- Questions related to the complexity of the reports needed in marketing activity.
- Questions related to the analysis activity of the economic data.
- Questions related to how much Microsoft Excel software is used in organizing, processing, aggregating, modeling, presenting and analyzing data.
- Questions related to complexity of the processing and analysis data made in the marketing activity using Microsoft Excel software.
- Questions related to the tools which they use for analysing, aggregating, modelling and data presenting offered by Microsoft Excel software and used in company activities.
- Questions related to the importance given by the company manager in improving the employees' knowledge in using Microsoft Excel software.

5. Data analysis and interpretation

Collected data showed that:

- 7,15% of the respondents use only elementary techniques of Microsoft Excel software. Thereby
    - Uses formulas which introduced in a worksheet cell makes calculus with value contained in other cells of the same worksheet or in other worksheets.
    - Uses functions (especially the sum, counting, average, max, min functions). Microsoft Excel offers hundreds of functions which conducts toward an economy of working time.
    - Uses templates in which adds useful instructions and validation rules for input data which prevents incorrect data input and allows to keep control over the data coherence.

  Among them 84,21% are working in companies with less than 10 employees. This means that in companies with less than 10 employees the complexity of data processing and analysis related to marketing activity is at a low level. The use of powerful instruments for data analysis and processing is almost neglected. Causes might be: low levels of knowledge in using Microsoft Excel by the employees; managers do not pay necessary attention to analysis instruments offered by Microsoft Excel which, anyhow, might offer them a lot of benefits.
- 92,85% of the respondents are using data filtering and sorting. By filtering records in a list, information which meets specific criteria set by the user are quickly founded and highlighted, while by sorting, data are systemized in a logical manner. It was noticed that all the companies having more than 10 employees use sort and

filter tools.

- 17,67% of the surveyed use consolidation and subtotal functions. In order to create data aggregation the most of the employees are using PivotTable tool, because it allows a more efficient aggregation of the data and offers greater flexibility in data presentation.
- 64,47% of the surveyed are using PivotTable. Companies that attaches the utmost attention in using PivotTable are those having over 50 employees (82,32%). PivotTable tool can aggregate data stored in multiple spreadsheets or even in different worksheets, they can show or hide all the desired details. PivotTable allows dynamic interrogation for an efficient data analysis. It also allows quick aggregation of huge volumes of data.
  Not all companies give due consideration to marketing data aggregation and data presenting in a way that enables effective decision making.
- 88,34% of the respondents are using charts in order to estimate trendlines and different relationships. Trendlines offer even a greater utility for charts. A data series trendline such as, for example, monthly sales during one year of activity, can be calculated and use for future selling prognosis.
- Companies interested in using the Solver tool for solving optimization problems are those having more than 50 employees (34,84%).
  Among the companies which use Solver tool, only a few are using GRG Nonlinear and Evolutionary Algorithms Techniques. Therefore Solver tool is used mainly to solve optimization problems involving linear programming.

Results are synthesized in the Table 2:

Table 2: Number of employees which use tools offered by Microsoft Excel software in their activities, depending on company size

Instruments used/ Company's size	N	A	B	C	D	E
up to 10 employees		31	8	12	11	2
	%	44,92	11,59	17,39	15,94	2,89
between 10 and 50 employees		265	47	174	261	41
	%	100	17,73	65,66	98,49	15,47
with more than 50 employees		198	39	157	198	69
	%	100	19,69	79,29	100	34,84
Total		494	94	343	470	112
	%	92,85	17,67	64,47	88,34%	21,05

A	Filtering and sorting techniques
B	Consolidation and subtotal functions
C	Pivot tables
D	Charts for estimating trends and relationships
E	Solver

For a visual presentation of the data and better understanding of their significance, the data is represented as a chart, in Figure 1:

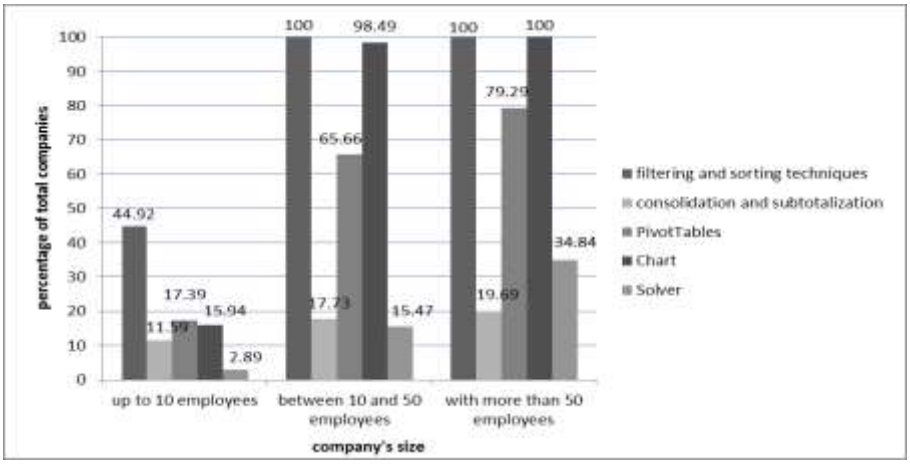


Figure 1: Usage of Microsoft Excel software by companies

6. Conclusions

Microsoft Excel offers a serious of techniques and instruments used for data organizing, processing, aggregating, modeling, simulating, analyzing and presenting, such as: multiple least consolidation, data filtering in a list, sorting and data subtotal referring, PivotTable, charts for trend estimations and solver for optimizing tasks. From the survey it was noted that all the responders are familiar and use basic techniques of Microsoft Excel facilities in their marketing activity. For example data filtering and sorting are used in marketing activity of all companies having more than 10 employees. Charts are also frequent used which means that the great importance is given to visual representation of data. Companies with over 50 employees are those which they attention to data consolidation and aggregating. Much too few are using solver instrument in marketing activities. Among them just a few are using GRG Nonlinear and Evolutionary algorithms. Therefore Solver is generally used for problems which need linear programming.

By using in a greater extent PivotTable and Solver instruments in marketing activity significant information can be achieved in a quick way for decision-making activities. Collected and stored data would have been better used so that companies wouldn't be deprived of information which can offer advantages on a continuous changing market.

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SELECTED EXTENDED PAPERS

FROM THE DOCTORAL SYMPOSIUM

6TH EDITION OF THE INTERNATIONAL CONFERENCE OF DOCTORAL STUDENTS IN ECONOMIC SCIENCES ”EMERGING MARKETS ECONOMICS AND BUSINESS. CONTRIBUTIONS OF YOUNG RESEARCHERS”

THE WATER RESOURCES IN THE CONTEXT OF CLIMATE CHANGE PRODUCED BY THE GREENHOUSE GASES

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Abstract: *People are primarily responsible for climate change. The Earth warming and, therefore, the climate change, are due to human action. Climate change has led to the increase of the level and of the intensity of the precipitation, to heat waves and to droughts, as well as to intense floods. In this regard, this article presents aspects of climate change with reference to water resources. An intensive exploitation of natural resources can create ecological imbalances. The green economy involves activities that are not harmful to the environment and also maintain the natural balance. An important aspect of the green economy is given by water resources. Thus, the article presents an evaluation of Romania's water resources, both surface and underground ones. Also, based on the information related to the gas emission of greenhouse effect, we can present the influence which these gas emissions of greenhouse effect have on the quality of water resources. The water is vital to human existence. Our future on this planet will depend on the actions that people will perform in order to preserve the water quality.*

Keywords: climate changes; water resources; green economy; gas emissions of greenhouse effect.

JEL classification: Q01, Q25, Q54

1. Introduction

When talking about the actions of obliteration of the extreme poverty and of hunger, we should consider the essential importance of water, of its quality.

However, the lack of water sources can lead to the outbreak of conflicts. For example, such cases have been reported in Sudan. Also, the lack of water sources may be the reason for the regional cooperation, such as cooperation between India and Pakistan. The UN Climate Commission has warned that, in 2020, almost a quarter of a billion people in Africa would not have access to water (United Nations Development Programme, 2015).

Ensuring food security is a conditioned by the water resources and by their quality. Food insecurity can be a source of conflict.

Through the increase of the temperature, the climate change can lead to reduced crop yields. The negative impact has an effect on animals, as well. The grazing areas reduction leads to the decrease of food production.

Due to the accumulation of carbon dioxide in the seas water, there is a danger in what concerns the interruption of food chains.

The change of the water characteristics and of its quality contribute to the decrease or even loss of the biodiversity. The reduced rainfall increases the risk of long periods of drought. If the quantity of rainfall will decrease, there may appear more and more sparse rains. These rains can have high intensities and can lead to frequent flooding situations.

The global warming produces a greater water evaporation. Through this, the remaining water has a higher salinity. Thus, a higher salinity may lead to changes in the production technology. The Water pollution is a huge danger for life on Earth.

Most countries want to take action against global warming. To minimize emissions of greenhouse is required actions partnership for involving as many countries, and especially those heavily industrialized.

The green economy requires both actions for using lower amounts of resources and low amounts of energy.
If we want to have a real green economy, which will keep intact the natural bases of life, then we need to identify those ways that allow profound transformation both of our modalities of production and modalities of consumption. If we take the right decisions, then the consequences can be made of transformations that allow us to live better. If we use smaller amounts of energy resources and non-renewable raw materials, then the emissions of greenhouse will be lower.
Also, for implementation a green economy are needed actions for replacing conventional technologies with other technologies, new, and which are less harmful to the environment, and to promote environmental technologies.

2. The situation of water resources in Romania

At EU level is considered that there is important consensus of environmental protection. The European population is very worried about issues related to air pollution (56%) and water pollution (50%) (EC, 2014). Also, more than three quarters of Europeans believe that environmental issues directly affecting daily life. For these reasons, many Europeans agree with the actions which come to protect the environment.
One of these actions refer to water.
According to the data published on the World Bank website (data.worldbank.org), since 1990, a growing percentage of the population had access to an improved water sources. Thus, the urban proportion of the population with access to an improved water sources increased from 93.5% in 1990 to 100% in 2015 (World Bank Group, 2015). For the rural population, the difference is far greater. Thus, this percentage increased from 51.6% in 1990 to 100% in 2015.
The water resources represent the hydrological potential composed of ground waters and of underground waters, inventoried at the beginning of the year, resources hence ensures the supply of various usages.
In Romania, the water resources are unevenly distributed. Also, the flow of water courses are not sufficiently regulated, and others are in various degrees of pollution. These issues are factors that determine the level of coverage areas with water sources (Ministry of Environment, Water and Forests, 2015).
Depending on the water source, the water resources of Romania, in million cubic meters, for the period 1992 - 2014, are presented in Table 1.

Table 1: Variation of total water resources, ground water resources and the underground water, for the period 1992-2014

Year	Total (million cubic meters)	Ground waters (million cubic meters)	Underground waters (million cubic meters)
1992	43.472	37.849	5.623
1993	41.719	36.963	4.756
1994	42.898	37.163	5.735
1995	40.933	35.153	5.780
1996	40.153	34.336	5.817
1997	40.282	34.450	5.832
1998	40.066	34.234	5.832
1999	39.778	33.946	5.832
2000	39.791	33.959	5.832
2001	39.836	34.004	5.832
2002	39.960	34.012	5.948
2003	40.141	34.143	5.998
2004	40.141	34.143	5.998

Year	Total (million cubic meters)	Ground waters (million cubic meters)	Underground waters (million cubic meters)
2005	40.398	33.806	6.592
2006	40.398	33.806	6.592
2007	40.502	33.825	6.677
2008	40.132	33.825	6.307
2009	39.364	33.953	5.411
2010	39.364	33.953	5.411
2011	39.270	33.859	5.411
2012	39.270	33.859	5.411
2013	38.346	33.679	4.667
2014	38.346	33.679	4.667

Source: conducted by the authors based on existing information on the website of the National Statistics Institute, 2015

The data presented in the Table 1, presents a decrease of approximately 11% of the quantity of water from the surface waters. Also, underground water quantity has decreased during 1992 - 2014, with approximately 17%. Thus, the quantity of total water resources, for the period 1992 - 2014, in million cubic meters, has decreased by approximately 12%.
Issues related to water and water quality require identify issues related to water distribution network. Thus, in urban areas there are 317 municipalities that have a water distribution network. In rural areas in recent years, there is an increase in the number of localities that have a water distribution network. In 2011, there were 1987 villages and 2013, the number of localities that have a water distribution network is 2050, increasing by over 3 percent (Boboc et al., 2015).
For surface waters performing an evaluation of water quality. This activity consists of monitoring biological parameters Hydromorphological, physicochemical for priority pollutants. Under the legislation are defined five quality classes. They are: quality class I - very good condition; quality class II - good; quality class III - moderate state; quality class IV - low; quality class V - bad. In order to assess surface water quality, total length of rivers surveillance has increased from 18.168 km in 1991 to 31.263 km in 2014. Also, following the change in the period 1991 to 2014 for Category II of rivers supervised (Figure 1), is an increase in the length of monitored rivers.

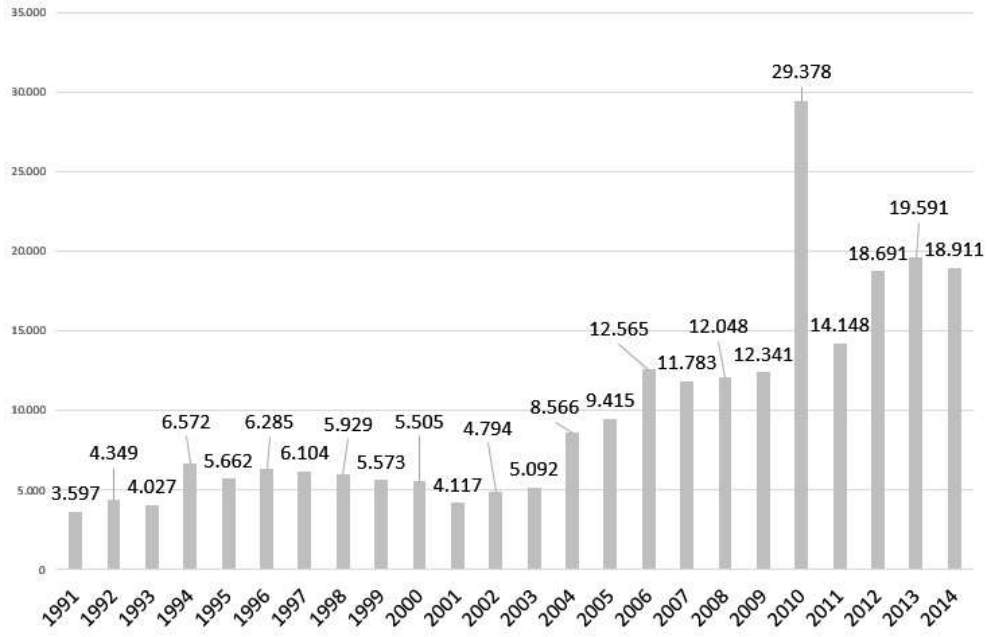


Figure 1: Changes in length Category II of rivers for the period 1991-2014
Source: conducted by the authors based on existing information on the website of the National Statistics Institute, 2015

These data, showing increased length monitored rivers, demonstrated interest in increasing the quality of surface waters.
Given the limited nature of the Earth's natural resources, it is very important to our contribution to improving environmental quality. By ours actions to protect the environment, we contribute to preventing and reducing environmental pollution. These actions can also lead to economic growth.

3. The climate change and the gas emissions of greenhouse effect
The United Nations Framework Convention on Climate Change (UNFCCC) was recognized the existence of climate change. Also, on the same occasion it was recognized the responsibility that people have in the development of this phenomenon. This conference set the objective to stabilize the concentrations of greenhouse gases in the atmosphere at a level that would not endanger the climate.
1997 was the year in which the Kyoto Protocol was signed. On this occasion, were set binding targets for reducing emissions of greenhouse gases. It was also proposed an overall reduction in emissions of 5.2% in 2008-2012 compared with values recorded in 1990. The Protocol was ratified by 193 countries. Representatives of these countries agreed that global warming risk reduction requires the active involvement of the international community.
In 2001, it was signed the Bonn and Marrakech Agreement. It has defined rules concerning the obligations of developed countries and developing.
In 2005, the Kyoto Protocol comes into force. Thus, it assists developing countries in order to address the negative effects of climate change.

In 2007, in negotiations at the Conference Bals, they discussed issues concerning procedures to reduce emissions in developed countries. Also, an important topic of discussion were the necessary actions to adapt to climate change.

The conference in Poznan in 2008, EU Member States have pledged to reduce emissions of greenhouse gases by 20% by 2020 compared to 1990.
In 2009, the Copenhagen Accord proposes to limit global warming to 2 ° C.
The Durban Agreements, in 2011, it was expected that 2015 be signed an agreement to complement and improve the Kyoto Protocol. At the same time, these agreements oblige industrialized countries to reduce their emissions of six gases held responsible for global warming, especially carbon dioxide.
At the meeting in Warsaw in 2013, it took a step to achieve a universal agreement on the climate.
The meeting in Lima, in 2014, it was outlined text of the agreement will be approved in 2015 and discussed three legal options formulated under the United Nations Framework Convention on Climate Change (UNFCCC).
At European level, the European Union has committed to reduce, until 2020, the gas emissions of greenhouse effect with 20%, from the level registered in 1990 (European Commission, 2015).
It is expected that in Paris will be concluded a global agreement on climate change, in order to limit the global warming for the period after 2020. It is wanted that, starting with 2020, this agreement to be applicable for all the countries (Sustainable Innovation Forum, 2015).
We can talk about changing paradigms. The "paradigm that must be replaced and the format application tools, automatism interpretation is present in manuals from schools and universities, and the change requires a great intellectual effort and material" (Bran, 2009).
Some countries adopt its own standards with regard to the action against climate change. Thus, in Oslo (Norway) will be banned the access of cars in the city centre, and will be built bicycle trails. The goal is to reduce the gas emissions of greenhouse effect with 50% in 2020 compared to 1990. Another example is Sweden, which wants to become one of the first countries in the world without fossil fuels. In this regard, the electricity production will be achieved by using renewable resources. The budgets for solar and wind energy will increase with almost 800%. This will be achieved by increasing the taxes for the oil and fossil fuel industries.
Both society and the environment are suffering as a result of climate change. These climatic changes may appear either due to human activities or due to natural causes.
It is noted that climate change poses threats to human development. It can be appreciated that "passed from ascertainment to reconstruction, from reconstruction to prevention, from prevention to education and, practical, to axiological reorganization, to reformulating values" (Ioan et al., 2009).
Climate change impact may cause water scarcity and drought. Agricultural productivity may decrease and food insecurity may increase. There is also the likelihood of unpredictable weather events, resulting in to the emergence of storms and increasing frequency and severity of floods.
The emissions of air pollutants are listed in two classes. The first class is represented by the gas emissions of greenhouse effect: CO2 (Carbon dioxide), CH4 (methane), N2O (nitrous oxide), PFC (organic compound consisting of carbon and fluorine), HFC (organic compound consisting of carbon, hydrogen and fluorine), SF6 (sulphur hexafluoride). The second class includes classics emissions of pollutants: SO2 (sulphur dioxide), NOX (nitrogen oxides), NMVOC (methane volatile organic compounds), CO (carbon monoxide), NH3 (ammonia), PM10 and PM2.5 (complex mixtures of very small drops of liquid).
One of the gases with the highest potential of generation of gas emissions of greenhouse effect is SF6 (sulphur hexafluoride). Thus, a ton of SF6 pollute the atmosphere in an extent that corresponds to approx. 23.900 tons of CO2.
Based on the information available on the website of the National Institute of Statistics, it can be concluded that, compared to 2008, in 2013 HFC emissions increased by 37%, SF6 increase with 69%, and CO2-bio with 29%. Meanwhile, SO2 emissions decreased by 62%

and PFC decreased with 65%. For the same time period analysed, the other emissions (CO2, CO2-bio, CH4, N2O, PFCs, NOX, NMVOC, NH3, CO, PM10, PM2.5) had a decrease between 13% and 38%.
We must, however, into account the "new commitment to reduce by 80% by 2050 of emissions of carbon dioxide could lead to higher costs and prices uncompetitive for some industries or could determine the manufacturers European industry to relocate businesses in other areas "(Bran et al., 2012).
Considering these aspects, Figure 2 illustrates the changes in the emissions of SF6, 2008-2013.

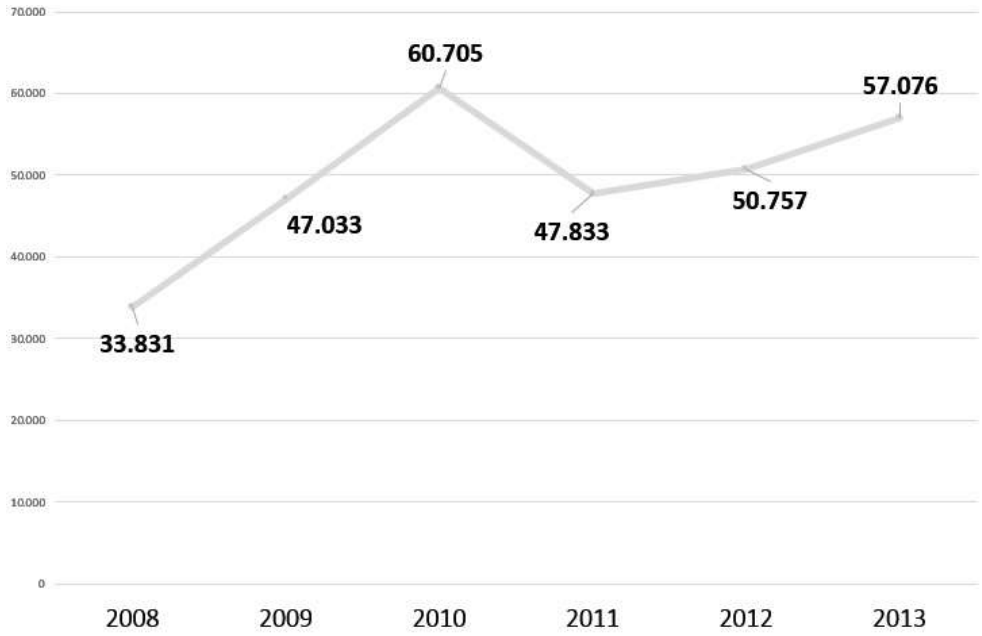


Figure 2: Changes in emissions of SF6
Source: conducted by the authors based on existing information on the website of the National Statistics Institute, 2015

It can be seen that emissions of SF6 increased by almost 80% in 2010 compared to 2008. Also, after a decline in 2011, these emissions have started to rise again. The SF6 emissions in 2013 have reached to 57.076.
Surely, through the renouncement of the fossil fuels use, the transition to carbon-free economy will generate changes in the labour market. But, this aspects can be anticipated and the interventions can be made through education and training activities. However, there is danger that climate change to accentuate social disparities within the European Union.

4. Conclusion

The climate change has led to the development, in the recent years, of the green economy.
The goods and the services in the green economy have continued to grow annually.
Because of this, these sectors have become dynamic and prosperous. There is a great opportunity for these sectors to continue to develop and to provide new jobs. The demand for green goods and services has led to the implementation of some measures for the support of the action against climate change.

Green Economy maintains environmental protection actions. Reducing greenhouse gas emissions of greenhouse represent actions that can lead to climate protection and to reducing the environmental damage. The promotion issues related to the green economy can be a solution to the challenges of climate change.
An important component is represented by the water resources and by their quality.
From the presented data, it can be concluded that the climate change may affect the water resources, both ground and underground water. It was shown that the classical pollutant emissions have decreased or had a relatively small variation, and the gas emissions of greenhouse effect had an increase. Because of climate change, the rains have an increase quantity. Given these issues, it can be deduced that in the ground and underground water will be increasingly more compounds of gas emissions of greenhouse effect. They will change the water quality.
For these reasons, all decisions made in climate change field must consider the need to initiate actions in order to preserve and to improve the quality of water resources of the planet.

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EDUCATION LEVEL OF HUMAN CAPITAL IN THE CONTEXT OF COMPETITIVENESS AND BUSINESS DEVELOPMENT

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Abstract: *The development of human factor in order to support the increase of the competitiveness of the manpower involves the existence of an effective system of qualification. This qualification system needs to be developed in accordance with the actual and dynamic requirements of the manpower. Initially, the development of the human factor takes place both in school and in the family. Afterwards, at the same time with the entry of individuals into the labour market, the human capital development happens within the organization in which the individual works, but also through the individual study. Achieving a competitive economy, based on knowledge, involves individuals with a high level of training, which can provide innovative solutions to current technological challenges. This article presents the educational level of the population and its importance in enhancing competitiveness. It is also presented the situation of the expensed regarding the education. The labour market is characterized by high dynamics. A contribution to this dynamic is given by technological advances, by the demographic changes and by the globalization. Entrepreneurial education is becoming more important and has a greater role in terms of competitiveness of an economy. This article presents some aspects on entrepreneurial skills. The skills that individuals have some form of education after graduation will not be sufficient on their careers. It appears as a must need for entrepreneurial skills training and further training throughout life. In this regard, the development of partnerships between organizations and educational institutions is a viable solution.*

Keywords: human capital; competitiveness; entrepreneurship; education and training

JEL classification: J24, P46

1. Introduction

For the business to be considered competitive companies, it is necessary to have well-trained human resources. Although automation makes its way into many production processes, the human factor remains a valuable resource for any company.

The maintenance of the competitiveness of an organization involves the innovative use of all its resources. The human factor can be an expense, but it is also the most important production factor of an organization.

If a person is satisfied with the work that it performs, then its competitiveness increases. Also, the environment in which an individual works, contributes to its competitiveness in its workplace.

Developing the skills of low-skilled workers and promoting adult education are very important. Action is required to improve skills towards a higher degree of suitability to the needs of the labor market. Promoting vocational apprenticeships and upgrading training programs are essential to facilitate the transition from school to work. From this point of view, businesses should be aware of the importance of vocational training.

The employee health is a precondition for a company to conduct the business properly. But, without a certain level of education, the employees of a company cannot fully

contribute to the business success. From this point of view, the investment in education brings a plus in what concerns the competitiveness.

2. Human capital from the perspective of education

The 2011 census results show that people aged between 15 and 64 years represent 68% of the population. The distribution by gender shows an equal percentage of women and men (34%). In terms of distribution areas, 39% live in urban areas and, in the countryside, about 29% of the population aged between 15 and 64 years.

Regarding the education level of the people aged between 15 and 64 years, the percentages based on the graduated level of educational institution is given in Table 1.

Table 1: The education level of the people aged between 15 and 64 years

Level of education graduated	Both genders (%)	Male (%)	Female (%)	Urban area (%)	Rural area (%)
Higher	17,33	15,64	19,02	25,56	6,23
Upper-Secondary and Post-Secondary	32,95	32,12	33,79	38,94	24,88
Vocational school and apprenticeship	16,50	21,91	11,09	14,51	19,18
Lower-Secondary (Gymnasium)	27,52	25,06	29,99	17,94	40,45
Primary	4,45	4,14	4,76	2,33	7,32
With no schooling	1,25	1,14	1,36	0,73	1,94

Source: conducted by the authors based on existing information on the website of the National Statistics Institute, 2015

We can observe that in the urban area about 65% of people aged between 15 and 64 have at least a upper-secondary education or higher.

For the rural areas, the percentage is only 31% (half of urban areas). Also, in rural area about 69% of people aged between 15 and 64 years have graduated at most the vocational school.

At national level, 48% of males have at least upper-secondary education or higher. Also, for females this percentage is 53%.

According to the data published on the World Bank website (data.worldbank.org), in 1960, the urban population was of 6,296,818 inhabitants, representing around 34% of the total population. In 2014, the urban population was 10,830,188 people, representing approximately 54% of the total population (World Bank Group, 2015).

In 1960, the population at 65 years old and over represented approximately 7% of the total population. In 2014, the percentage increased to approximately 17% of the total population.

According to the estimates provided by the World Bank in 2013, about 51% of the population aged over 15 years was employed. At the same time, the International Labour Organisation estimates for 2013, a 52%.

3. The expenses regarding the educations and the competitiveness

At national level, through the Government Decision no. 775/2015, the National Competitiveness Strategy from 2015 to 2020 was approved. Among the aspects that this document presents in 2020, there are important the determination of the identified sectors as being the future sectors for the national economy (Ministry of Economy, Trade and Tourism, 2015).

Thus, they listed the following sectors: tourism and ecotourism; textile and leather goods; wood and furniture; creative industries; auto industry; information technology and communications; food and beverage processing; health and pharmaceutical products; energy and environment; bio-economy, biopharmaceutical and biotechnology.
Considering these sectors, there can be made evaluations for each of them, in order to see the effects through the increase of the competitiveness.
The increase of the manpower competitiveness can be achieved through investment in the human factor. Worldwide, countries which have high economic performance are, at the same time, countries that allocate significant resources in education and health fields. In knowledge-based economies, the human factor has an increasing importance. Also, the investment in education is also a positive factor for the social cohesion (European Commission, 2015). The people who are highly qualified are able to work in various fields. Their adaptability is high. The local communities that have such people, who are more qualified or highly qualified, have economies prepared to respond to changes.
It can be appreciated that in order to increase the competitiveness, it is necessary to allocate, from the general budget, enough money for the education field (UEFISCDI, 2015).
General government expenditure on education (current, capital, and transfers) expressed as a percentage is of GDP. From this point of view, Figure 1 shows the situation of education expenditure (% of GDP) for the period 1996-2012 in Romania.
The last year for which World Bank Group published this statistical information is year 2012.

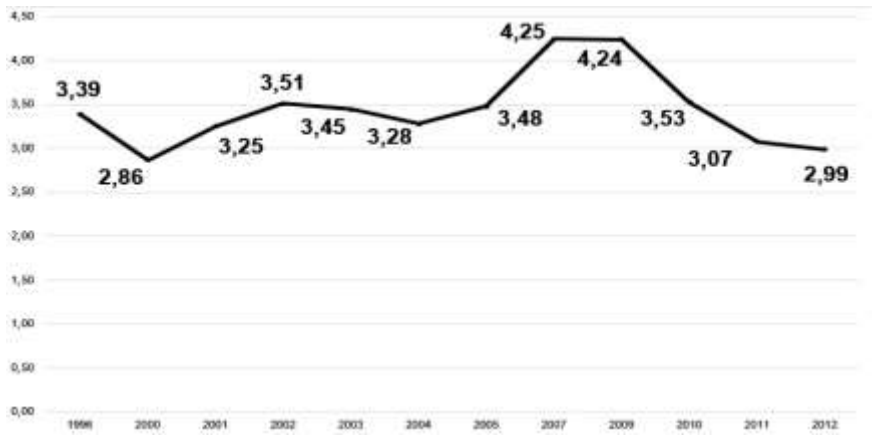


Figure 1: Education expenditure (% of GDP) for the period 1996-2012 in Romania
Source: conducted by the authors based on existing information on the website of the World Bank Group, 2015

Thus, it is observed that general government expenditure on education varies from year to year. For example, in 2012, they reached the value of 2.99% of GDP.

4. Entrepreneurship and business development
Entrepreneurship helps to initiate and develop a business.
Entrepreneurial Management may materialize by setting up a business. It can be considered that the company is the most important component of the economy. The activities carried out by an enterprise must lead to profit.

In recent years there have been many changes. Thus, it can give examples: technical progress (due inventions and innovations), the transition to a market economy, reducing social differences, private property, the complex evolution of the population. These changes result in the initiation of new businesses or develop existing ones.
However, entrepreneurship education should be viewed in the context of the wider society, not only in terms of business. Therefore, it can be considered that the development of entrepreneurial skills can be achieved by promoting the acquisition of adequate skills necessary for a modern economy and lifelong learning.
Developing an enterprise is based on creativity and innovation exhibited by its employees. Stimulating growth and competitiveness is achieved through investment in education and training.
At the same time, businesses can help develop entrepreneurship by facilitating the action of launching a business by reducing bureaucracy and creating employment opportunities.
Entrepreneurial skills should be taken into account at all levels of education and training. If we start from this idea, we can say that ensuring recognition of qualifications and validation of non-formal and informal learning and the provision of appropriate guidance throughout life can be achieved by ensuring greater consistency between the European Qualifications Framework (EQF) , the European credit Transfer System (ECTS and ECVET) and European classification of skills, competencies, qualifications and occupations (ESCO).
In the field of entrepreneurship, there are two initiatives that promote collaboration between the European Commission and OECD. These initiatives are: Entrepreneurship360 and HEInnovate. The first initiative is to strengthen entrepreneurship in schools and institutions of technical education and vocational training. The second initiative is an online tool that helps higher education institutions to progress on the path to promoting entrepreneurship and innovation in the international framework.
These two initiatives can be given as examples of good practice.
Also, a good correlation with the labor market, businesses should be consulted on the formulation of entrepreneurship education activities. However, businesses should collaborate with educational institutions and training through partnerships.
In terms of business development, in 2013 the overall national economic activities, NACE Rev. 2, were set up 217.622 enterprises, with an average number of 282 626 employees.
Variation of the number of new enterprises for the period 2008-2013 is shown in Figure 2.

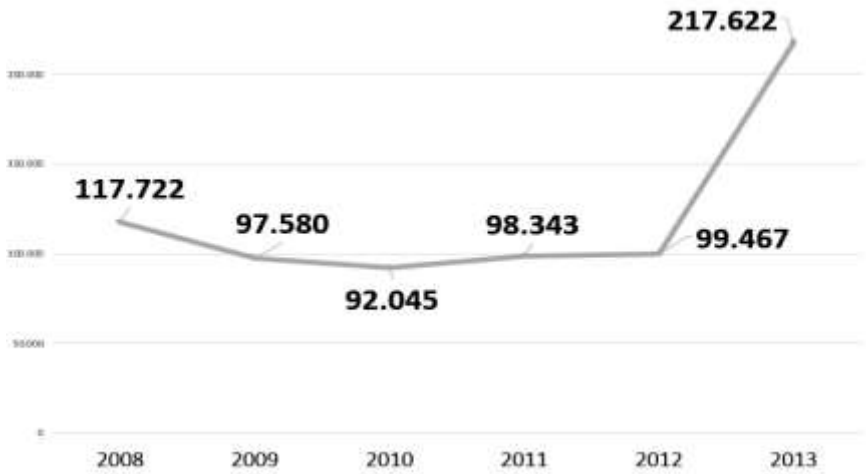


Figure 2: Variation of the number of new enterprises for the period 2008-2013
Source: conducted by the authors based on existing information on the website of the National Statistics Institute, 2015

The graphic shows that after the start of the economic crisis has caused a decrease in the number of newly established enterprises. The decrease is preserved during 4 years (until 2012). Thus, the data found on the National Statistics Institute website, in 2013 were established with 85% more companies than in 2008.
For the period 1995-2013, the average number of employees in newly established enterprises active, created after unit type, shown in Figure 3.

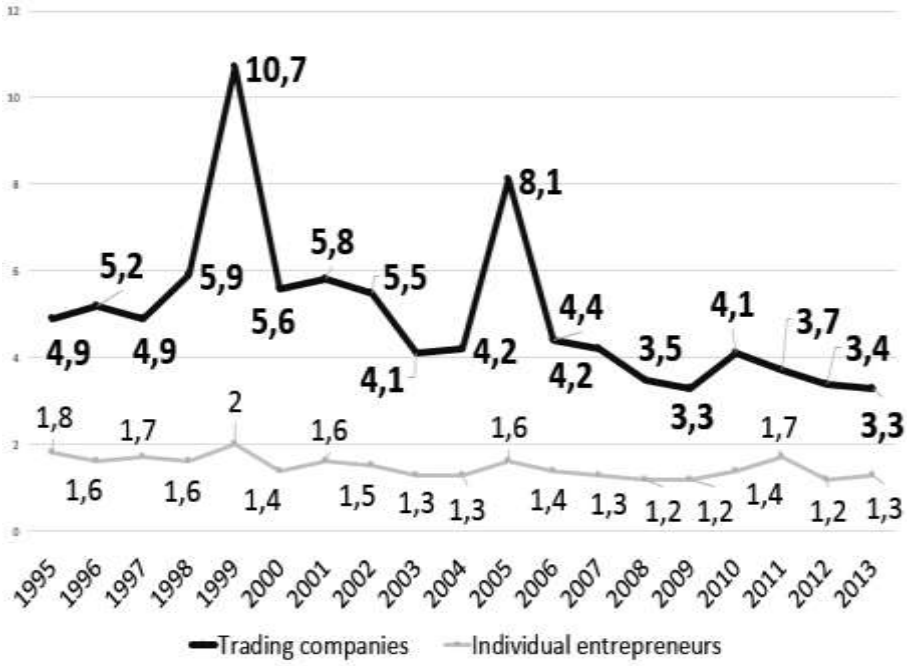


Figure 3: Average number of employees in newly established enterprises active, created after unit type
Source: conducted by the authors based on existing information on the website of the National Statistics Institute, 2015

It notes that in the case of companies, 1999 was the year in which the average number of employees in newly established enterprises active was highest (10.7). It also notes that gradually, year after year, the average number of employees in newly established enterprises declined active. For 2013, this value is 3.3.
Regarding the average number of employees in newly established enterprises active type individual enterprise, it has been relatively constant for the past 20 years.
Distribution of new businesses created in 2013 for national economic activities is shown in Figure 4.

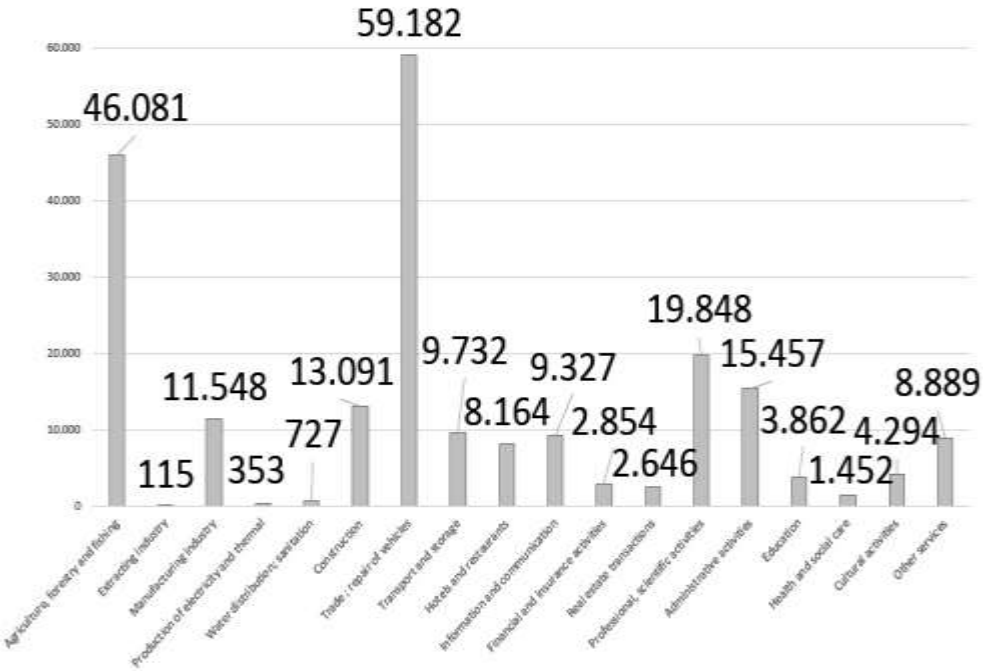


Figure 4: The distribution of newly created enterprises in 2013 for national economic activities
Source: conducted by the authors based on existing information on the website of the National Statistics Institute, 2015

It is noted that most businesses were established in trade and repair of motor vehicles, followed by the agriculture, forestry, fishing. In 2013, fewest enterprises have been set up in the mining industry and the production of electricity and heat.

5. Conclusion

The condition that must satisfy any business in order to be competitive, is given by the preparedness of human factor.
Investing in education is vital for the community members.
It is true that the benefits of the investment in the human factor have not resulted immediately, but they may be seen over time.
There are certain risks in what concerns the investment in the human factor from the communities that have less developed economies. Thus, people who have benefited from training programs, improving their skills or acquiring new ones, are able to access jobs in other communities (United Nations Development Programme, 2015). The migration of these people to other communities can decrease the competitiveness of communities that have less developed economies.
From the data presented, it can be concluded that the level of education of human factor could affect the competitiveness of manpower. Also, the decrease of the expenses from the educational field has a negative influence for the competitiveness.
A solution for the prevention of such issues may be the promotion of the local entrepreneurs, the export of products made by them, and, also, the development of the local tourism and promotion for the tourists. They may be based on the existing local technologies, their adaptation to the local needs and the use of the human capital from that community. A competitive economy involves the investment in the human factor from that community.

Is ever more evident that, at EU level, actions are needed in support of creating a European area for skills and qualifications. Thus, based on labor mobility is beneficial creation of new instruments on transparency and European recognition of skills and qualifications.
We also consider that the accomplishment of partnerships between stakeholders in education, research and business can contribute to a community's economic growth and employment to people with a high level of skill.

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INTERNATIONAL LITIGATION DAMAGES INCLUDING INTANGIBLE ASSETS VALUE

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Abstract: *Intangible assets are very different from tangible assets, in substance but also in their nature. Their valuation is more sensitive than the tangible assets' valuation. Some of them, the ones acquired, are easier to value because there is always the solution to use their book value. But when we talk about goodwill, the things radically change. Usually, the International Accounting Standards – IAS - do not allow companies to record in their books the value of goodwill. This is only recognized when a company is acquired by another company, and the price paid in this transaction is higher than the acquired company's assets. In cases of international arbitration things are also different; there are some cases judged at International Centre for Settlement of Investors Disputes in which the arbitrators decided to calculate the damages by taking in account the intangible assets of the damaged part. The methods used in intangibles assets valuation are: income approach, market approach and cost approach. In the income approach we can talk about discounted cash flows generated be the intangible asset being valued or about the royalty relief. In international arbitration damage valuation we can also find a global method. This present paper is a brief description of these methods and of their use in some ICSID cases: Siemens v Argentina, Sedcov v NIOC Iran. Amoco International Finance v Iran. The underlined idea of this paper can be summarized like these: by compensation in international arbitration, the damaged part should arrive in the same financial position as if the breach wouldn't have place. In order to get to this scope, the damages calculated must take in account the whole value of the business of the damaged party, and this is composed from tangible and intangible assets, even if some of the last ones are not record in the books of the company. There are cases where the value of intangibles' value is a few times higher than the tangibles' value. Specially, the goodwill value can be very significant. International Accounting Standards defines goodwill as: "An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised." (International Financial Reporting Standards®, 2014:1389)*

Keywords: valuation methods, goodwill, patents, damages, ICSID
JEL classification: F510, F370, K220

1. Generally Introduction

The intangible assets valuation came in attention of specialists after the business combination development: acquisitions, mergers, and also after the increase in number of international investment disputes.

The International Accounting Standards (2014:1010) defines an intangible asset as an identifiable non-monetary asset without physical substance and divide the intangible assets in different categories: acquired, acquired in a business combination, internally generated and internally generated goodwill. The internally generated goodwill is not recognized in the company books, it will only be valued in case of business combination or in case of litigation.

The other intangible assets can be measured at their cost and calculating the amortisation and the impairment loss, or they can be revalued by using the fair value. The fair value is given by an active market.

While talking about goodwill acquired in a business combination, this will be calculated as the difference between the sums of: consideration transferred, amount of non-controlling interests, fair value of previous equity interests, and net assets recognized. Each year the good will is tested for impairment loss.

A separate discussion is needed about the research and development costs. Lately we see that more governs are interested in a special way about the research and development activity. At European Union level, there are special grants offered for these activities. In this field it became obvious that there is a direct link between the global innovation index and the foreign direct investment of a country. Lately, the investors are attracted rather by the high level of the innovation of a country then by the low level of the wages. For this reason we should pay attention to this costs and the way that they are reflected in accountancy.

IAS 38, Intangible assets specifies that research costs cannot be capitalized in companies' books and must be expensed when incurred. The development expenditure can and must be capitalized when all the following conditions are met:

- Probable market for the asset;
- Intention to complete the asset;
- Resources available to complete;
- Able to measure costs;
- Technically feasible;
- Economically viable.

If only one of this conditions is not met, than the cost incurred must be expensed immediately.

These are the guidelines offered by the international accounting standards, but in practice there are many other implications besides these lines. For example, there must be done some evaluations before arriving at the sum of the consideration transferred in a business combination, or in order to determinate the damage amount in case of a legal standard breach.

Goodwill is measured as the difference between:

This can be written in simplified equation form as follows:

2. Valuation methods used in practice for intangibles' valuation

In valuation practice there are three main methods used: income approach, asset approach and market approach. Beside these there is also a global method that can be used.

Each of these methods has some steps that must be fallowed in order to obtain the value of the intangible being considered.

2.1 Income Approach

This approach takes in consideration the income that can be linked to a specific intangible asset. It can be about the expense that is not incurred by having the asset, and this is also called the Royalty Relief Method, or it can be about the cash inflow generated by the assets, and this is called the Discounted Cash Flow Method.

Both these methods use the present value of the amounts took in consideration. This is calculated using the above formula:

$$\mathrm{NPV}(i,N) = \sum_{t=0}^{N} \frac{R_t}{(1+i)^t}$$

where

t - the time of the cash flow
i - the discount rate, the opportunity cost of capital
R_t - the net cash flow i.e. cash inflow – cash outflow, at time t
N – total number of periods.

2.1.1 Royalty relief

This is a straightforward method, we should calculate the amount that the company should have paid to other company if they did not own the intangible asset in discussion, and they should have rent it from other company. The total amount of the royalties that should have to be paid is to be discounted to the net present value, and after deducting the profit tax we will find the asset value.

The best image of this method can be obtained by studying the next figure:

		1	2	3	4	5	6	Terminal value
Qualifying revenue		125,000	143,750	165,313	190,109	218,626	251,420	
Reasonable royalty	5%	6,250	7,188	8,266	9,505	10,931	12,571	
Taxation	25%	(1,563)	(1,797)	(2,066)	(2,376)	(2,733)	(3,143)	
Post tax royalty		4,688	5,391	6,199	7,129	8,198	9,428	94,282
Discount factor	10%	0.91	0.83	0.75	0.68	0.62	0.56	0.56
Present value of royalties		4,261	4,455	4,658	4,869	5,091	5,322	53,220
Total asset value		81,876						

Figure 1: Royalty relief in practice
Source: FTI Consulting, Recognising the value of intangibles.

In the image presented before the company has a patent due to which it's able to obtain the following revenues for the next 6 years: 125.000 monetary units for year 1, 143.750 m.u. for year 2, 165.313 m.u. for year 3, 190.109 m.u. for year 4, 218.626 for year 5 and 251.420 for year 6. If the company did not possess the patent, the company should have have to pay royalty to other company, amounted to 5% from the revenues. The royalty expenses are deductible expenses, when talking about tax, so the income tax that the company should had pay would have been reduced by 25% from the royalty paid. After deducting the tax economy we have to apply the discount factor to the royalty amount for each year in order to get to the net present value of the royalties. In this example a terminal value of 94.282 m.u. was estimated. The asset value is given by the sum of the present values of the royalties and that of the terminal value.

This is a very straightforward method of valuation but there is one important condition: to have similar intangible asset that can be rent from the market.

2.1.2 Discounted Cash Flow

There is one important condition that must be accomplished in order to apply this method: we must be able to separate the cash flow generate by this asset alone, separate from the entire business.

There are some examples in the paper "Valuing a business" written by Shannon Pratt and Alina Niculita: if a seller holds some patents and patent applications, he will sell more products due to the advanced features of his products, that are protected by the patents and the competitors won't be able to copy. In this order the seller will have a greater market share and he also can charge a higher unit price. In this example we should

calculate the difference in market share and the revenue obtained from this difference and also the price difference obtained from each year of the patent protection and then we have to applied the discount factor to these amounts in order to get to the net present value of these cash flows. The sum of them will be the value of the asset.

There is also another example: a skilled negotiator in the person of the materials buyer of the seller can obtain a 20 percent below the market price and give favourable supply condition for the seller. If we talk about IAS 38 definitions we will see that this is not an intangible asset that can be recognised in the books of a company because the company does not have control over their employees. Without control, the company cannot recognize an asset or a liability into its books. But for the company as a going concern in case of a business combination or a legal dispute, the skills of the negotiator employed by the company can be measured using the Discounted Cash Flow Method. In this example this will be done be calculating 20% from the values of the acquisitions assumed to take place for the next years, than applied the discount factor, and the sum of the present values of this amounts will represent the value of the skills of the negotiator.

2.2 Market Approach

This is a straight forward method: the evaluator should search on the free market, other similar intangible asset and use his price.

For example a company developing new software, in order to evaluate this intangible, they will search on the market similar featured software and calculate the cost that the company will incurred with the acquisition and use of that specific software: acquisition cost, implementation cost and training. The value of the internal developed software will equal the amount obtain.

2.3 Cost Approach

This approach can fallow two lines: replacement of the intangible or recreation of the intangible.

In replacement of the intangible the evaluator will fallow the market approach, looking for the price of a similar intangible that is available for purchase.

When looking at the recreation of the intangible, the evaluator will look at expenses incurred in the development of the intangible: salaries, social contributions, research and development, marketing, etc.

In the paper “Valuing a business” written by Shannon Pratt and Alina Niculita, there is a clear explanation of how this method work in practice: “ Trademarks and trade names are an important intangible asset for Seller. Company management spends a great deal of time and money promoting and protecting the company’s name. They advertise, send promotional announcements, sponsor booths at trade shows, and so forth. They have actively defended the company name and market against any possible infringement. The analyst used the recreation cost method to quantify the value of this intangible asset, The analyst estimated the current cost required for the company to recreate its current level of customers awareness, brand recognition, and consumer loyalty. Te estimated cost to recreate this level of name awareness is capitalized as the value of this intangible”.

2.4 Global Method

There is a global method used to estimate the value of the intangible assets of a company, without evaluate separately each item but by difference between the medium company’s earnings in one year and the yearly earnings the company should have incurred without the intangibles. This amount, after taxation, divided be the weight average cost of capital, represent the value of the intangible assets of the company.

This method can also be used in order to estimate the value of goodwill. In this case the value of intangible will be first determinate using some other method and then the difference between the yearly earnings, after taxation and discounted, will be considered the value of the goodwill.

Example of applying the global method from the the paper “Valuing a business” written by Shannon Pratt and Alina Niculita:

“Step 1: Calculate average pretax earnings for the past three years (in this case it was 2006, 2007, and 2008). For Intel, that's $8 billion.

Step 2: Go to the balance sheet and get the average year-end tangible assets for the same three years, which, in this case, is $34.7 billion.

Step 3: Calculate Intel's return on assets (ROA), by dividing earnings by assets: 23% (nice business to be making chips).

Step 4: For the same three years, find the industry's average ROA. The average for the semiconductor industry is around 13%.

Step 5: Calculate the excess ROA by multiplying the industry average ROA (13%) by the company's tangible assets ($34.7 billion). Subtract that from the pre-tax earnings in step one ($8.0 billion). For Intel, the excess is $3.5 billion. This tells you how much more than the average chip maker Intel earns from its assets.

Step 6: Pay the taxman. Calculate the three-year average income tax rate and multiply this by the excess return. Subtract the result from the excess return to come up with an after-tax number, the premium attributable to intangible assets. For Intel (average tax rate 28%), that figure is $3.5 billion - $1.0 billion = $2.5 billion.

Step 7: Calculate the net present value of the premium. Do this by dividing the premium by an appropriate discount rate, such as the company's cost of capital. Using an arbitrary discount rate of 10% yields $25 billion.

That's it. The calculated intangible value of Intel's intellectual capital - what doesn't appear on the balance sheet - amounts to a whopping $25 billion! Assets that big certainly deserve to see the light of day.”

3. Intangible assets valuation in ICSID cases

Many of the disputes between foreign investors and states are judged at the International Centre for Settlement of Investment Disputes. In the last years the number of cases had increased, and the amount of the damages discussed is increasing as well. These are the reasons way many authors had turned their attention on these cases.

The intangible assets were recognized as part of investmet from tha ICSID arbitrators in the folowing cases: Siemens v Argentina, Sedco v NIOC Iran, Amoco International Finance v Iran.

3.1. Siemens v Argentina

In 1996, Argentina called for bids for the provision of services related to immigration control. Siemens had wan the bid and entert into a Contract with Argentina for the provision of these services for a six-year term that was renewable for two further three-year terms (investment).

In 1999, Argentina suspendet the contract and in 2000 passed a law by which the president could recegociat the public contracts. In 2001 sent a new peoposal to Simens, which was non-negociable and not consistent with the previews contract. Simens did not accept the new peoposal so Argentina terminate the contract be a decree.

In 2002, Siemens initiated ICSID arbitral proceedings under the Argentina-Germany BIT. Siemens claimed that Argentina’s actions were arbitrary and

Discriminatory and amounted to: an expropriation of its investment, a violation of its obligations to accord fair and equitable treatment and full protection and security, a breach of the umbrella clause. The damages claimd amounted to US$462,477,071 plus compound interest at 6% per annum and requested the return of the performance bond.

The Tribunal found that Argentina had unlawfully expropriated Siemens' investment,had failed to afford fair and equitable treatment and full protection and security.

The damages were calculated starteing from the book value of investment, and the Tribunal recognised the inangible assets value in calculating the damages.

In the award rendered in Siemens v Argentina case, the arbitrators had stated that: „As a general matter and based on the definition of investment, which includes tangible and intangible assets, the Tribunal considers that the obligation to provide full protection and security is wider than "physical" protection and security."

3.2. Amoco International Finance v Iran

In 14 March 1967, Aomco International and National Petrochemical Company of Iran (NPC) created a 50:50 joint venture "the Khemco", owned and operated a natural-gas processing plant on Kharg Island in the Persian Gulf.

In 1979 the Iranian Government announced that it intended to buy out all foreign shares in petrochemical plants. Negotiations followed for the sale of Amoco International's interest in Khemco, but no sale was concluded, and Iran lawfully expropriates the Amoco part from the joint venture.

When claiming the damages, Amoco has stated that: "The first step in valuing an asset pursuant to the DCF method must be to project from the valuation date onward the most likely revenues and expenses of the ongoing concern, year by year. The revenues less the expenses will give the future net cash flow. The 254 second step will be to discount the projected net cash flow to its "present value" as of the valuation date. To this end it will be necessary to determine the proper discount rate, taking into account the probable risks, inflation and the real rate of interest. The factor of inflation, however, can be discarded in consistently using a currency of constant purchasing power, as was the case in the calculations made by the Claimant and its expert, in "real" terms (*i.e.* in 1979 U.S. dollars). The proper discount rate, then, allegedly equals the annual rate of return available in the market on assets of comparable risk. Therefore, according to the Claimant, it can be said that "the market value of an asset and its present value determined by the DCF method are one and the same thing". The Claimant concludes that the value arrived at by the DCF method is not speculative "because the risk that the actual cash flow will be less that the projected cash flow is fully taken into account in the market-determined discount rate." (Award rendered by Iran-US Claims Tribunal, Amoco Int'l Finance Corp. v. Iran, 15 IRAN-U.S. C.T.R., at 189)

However, the respondent claimed that this is not proper a method vor damages valuation for this case, proposing the net book value.

The Iran-US the Claims Tribunal identified the main problem of the book value method: "[i]n the case of a going concern, the value of the enterprise as a whole is greater than the sum of the discrete elements which constitute it, Net book value does not capture this additional value (goodwill)."

3.3 Sedco v NIOC & Iran

Phillips Petroleum Company Iran, a Delaware corporation brought forward to the Iran-US Claims Tribunal the claim for compensation for the alleged taking in 1979 by the Respondent Islamic Republic of Iran of the Claimant's rights for the exploration and exploitation of the petroleum resources of a certain area offshore in the Persian Gulf. In 10 March 1979 Sedco was informed that the only way to obtain oil from Iran will be be

purchasing it from NIOC and told by Iran that their agreement had been terminated and nullified.

In Sedco v NIOC & Iran, the Iran-US Claims Tribunal stated:

[T]he theory that net book value is the appropriate standard of compensation in all cases of lawful expropriation overlooks the fact that a nationalized asset is not only a collection of discrete tangible goods (equipment, stocks and, possibly, grounds and buildings). It can include intangible items as well, such as contractual rights and other valuable assets, such as patents, know-how, goodwill and commercial prospects. To the extent that these various components exist and have economic value, they normally must be compensated, just as tangible goods, even if they are not listed in the books ... [T]he fact that the expropriated assets form a going concern certainly cannot be disregarded at the time of the valuation …" (Sergey Ripinsky with Kevin Williams, page 222-223).

"Another method which can help the Tribunal verify its findings concerning the value of the Claimant's JSA interests is to value the tangible investments made by the Claimant under the JSA as well as the Claimant's intangible assets, including the profitability of its share of the going concern, and to deduct from these total assets the Claimant's liabilities. While this method also values the revenue-producing potential of the Claimant's JSA interests it puts more emphasis an actual investments and past performance as a basis for the assessment of expected profitability than on forecasts of expected cash flows. This method, which might be described as on underlying asset valuation approach, first calculates the tangible assets at their depreciated replacement value, thereby adjusting book value which the Respondents, in its net form, have put forward as their preferred measure of compensation for this Case. In order to quantify the intangible assets including profitability of the property interests taken, an appropriate income figure is determined based on historic earnings, to which a multiple is applied, which takes into account legitimate expectations in an oil venture of this type generally and in the context. of the JSA more particularly." (Iran-US Claims Tribunal, Phillips Petroleum Co. Iran v. Iran et al., 21 IRAN-U.S. C.T.R., at 79 et seq.)

4. In conclusion

Intangible assets are a very important part of the business and there valuation needs a very careful approach. In international disputes the quantum of damages are directly influenced by the intangible assets valuation.

The international arbitration cases presented in this paper underline the value of the intangible assets being recognised by the Tribunals judging the cases and they can be mention in any other further case. The damages thought in the arbitration cases are substantially and so is the value of the intangible.

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ENTREPRENEUR, ENTREPRENEURSHIP AND INTRAPRENEURSHIP. A LITERATURE REVIEW

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Abstract: *Entrepreneurship is nowadays a buzz word, present both in political arguments and discussions, in official debates and also in the economic literature. However, the entrepreneurship and the recognition of the entrepreneur's role for the economic system have been revealed by different authors for two centuries. Despite of this fact, there are still controversies regarding the meaning and significance of the entrepreneur and entrepreneurship. Since then, and especially in the latest decades, some new concepts have been added to the already rich literature, e.g. intrapreneur and intrapreneurship. This paper is a modest attempt to review some old but also some recent approaches concerning the named terms and concepts, and thud contributing to a better understanding and use of these concepts. After reminding some relevant approaches regarding the terms entrepreneur and entrepreneurship, the newly emerged terms have been in our attention. Indeed, while notions like „entrepreneur" and „entrepreneurship" are widely used and known, the words „intrapreneur" and „intrapreneurship" are less commonly used and much more new but in rapidly spreading, due to the fact that the recent decades have been labeled by certain economists as „the entrepreneurship era". The reason why the notion of intrapreneurship is less known than that of entrepreneurship is very simple to explain: the former one is pretty new, whereas the latter one has a history of over 200 years.*

Key words: entrepreneurship; intrapreneurship; innovation; corporation, capital.

JEL classification: B30; L26.

1. Introduction

What is the difference between entrepreneurship and intrapreneurship? What are similarities and the differences between the two concepts: entrepreneurship and intrapreneurship? In order for us to find the answer to this question, first we have to come up with an answer to a different one: is it necessary that there be a new organization in order to implement a new idea or can this one be implemented in an already existing one? Entrepreneurship is all about initiative, innovation, taking decisions, being responsible enough so as to take risks regarding the economic activities undertaken by a certain person that possesses a certain capital. Intrapreneurship is the means by which an organization can be transformed in a more lucrative one, one in which visionary employees can implement entrepreneurial ideas. It is for the benefit of any organization to sustain and encourage intrapreneurship, because thanks to intrapreneurship, companies can reinvent themselves, can improve their performances, develop and maintain themselves on the market.

Today, companies are extremely large, therefore the entrepreneurial spirit manifests itself in already existing organizations and there is no need to initiate a new one. Those who manifest their entrepreneurial capacities in an already existing company are like a breath of fresh air for that company. They are not entrepreneurs in the proper sense of the notion, but rather they are specialists with exceptional training, being able to use the knowledge

they have accumulated in order to innovate and transform innovation in a success. These people are called intrapreneurs.
Intrapreneurship is proving good not only for the employer, but also for the employee, having the opportunity to stand out, to show off one's qualities, to distinguish him/herself, to innovate. A creative, innovative person that is encouraged to use these personal qualities will feel motivated to remain in the company and therefore we will see less of this „phenomenon whereby valuable, open minded an innovative employees are being lost, disappointed by the organizations and bureaucratic processes present in the large companies" (Badulescu, 2013).

2. The entrepreneur as main actor of the entrepreneurship and intrapreneurship

Despite a rich and diverse literature, capturing the essence of entrepreneurship and the role of entrepreneur for the economic system seems to be a difficult step for economists, who never cease to invoke it, but less to explain and even less to agree on it (Badulescu and Badulescu, 2012; Badulescu, 2013; Badulescu and Badulescu, 2014). As Hirshleifer (1976) has revealed, the main lines of thought define entrepreneurship in a general and quite superficial way, as a result of the confluence between business management and ownership. It is considered as a production factor, related to risk assuming and compensation, innovation, mitigation of uncertainties and generating profits. Baumol (1993) see the entrepreneur as "is at once one of the most intriguing and one of the most elusive in the cast of characters that constitutes the subject of economic analysis".
Frank Knight (1942) considers that the entrepreneurs are the owners of the company (called "residual claimants") and thus they are entitled to profit. For profit, the entrepreneur shall initiate useful changes or innovations, adapt to changes in economic environment and assume for his company the consequences of uncertainty. The fact that entrepreneurs are owners in the same time does not put equality between entrepreneurship and (small) business ownership. While small business owners see their company in a static view, maintaining the *statu quo*, they have a local coverage and limited growth prospects, the entrepreneurs see the business developing; they search opportunities and go beyond local conditions, in a continuous desire for expansion (De Clerq, Crijns and Ooghe 1997).
On the other hand, Kirzner (1973) sees the entrepreneur as a "pure decider and arbitrator" and has no ownership. Kirzner claims that "... ownership and entrepreneurship should be seen as two completely separate functions, [...] pure entrepreneurial decision is by definition reserved for decision makers not possessing anything" (Salerno 2007 and Costea, s.a.).
Authors like Timmons and Spinelli (2003), Nieman (2001) consider entrepreneurship as the business launch (exploiting an identified opportunity), followed by growth and development on a specific area. Small business owners are seen as business starters, who consolidate and develop their business up to a stage, where they lose their willingness, ability and entrepreneurial intuition.
The entrepreneur's role can be revealed by understanding the Schumpeterian approach of production function (Iversen et al., 2008). Unlike the manager who combines the production factors in the production function, in order to achieve the highest technical efficiency, the entrepreneur goes outward the production function through his or her innovations. The entrepreneur moves the economic system out of equilibrium, through creating new products or production methods, and therefore others become outdated. This is the process of "creative destruction", which Schumpeter views as the driving force behind economic development.
In the same line, Schultz (1975) emphasizes that entrepreneurship is closely related to disequilibrium situations, entrepreneurship being the ability to deal with such situations. In disequilibrium, the agents act sub-optimally and they could re-allocate their resources in order to achieve a higher level of satisfaction. Entrepreneurship means the capacity and

ability (differing from one person to another, from one company to another) to coordinate the re-allocation.

The Schumpeterian entrepreneur applies information about inventions to create new combinations; he is the most entitled to decide which new combinations are profitable. The Knightian entrepreneur estimates a unique situation that will arise in the future and makes decisions on how to exploit this situation in order to make profit. Both theories agree, however, that while entrepreneurs are *decision makers*, many decision makers are not entrepreneurs.

Casson attempts to unify the definitions of Schumpeter and Knight by stating the idea that the entrepreneur is that person specialised in decision-making, possessing many skills allowing them to make value judgements value for an intelligent use of scarce resources (Casson, 2003).

The entrepreneur is often assumed to have a particular personality and specific traits. The core point of these approaches (Kaufmann and Dante, 1999) consists of a set of characteristics describing the "entity" called entrepreneur, such as: fundamental change, innovative, flexible, willingness to undertake risks, always on alert, desire to succeed, and ambition. Some perspectives on the specific characteristics of the entrepreneur are emphasized below:

The entrepreneur is a person having abilities to solve crisis, a leader, motivated for undertaking risks. Marshall suggests that the qualities associated with a good entrepreneur are rare and limited, being "so great and so numerous that very few people can exhibit them all in a very high degree" (Burnett, 2003). The entrepreneur is the guiding mind and dynamic spirit in the modern capitalism enterprise. Weber (2005) shows the significant contrast between the new entrepreneur who sees earning as a call and wants to reform the state of the art, and the traditional capitalist is satisfied with the existing *statu quo*.

Sombart defines the entrepreneur as "quick in comprehension, true in judgement, clear in thought, with a sure eye for the needful... Above all, he must have a good memory." (Sombart, quoted by Grundmann and Stehr, 2001). Sombart sees the difference between an entrepreneur and a trader in what he calls the "calling" for the entrepreneur, respectively, instrumental activity, lucrative for the trader. Sombart identifies the meaning of "calling" in other types of human behaviors, namely the explorer, the inventor, the conqueror and the organizer. Although it seems much more prosaic, for Sombart, trader function is more important in modern society and economy than heroic - entrepreneurship. *"The entrepreneur began as a conquistador and ended as an official"* (Loader, 2001).

Entrepreneurs are leaders and key agents of creative destruction. Schumpeter pointed out that the entrepreneur does not necessarily discover things, goods, but operates in an innovative way with things which have already been invented. Combining the existing inventions, the entrepreneur and his creative destruction create new industries, while old industries are withdrawn, destroyed or disappear. The entrepreneurs change the relationship and production techniques, they lead the economy toward a better use of capital and knowledge, ultimately leading to improved macroeconomic growth and productivity. Moreover, Schumpeter defines the entrepreneur as a creator of business cycles, because their actions generate dislocations that often come in waves. More recently, for Baumol (2002), an entrepreneur may not manage or own a business, may be engaged or not in a productive activity, but the defining factor is the "innovative behaviour".

The entrepreneur is a person who makes investment under uncertainty and has an unusually low level of aversion to uncertainty. Frank Knight (1921) makes a clear distinction between risk and uncertainty. For example, uncertainty refers to a unique event, difficult to predict as size, effects and time of occurrence (such as rapid and decisive changes in consumer tastes), to which there are no "classical" protection, like insurance. According to Knight, the entrepreneur examines these unique events in the economy, applies his own judgments and actions, acting as an *ad hoc* insurance agent, and even protects other shareholders of the company against these effects.

The entrepreneur has an attitude and behavior based on receptivity to new information and people; he makes independent decisions, sees opportunities in rapidly changing and uncertain economic environment, he is persistent, available to assimilate technical knowledge, has outstanding personality, leadership, management abilities (Johnson, 2001). According to Sexton and Bowman-Upton (1991), entrepreneurship is a general approach to the management that begins with identifying opportunities and culminates with their exploitation.
The entrepreneurs search opportunities and innovate to meet the society's needs, without taking into account the apparent limitation of the currently available resources.
Although comprehensive and meeting the analysts' consensus, the behavioural theories are to be criticized at least on two respects. On one hand, it is difficult to test these skills, especially to demonstrate that they comprehensively define entrepreneurship, and on the other hand, these traits can exist at many people who are not necessarily entrepreneurs. As a conciliatory approach, we can say there is a general understanding that most of the above traits accompany a continuous business activity in most entrepreneurial types known over time.

3. Entrepreneurship versus intrapreneurship

The simplest forms of the intrapreneurship concept appeared in the '70s, as a result of certain paradigm changes in the market, economy and companies' culture. The origins of intrapreneurship are to be found, no doubt, in entrepreneurship. The author who introduced the notions of intrapreneurship and intrapreneur is Gifford Pinchot III in 1978. The notions stem from the phrase intra-corporate-entrepreneur (Pinchot, 2010), and it concerned two aspects:
1. Intrapreneurship is a set of good business practice that gives full credit to people with entrepreneurial personality to innovate quickly in large organizations, not only for the benefit of the latter, but also that of the consumers/clients.
2. Intrapreneurship encompasses individual actions or/and team actions that behave in an entrepreneurial manner, in order to serve the interest of very large companies and supply chains, with or without official help (Pinchot, 2010).
In one of his works on intrapreneurship, Nielsen et al. (1985) states that, although Pinchot is the one who invented the notion of intrapreneurship, economists like Chandler, Williamson and Baumol changed the classical and neoclassical principles of the market economy. They also believe that intrapreneurship is more apt for large corporations and it is best applied to dynamic environments (Hathway, 2009).
Antoncic and Hisrich (2003) offered a series of key elements pertaining to intrapreneurship: new ventures and new businesses, product/service innovation, process innovation, risk taking (losses, opportunity costs), pro-activeness. The two economists see these elements as being independent, but at the same time interrelated, so as to refer to the same construct.
Macrae analyses intrapreneuship when western economies had difficulties. He considers that organizations should compete within themselves and self regulating profit centers should come up with the best solutions. Macrae says that this predates the notion of intrapreneur, but he supports Pinchot's ideas, warning about generally accepted theories promoted by business schools (Macrae, 1976; Macrae 1982).
Pinchot and Pinchot suggest new terms related to intrapreneurship. One of them is "freeholder" which stands for employee or associate, but implies higher commitment. "Intra-property" pertains to the profit centre, assets and rights, and is not controlled by the corporate centre. "Intra money" refers to the wealth within the enterprise as a symbol of independence and freedom (Pinchot and Pinchot, 1997), (Hathway 2009).
For Pinchot and Pellman, intrapreneuring is a set of definite principles, being the result of Pinchot's work in big companies. In their view, powerful teams led by entrepreneurs may be the beginning of successful organizations. The emphasis is on early prototyping,

tolerance of errors, internal and external networking and clever use of funds and sponsors (Pinchot and Pellman, 1999), (Hathway 2009).
Today there are a series of approaches regarding intrapreneurship, the most important being (Wanscoor, 1992):

- The first approach values the individual, the hero, with emphasis on individual intrapreneurial action;
- The second set of approaches has an emphasis on the intrapreneurial team, consisting of individuals who are willing to undertake risks and who promote intrapreneurship together;
- The third type of approaches focuses on the intrapreneurial organization, formed within the company where it used to function as a organizational subunit.

The entrepreneur acts independently, activates in his own organization, whereas the intrapreneur is only partially independent, activating within the company as an employee. Being led in their activities by the entrepreneurial spirit, they have certain elements in common, such as initiative, innovation and risk necessary for the creation of added value. These elements are implemented differently, resulting, therefore, in a series of differences. The next table offers information regarding the similarities and differences between the activities undertaken by the entrepreneur and those of the intrapreneur.

Table 1: Similarities and differences between entrepreneurship and intrapreneurship

Similarities	**Differences**
• Innovation: - both the entrepreneur and the intrapreneur are innovative persons; - innovation can represent a new product or service, a new technological process or an improved management method;	• Type of activity: - the intrapreneur's activity has a restoring character; - the entrepreneur's activity has a creative character;
• Creation of value: - adding further value to the products and services is the goal of the the two; - alteration must be truely new and must come up with a different proposal;	• Encountered obstacles: - for the intrapreneur, the company's culture can be the main obstacle; - the entrepreneur has only one obstacle, a very powerful one: the market;
• Undertaking risk: - the intrapreneurial and entrepreneurial activities have a higher degree of risk as compared to the usual ones; - the intrapreneur risks the company's money, focusing on new products; - the entrepreneur risks own money and time;	• Sources of funding: - the intrapreneur uses the company's resources, that can be very large; - the entrepreneur must look for personal funding sources, at the risk of losing his own assets/fortune;

Source: Sasu 2003 (in Badulescu, 2013)

The experience acquired by working in a large company may prove useful for the opening a personal business. One has to decide which alternative is most suitable, as both entrepreneurship and intrapreneurship have advantages as well as disadvantages.

4. Other forms of entrepreneurship/intrapreneurship.

Exopreneurship is a form of entrepreneurship that is linked to intrapreneurship, but innovation is facilitated by external entrepreneurs, referred to as exopreneurs. The forms of exopreneurship have to do with the role and purpose of external agents, (entrepreneurs). Exopreneurship can turn into: franchising, subcontracting, strategic alliances and external search for new financing sources (Chang, 2001).

Franchising is not immediately associated with intrapreneurship, but the notion of frantrepreneur encompasses the activity and the personality of a franchisor who reconfigures and innovates through franchising, developing the international market. Franchising is a different but important form of entrepreneurship (Sundbo et al., 2001). The intrapreneur acts as a manager of change, whereas the frantrepreneur is seen as a partner. The intrapreneur focuses on adaptation, whereas the frantrepreneur focuses on standardization. The intrapreneur has a wider purpose as regard to innovation, whereas the frantreprenur's purpose is a more limited one (Hathway, 2009).

5. Conclusions

An important part of this article underlines the relationship between entrepreneurship and intrapreneurship, as well as the similarities and differences between these two concepts. In order to be a successful entrepreneur it is necessary to possess a capital that allows you to bring something new on the market, for the companies who want to maintain themselves on the market, to resist competition, to enlarge and develop their business, innovation is mandatory. Both entrepreneurship and intrapreneurship offer this possibility, but in different organizational frameworks. Big companies interested in innovation are becoming more and more preoccupied with the creation of a true entrepreneurship/intrapreneurship culture. They want to convince employees, investors and managers that trying to promote new ideas is no loss of time, but on the contrary, it adds value to the company, that it is normal to make mistakes in the search for something new and that failure shall not be punished, if things do not go according to plan. Taking into consideration the high speed changes in today's business world, the big companies that are reluctant to inovation and intrapreneurship are likely to be left out of the race and therefore face drastic and rapid profit cuts and have less chances of surviving.

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EDUCATION AND HUMAN CAPITAL AS ENGINES FOR ECONOMIC GROWTH. A LITERATURE REVIEW

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Abstract: *The paper approaches some key issues regarding the concept of education and human capital and their role in promoting economic growth and development and empowering people. Education is widely considered as not a cost but a real and effective investment. Human capital, as part but also as a result of the education system, has to be connected to the labor market reality and requirements, so that the nowadays education could be effective for tomorrow's economy. It is necessary to form an active labor force, involved in the promotion of the economic growth, ensuring financial remuneration according to the work performed, welfare, consumption, taxes due to the state etc. Education is seen as the most cost-effective investment in people, which transforms the individuals and the society, but also contributes to the economic system of a state, through its role to ensure labour force. Education is the product of many actors involved, jointly acting, such as family, social environment, school, church, cultural institutions, media and associative structures. Most of all, education must to be a conceptual framework of each of us as a constant desire to become more educate. Education has no borders, no barriers to overcome at the informational level. It must be acquired, supported and constantly assessed to become increasingly competitive. Intellectual human capital within the education system is an integral part of economic heritage. It can lead, through the value of work performed, to economic growth. Regarding the frame of the relationship between education development and economic growth, the starting point could be identifing the appropriate or inappropriate workforce for specific economic activity, the actors can contribute to economic growth through their subsequent training in the education system, corelating the individual productive capacity with existing market capacity.*

Keywords: education, investment, economic growth, productive human capital

JEL Code: A11; I25; O15.

1. Introduction

Education effectively take part in the process of shaping individuals who want to be part of a system of education or another. It is a mindset, a way by which the trained man will perceive some problematic issues he faces in his daily work more efficient, in addition education expands horizons of thinking upon everything surrounding us. Therefore it is considered that, education is part of every individual, through its their culture, way of expression, thinking and, last but not least, its behavior in the social environment. Education cannot be more than the individual desire to manifest in a certain form of study. Joan Amos Comenius in ,,Didactica magna'' considered that at birth, nature endows the child only with ,,the seed of science, morality and religiosity'', they become the property of every man only through education. Thus, in his view ,,education is a stimulating activity of those ,,seeds'' and implicitly running the process of humanization, man ,,cannot become human unless he is educated'' (Stanciu, 1977 p.65). Education as a source of human capital, help to a potential opportunity of work commitments among individuals who are educated to find each other more quickly on labour market. Education is a dynamic domain which depends making and achieve obiectives affected by a number of factors:

economic,demographic, sociocultural and so on. Therefore, the education has no borders, no evertaking barriers in informational plan, just have claimed more efficient for training human capital to have economic benefits after activites performed by each individual. Education plays an important role in human capital formation by providing an extra chance for every person to find themselves in a job. Education is a continous training of indiduals for life, which is achieved as to whether or not want around each of us simply because we interact us. It can be said that each person is the teacher for another person, in society, at a given moment in time. The form of education varies from individual to individual, through the process of transmission and reception of information. Education must be a continuous desire both person and government to manifest as a permanent action to develop human capital. Regarding education as a form of state investment, particularly percentage of GDP differs from state to state, no one can certify what should be the percentage allocated to education, so as to bring economic growth and development. But certainly increasing yhe percentage of GDP for education it must bring actually with the improving quality of education act.

2. What is education?

Emil Durkheim defined education,"as an influence from adults on those who are not ready for social life, with the aim to form their mental, moral and physical abilities corresponding to the requirements of society" (Durkheim, 1980, p.45). Roman Herzog (1997), former President of FRG, considered "education is the key to labor market and still the best prevention against unemployment''. For UNESCO education is understood to involve organized and sustained communication designed to bring about learning (UNESCO, 1997). However, education could be defined as the personal project which should reflect the individual's desire to educate. Where there is no willingness towards the educational project, the responsible factors from the social environment must identify the cause that determined the individual to not educate. Training a man supposedly involves an educational base, acquired and evaluated by the society where he manifests as social interest to be an eternal and vivid imprint. Education is seen as the most cost-effective investment in human, which transforms the individual, society, and contribute to the economic system of a state by his work. It should be a concern of the whole society by the optimal use of its human and material resources available, but also beneficial at a certain point.

Table no.1. Synopsis of several spproaches on education

Concepts on education	Authors
Education is a complex activity for the formation of a man prepared to meet the practical requirements of society and enhancing personal profit.	Locke (1962)
Education is a continuous reconstruction of experience which adds to the meaning of previous experience and ensures the development of the following one.	Dewey (1972)
Education can contribute to the ,,world reconstruction"	Montessori (1973)
Education is the conscious activity to influence the human through a triple action of care, cultivation and guidance towards compliance with the cultural values and individual awareness to them.	Bârsănescu (1975)
Education as an influence from adults on those who are not yet prepared for social life, with the aim to form their mental capacity, moral and physical adequate to society requirements.	Durkheim (1980)
To educate means transformation of psychological consciousness of the	

individual related to the collective relations as a whole common conscience which assigns a common value.	Piaget (1980), (2005)
Education is a systematic activity exercised by adults on children and adolescents in order to prepare for a full life, in a determined environment.	Planchard (1992)
Education is a complex social activity that is performed by an endless chain of actions exercised consciously, systematically and organized in order to form an active and creative personality, to meet the social and historical present conditions.	Nicola (1993)
Education is the key to the labor market, and it remains the best protection against unemployment. It keeps the mechanism of social mobility up and running and thus keeps our open society moving.	Herzog (1997)
Education is a psychosocial activity with general function of training - ongoing development of the human personality for optimal social integration (...).	Cristea (2000)
Education, as a project, but also real phenomenon relates to temporal coordinates and involves a succession in time (…).	Cucoş (2006)
Education is natural development, progressive and systematic.	Pestalozzi,apud Panţuru (2008)
Education is help for life, stimulates intelligence, cultivates freedom and initiative of children.	Montessori (apud Panţuru, 2008)
Education is the action exerted by the adult generations on those who are not yet mature for social life.	Durkheim (apud Panţuru, 2008)
education and skills are 'growth-enhancing items' , ”better educational levels help employability and progress in increasing the employment rate helps to reduce poverty”	Europa 2020 Strategy (2010)
the active learning process, founded on values of solidarity, equality, inclusion and cooperation (...)	CONCORD (2011)

3. The economic value of education

The labour product of an educator is reflected on training of human resources within the institutional environment, to be useful to social and economic environment at a certain time. Education as an economic value must be the best supported asset by allocating the necessary financial resources to education system. Economic development is a sequence of activities that fulfill macroeconomic requirements on basis of transformations, economic changes where the role of education is vital considering the human factor that we have, subject to the process of formation of individuals aiming at the market work force opportunities. Consecvently, the economic development of a country requires schools educating labor force, for both sides of educational approach: the theoretical, but also, more defined, the practical one.

All countries of the modern world are seeking economic growth and development, we are in a constant competition in the world on economic growth because it enables people to consume more goods and services that lead both to the welfare of the population and economic growth. Each state develops its own strategies for economic growth and development, where investment in education is a national, strategic-investment priority, which can not be achieved just through financial and theoretical support, but rather by allocating a substantial percentage of the GDP for supporting education. Therefore, as Jacques Delors states, who, between 1992-1996, was president of the International Commission for Education in the XXI century (...) "education systems must educate in an innovative spirit, to promote capacity development, adapting to a world in rapid change,

each individual being able to assimilate"(Delors,2000,p.55). The economic growth of a country depends on human development by enhancing education level, reducing poverty and set individuals on social level, issues that can be achieved through the investment in education. Any economic growth is conditioned by the development of human capital, which is the most valuable heritage of a country. And not least is should be recalled the Europe 2020 strategy, the most important strategic document released by the European Commission for the next decade, defines education as ,,a priority needed to support the EU's economic growth potential and the states sustainability. To support the EU's economic growth potential and the sustainability of our social models, the consolidation of public finances in the context of the Stability and Growth Pact involves setting some priorities (...). The structure and quality of public spending is also important: budgetary consolidation programs should give priority to ,,growth-enhancing fields'' such as education and skills, research, development and innovation (...)''(European Commission, 2020 - (2010).Thus, it should be taken into account the statement of Androulla Vassiliou, Commissioner for Education, Culture, Multilingualism and Youth,, reorganization of education is not just a question of money: though it is true that we must invest more in education and training, it is clear that educational systems must be modernized and equipped with a more flexible operating mode to meet the real needs of contemporary society (European Commission, 2012).

Europe will return to sustained growth only through the formation of highly qualified and adaptable professionals who can contribute to innovation and entrepreneurship. Making efficient and well-targeted investment is essential in this regard, but we will not meet the objectives by reducing budgets for education''. The new strategy involves a complete change of education systems, which will focus on the outcome of learning, such as knowledge, skills and abilities acquired by students. It was found that the mere presence in education is not enough and that's why is nedeed to improve reading, writing, arithmetic; entrepreneurial skills should be developed or strengthened, and not least the spirit of initiative. Moreover, entrepreneurship education should be a permanent concern of education institutions, and it should be focused and oriented in order to create effective abilities among young people to create and develop their own ventures, to be considered as a real alternative to employment (Badulescu, Daniel and Badulescu, Alina, 2014; Badulescu, Daniel and Vancea, Mariana, 2013). From the Europe 2010 Agenda, it could be mentioned: enncouraging the development of elementary and transversal skills at all levels; a new criterion for learning foreign languages in 2020 - 50% of youth of 15 year old must know a foreign language, compared to 42% today,and 75% to study a second foreign language compared to 61% currently; The need of investment for the creation of vocational education and training systems globally, and to increase levels of learning in a professional environment; improving recognition of qualifications and competences across all Member States, even those obtained outside the official system of education and training; Technology valorification, especially the Internet; Reforms of the education system to be supported by trained teachers, motivated and enterprising; Debate issue of funding education so as funding to maximize the return on investment; Adopting a partnership approach to stimulating innovation and favor exchanges between academic environment and enterprises (European Commission, 2010).

4. What is human capital?

In terms of common knowledge *capital* means financial resources (money in the bank account) or assets business's assets needed to generate incomes and useful result over a long period of time. Gradually, the understanding of the concept of capital overcome these concrete forms and began to be referred also to the labor force, as a set of skills that workers can get a variety of results By default this means it can be correctly interpreted as an investment. Thus, human capital refers to a stock of skills, knowledge, creativity, social and personality attributes, qualification of a worker (innate or acquired) that contribute to

its productivity and ability to produce economic value. Human capital is an intangible asset; it is not owned by the company employing the workers, but rather leases these skills from the employees. However, it is obvious that businesses can get better results if they invest in education (qualification) of this asset even that, formally, they do not owned it.

Each stage of the economic thought from the occurrence of theories on human capital until nowadays takes on new forms of expression, but one of the forms accepted but which can be modified related to new trends of economic thinking and accepted is given by OECD and defines human capital as, 1),,stock of professional knowledge, skills and health habits that can lead a person to increase his creative capacities and hence the revenue expected to be obtained in the future; 2) the ability of people to produce goods and services efficiently"(Enache et al 2001.p.82). .

There are three main approaches on human capital (Kwon, 2009): The first viewpoint is based on the individual aspects, “something akin to property” (Schultz, 1965), as a contradiction of labor force understanding in the classical perspective. The second view human capital in itself, as a process of accumulation, stressing on knowledge and skills obtained throughout educational activities). Finnaly, the third approach is closely related to the business-oriented perspective, Human capital appears to be a combination of factors (as education, experience, the accumulation of information, training, availability and effort, work habits, trust, initiative) which influence the value of the marginal product of a worker, or a stock of skills and knowledge applied to the work capacity in order to produce economic value.

Studies show that countries investing more in human capital (education, research, health) are those experiencing the most significant economic performance (Mursa and Ignat, 2009,p.10). People can be a resource of work, and they must be supported by some form of education so that every individual become a human capital. Long-term economic development can be achieved only through a thorough investment in human resources, those resources that are integral part of human capital. Human capital consists of the skills of the individuals who are their characteristics and remain the same in any social environment, which can be exploited in the labor market in exchange for economic resources of any kind. (Becker,1999,p.109). Human capital as an economic concept is the ability of individuals which can be exploited in the labor market to produce at one time income through work, thus calling him an economic productive person, socially and individually.

Human capital has developed as a concept in economics, where it is regarded in particular as ,,an estimate of a person's ability to produce income through work” Human capital is a estimation of the ability of a person to produce labor income. (Annamaria Di Bartolo,1999,). The formation of human capital education knows two distinct forms: through a form of active participation to systems of formal education, on which some certificates, diplomas are acquired or any other knowledge skills and abilities learned during life, by his own efforts but also through contacts the individuals have among them in the social environment. One of the possible questions as distinct form of education human capital on the importance in the economic environment would be: What is the most beneficial form of acquired knowledge of an individual? The formal one within the education system? Or informal acquired during life?Opinions can be multiple, divided, but surely the two forms of training of human capital complement each other to some extent.

A possible alternative answer would be: Any information of assimilated capital, both within the educational environment and the everyday life, may be much better understood if in the education system the two forms are performed simultaneously. Or the informal variant of human capital can be much better utilized throughout life by participating in some training through the education system which will certainly lead to a more experienced human capital in various fields. .

Between the two distinct categories of human capital formation, in the foreground must be a continue desire to improve which has to be measurable in economic terms. Thus, the

work done is beneficial both to individual as remuneration and the economic environment known through the economic development and further growth. The father of political economy, the famous economist Adam Smith said that ,the work of a craftsman in a manufacture is added usually to the value of the materials on which he works, his own support and his employer's profit (Smith, 2011, p.183). Based on the concept of Adam Smith, the work of an educator can not be better than the desire of the learner whom he is trying to shape on his own way. Education as a government project must provide some stable legislation, for all the actors who are part of it. In 1947 Maria Montessori addressed a letter to all governments, for an educational planning for over 40 years, considering that in a child it can discover the force that is capable of creating the human being as an adult ,,if education is to be reformed, it must be based on children " (Montessori, 1996 p.4). In short, those children who are tomorrow's pupils, students and on long factors of economic support.

5. Education – human capital – economic growth: a complex relation

Economic theory asserts that human capital is an important determinant of economic growth. This hypothesis is confirmed by an impressive number of researches, conducted on different, broad and diverse groups of countries. Countries that achieve a higher level of education of their citizens fail to have a higher growth rate than the average, at least during certain periods and under certain political conditions. The research also shows that this growth is not continuous or permanent, and the contribution of human capital to economic growth is essentially linked to the measures taken in the field of education (theoretical and vocational), in particular by ensuring a high rate of inclusion, by measuring the quantity and quality of scholar inputs, by regular contact with the society and business environment requirements.

Economic development is a succession of activities of macro economic requirements under transformation, economic changes where education is essential considering the human factor. Therefore it is considered that the economic development of a country is related with educational institutions, with new requirements of the labor force, needed to respond to diverse economic requirements. All modern world countries stress on economic growth and development, all are in a constant global competition. For them economic growth is a way to enables people to consume more goods and services, as a simple manner of understanding human welfare. Each state develops its own strategy for economic growth and development, where investment in education becomes a national priority of strategic-investment. Investing in human capital is .., any activity designed to ensure an increase in the productive qualities of the human factor..."(McConnell, C.R., Brue, S.L.1988, p.77).

The economic growth of a country depends on human development by enhancing the education level, reducing poverty and positioning individuals on the social level that can be achieved through investment in education. Any economic growth is conditioned by the development of human capital, which is the most valued heritage of a country. An educated nation is more important than any natural resource that a nation can have. Yje individual competence is not a natural endowment, or an innate characteristic, it must be gained by practical information acquired at the workplace and by theory within the system education.

6. The investment in education

Acording to Theodore W. Schultz, ,,the investment in human resources, prior to investments in equipment, infrastructure and other goods, is the best development strategy for both rich countries and especially for poor countries" (Schultz, 1965, p.515). Gary S. Becher consider ,,by establishing the human capital as a key element in socio-economic analysis, he has proven the productivity of this approach from scientific and public policy

point of view. Extension of microeconomics field analyzed to a wide range of human behavior and interaction, including the behavior related to education led to the conclusion that learning outcomes and education in general have features of capital and investment: ,,Therefore, human capital and tangible capital appear as different only in terms of temporal pattern of impairment and not by their essence" (Becker, 1962, p.6). Mursa and Ignat state that „investment in education must be considered in terms of costs and benefits"(Mursa, Ignat, 2009, p.28), depending on the economic policies of the governments on medium and long term, and various random factors in the lives of people. Knowing the benefits and costs of investment in human capital, to take a rational decision from economic aspect, the cost-benefit analysis method is applied. By analogy with investment in physical capital, investment in human capital requires expenses. In this regard, G. Becker makes a clear distinction between human capital and physical or financial capital: ,,Tuition, a practice course in computers, the figure on the health care and training on virtues of punctuality and honesty represent also a capital in the sense that they improve health, increase earnings or increase a person appreciation in her lifetime.Therefore, it is in full harmony with the concept of capital, as it was traditionally defined, so that to say that figures on education, tuition, medical care etc. are capital investments. However, they produce human capital and not a physical or financial one, because one can not separate a person from knowledge, health or her values as it is possible to move financial and physical capital while their owners are not personally involved" (Becker,1999, p.109).Education, using new methods for individual development, develop the human capital directly.

The training and continuous improvement of human capital is a shared, tripartite, responsibility that bring under the same objective the governments - through their policies and institutions of vocational education and training), individuals -through their availability and interest in learning and training, and the economic environment and businesses -by understanding and stimulating opportunities obttaining from employees with a high level of instruction (Lamotte, 2012).

Thus, we conclude that science and education serve to clarify the differences between consumption and production capacity, having a decisive role in economic and organizational mechanism of the reproductive cycle of human capital. ,,Education, regarded as a fundamental category of social and human sciences study was defined in different ways, but two alternative approaches are distinguished, namely the individual and the society, thus, anthropocentric and sociocentric approach" (Cojocaru, Făuraş, 2006,p.8).

Conclusion

In previous sections, we described the importance of education as an economic reference framework, having an important role in the training of individuals through the education system, which is part of human capital, as an inexhaustible source, but it needs higher financial support taking into account the economic trend and technical-technological process which every employee has to deal with. Each individual develops human capital by daily experiences, but the development of human capital through one or another form of education will lead to an aspect the individual himself will have to admit that the most beneficial improvement is through education. Any form of individual improvement automatically leads to formation of own human capital, where one can benefit from additional earnings, respectively, in terms of economic aspect it will automatically lead to economic development of the country. I therefore consider that the formation of an individual in education can be beneficial at any time during his life, taking into account the trend of technological and economic development respectively, market needs of labor force that require new professional skills, man has a chance to adapt himself or even to affirm in several fields. Viewed under economic aspect of amounts allocated as a

percentage of GDP, where we note that investment in education is one below the EU average, human capital formation becomes a personal and governmental responsibility to be regarded as a future economic objective.

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SPECIFIC ASPECTS OF THE PROMOTIONAL ACTIVITY ON THE DIY MARKET

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Abstract *: By using the concepts and analytical tools for computing, marketing is directly related to the quantitative methods of economic research and other areas where the performance and efficiency of a system are studied.. As asserted by NEIL H. BORDEN, professor at Harvard Business School, marketing is still an art for market introduction, and the marketing manager, as a chef, must creatively levy all its marketing activities with the purpose of promoting the short and long term interests of its company. The role of marketing is to build the "personality" of a product such as it is harmonized with what the consumer wishes from that product – and in order to do so it is necessary to become familiar with the consumer in depth, with his needs, preferences and consumption habits, with all the factors that influence its behaviour. Within modern companies, marketing communication has become an extremely important phenomenon by its importance and implications on the life of organizations and on society in general. DIY penetrated Romania in the early years, but abroad, and especially in America, the DIY concept called ,,do it yourself" has had a long history. The concept of "tinkering" has a broader meaning, can be assigned to all the activities which normally require some preparation, but can be made by a layman. So DIY complies an indefinite number of activities undertaken in the house, usually by the owner, for the renovation, maintenance and decoration of the house. DIY also includes the sale of construction and interior materials for those who want to build a house or to arrange it by themselves.*

Keywords: *marketing, DIY, performance, promotion, consumer, marketing research*

JEL classification:M31

1.Introduction

Nowadays the consumer is bombarded with a lot of promotional impulses, coming through various channels, from traditional television, radio, internet and newspapers, bus stations etc. everywhere we hear and see promotional messages. The manufacturers and retailers help at this, increasing by number, who are trying to use as many channels as they can so their message could reach the consumer and become more creative.

Just from the multitude of messages that companies send to various partners (stakeholders), that it is about actual or potential customers or collaborators came the concept of integrated marketing communication.

Generally speaking integrated marketing communication (Pelsmacher, Geuens, Bergh, 2005) gives a new perspective on the entire mix communication (consisting of advertising, public relations, sales promotion, personal promotion, etc) from the point of view of the consumer, ie the flow of information from a source. Without necessarily giving a definition of the integrated marketing communication, Ph. Kotler (2010, 429) explains this concept claiming that companies must consider that in every meeting with the consumer (any channel of communication used by the company) that he should receive the same message clearly, consistent and understandable. This concept represents a step forward in marketing, assuming that the communicated message is consistent with the company values, resulting in an effective communicational process by increasing the consumer's impact (standing behind this process is the synergistic effect of the promotional techniques used).

The Romanian sector of DIY remains one extraordinarily competitive in which Romanians took the face of the giants of the West: local companies occupy the top positions among

the largest DIY retailers, disputing with their eight multinationals 2 billion euros, as estimated the distribution market for building materials and DIY. Dedeman and Ambient have managed to establish themselves in the face of foreign networks, such as Germany's Praktiker or the French from Bricostore (now Kingfisher), which until the coming crisis dominated the market. www.wall-street.ro (consulted on 01/03/2015)

Valued at about two billion euros in 2014, the DIY Romanian market has undergone major changes over the last year, which changed the course of evolution to some extent. If Dedeman, Arabesque and Ambient, the top three players on the market, continued their dominance at the local level, it seems that the Germans and the French present in Romania have experienced the most difficulties in a so unusual market.

2. The *DIY* market in Romania

DIY market has been facing again a difficult year, 2014 probably being the most hectic year of the "12 years of *DIY* local market history" with two significant transactions involving 42 stores, an exit (OBI) in which the reductions were up to 70% and troubled the market prices, investments of over 60 million Euros in new stores and the emergence of a new brand and concept - Brico Depot which replaced up to now eight Bricostores.

After four consecutive difficult years, the Romanian *DIY* retailers have sought to restructure or relocate, last year bringing three large transactions.

First, the British Kingfisher, Europe's biggest retailer of products for house arrangement and also the third worldwide, took over the 15 stores in Romania of French Bricostore, for which they paid about 41.5 million euros. Then, Praktiker announced that the company sold 27 stores in Romania to the building materials distributor of Search Chemicals, a company owned by businessman of Turkish origin, Omer Susli. The list of acquisitions was completed, the French company Leroy Merlin, acquiring, through a transaction in shares, the 15 stores that Austrian *DIY* retailer Baumax was holding in Romania.

The *DIY* market is estimated at 2 billion euros, currently being dominated by the Romanian players Dedeman, Arabesque and Ambient. Among the other players present at the local level we can also mention Leroy Merlin, Praktiker, Hornbach, Brico Depot and Mr. Bricolage.

After the 2014 financial analyzes, Dedeman, the largest retailer in Romania, in terms of turnover, is also among the top 5 retailers fom Central and Eastern Europe. Dedeman has opened in Bucharest store number 41 in April, 2015.

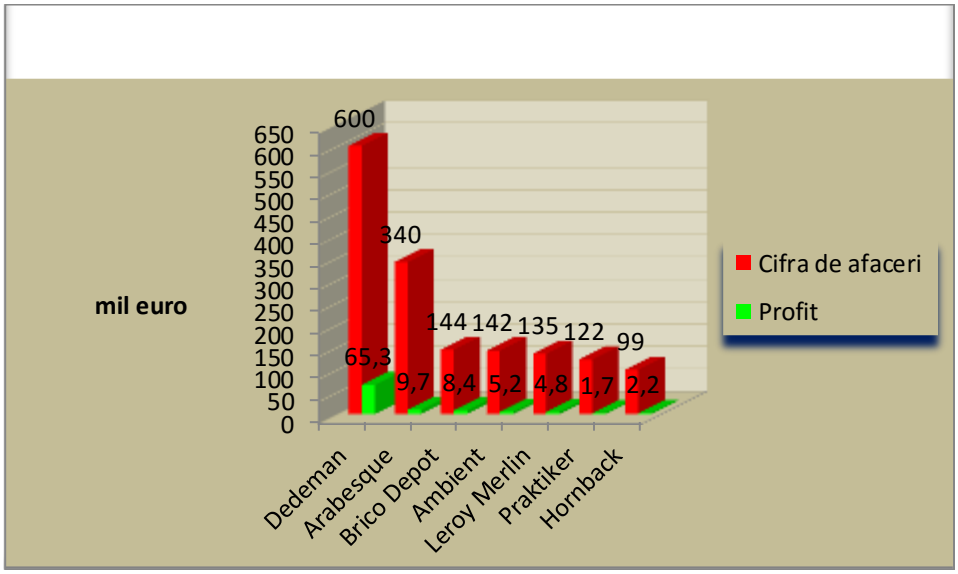


Figure.1. The largest DIY retailers in Romania

DIY market in Romania grew by approx. 5% in 2014 compared to 2013, going from 1.7 billion euro threshold.

Two thirds (65 %) of the DIY market in Romania is controlled by the Romanian companies (Dedeman , Arabesque and Ambient) .

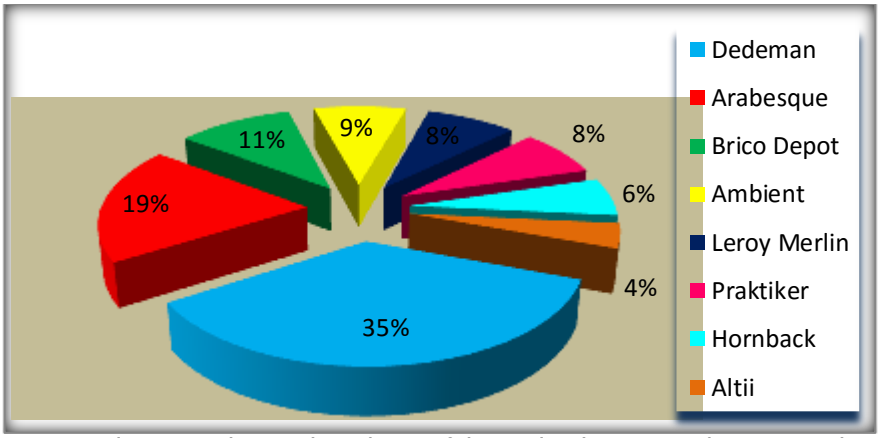


Figure.2. The market share of the main players on the DIY market

3. Marketing communication on DIY market

In order to describe and understand the perceptions, attitudes, motivations and consumer opinions on the marketing communication concept on the *DIY* market, it was established a qualitative marketing research (focus group). The qualitative study is exploratory, having the goal to express the problem in a correct manner, using the building tools for quantitative research and identification of the junctions that can materialize the hypotheses tested using quantitative study.

The research examined the following three aspects regarding:

1.The DIY market: the significance (definition of *DIY*, additional knowledge), identifying the players on the *DIY* market (preference) identification of the current situation on DIY market, the performance (DIY representative retailers, factors of success).

2.DIY promotional marketing techniques: current promotional techniques (evaluation, suggestions). Establishing strategies for success depending on choosing a particular brand of *DIY*. (the hierarchy of companies)

3.The Local Aspect: the personality of the Brasov market (features); Strengths, weaknesses; Market attractiveness for DIY retailers (characteristics, advantages, disadvantages); DIY market performance of companies from Brasov (factors); Promoting the future market from Brasov for *DIY* retailers.

The qualitative research was based on theoretical sampling. The focus group was conducted on a sample of 10 people, with the criteria for the selection of participants: age, occupation and education level. The focus group was conducted with participants from relatively homogeneous socio-professional categories to avoid the inhibiting effect or the monopolization of the disscution.

To this end, a recruitment questionnaire was conducted in advance in which it was examined whether subjects meet the necessary requirements. The duration of the focus group was 2 hours; it was done in one series due to the nature of the project.

The schedule was as follows: starting at 5:20 p.m. until 19:20 p.m., on the 27th of June 2015 (Thursday); this session was attended by people with the age between 21 and 40 years. The invitations for the meeting were conducted by telephone, with seven days prior to the effective execution of the focus group, and all the guests were reminded of the group

meeting the day before. The place where the focus group was conducted was a neutral space, isolated, but airy, without many posters or pictures that might distract the participants

The main limitation of the qualitative research derives from the nature of the method used, which makes the results and conclusions not to be representative at the population level, they, remaining “hypotheses” that can be validated or invalidated by future wider research.

Qualitative research results reveal the “knowing” of the general aspects regarding the DIY, of the main categories of DIY products. For example, respondents associate the concept of DIY with non food, building materials, gardening equipment or auxiliary products which help the man to carry out daily activities but there was few information of the specific elements related to the concept of "do it yourself" with numerous terminological confusions. Most respondents said that until now they had at least one experience in various DIY centers in the Brasov county, they bought various categories of products such as construction materials, interior design products, gardening products, electronics etc.

They argue that most DIY retailers operating on this market, currently offer qualitity products and services. The best known DIY retailers mentioned by the participants are: Dedeman, Praktiker, Hornback, Brico Depot, Arabesque, Leroy Merlin. The Internet is by far the most popular source of information and the first choice for those seeking the latest news, exceeded the average with a much longer history: television, newspapers and radio. More than half of respondents said they have heared of the DIY stores from the internet. Another way to get informed is by the commercials broadcasted throughout the television and radio.

Other means of information are the street posters or outdoor advertising (outdoor) frequently defined as street advertising and the recommendations from friends. From the results of the qualitative research resulted in a set of criteria that are highly important when choosing a brand of DIY. Respondents detect the fact that an important criteria in choosing a brand of DIY pertains in the quality of the purchased goods. Another important criterion for participants is the price of the products. This, if in the past the main factor for the decision making process was the design, today the DIY products purchaser is focused primarily on the quality-price ratio of the products. The diversity of the product range is another criterion that respondents consider as being very important as it may cause dissatisfaction among customers when they do not find the products they wish to purchase. Customers should also benefit from an extensive array of services such as expert advice, ideas for landscaping and decorating inside and outside the house, transportation services at home or rental service for tools and equipment. There are notable differences by respondents when it comes to assigning a word to each DIY retailer. Dedeman has been associated with the following words: quality, superiority, offers, promotions, cheap. Respondents consider that the retailer Dedeman offers an extremely generous line of products which meet the demand from construction materials to interior design. The superiority of this shopping center is given on the one hand by the quality of the services that they offer, and on the other hand by the promotions and offers of the store, participants also believe that the prices are very good. Instead, the retailer Praktiker was thought as being specialized in gardening equipment, this is a store accessible in terms of location. Praktiker is perceived as an expensive store with high prices. The retailer Arabesque is perceived as being specialized in sanitary items and building materials. Brico Depot is a warehouse associate specialized in construction materials as well.

In terms of promotional methods the respondents consider that for acomplishing the objectives, DIY companies must use all promotional activities: advertising, public relations, brand, promotional events and sales force. Notice the common interest of the respondents in terms of their main complaints against the existing stores in the DIY market, which refer to personnel, the low quality of the products, transportation, high prices.

Following a market survey conducted to identify consumer opinions and preferences of the people in Brasov regarding DIY market, it has shown that growing number of people are purchasing DIY products.
In the compiling of this study it was used a quantitative research method that was based on a survey using the questionnaire, as the main instrument. For the composing of the questionnaire there will be formulated a series of questions about the views of the people from Brasov regarding the DIY market of Romania.
The research was carried out with the aim of finding out the opinions, attitudes and behaviors of the people in Brasov regarding the DIY market. The population studied targets the people over 18 years from Brasov. The studied population is composed of both males and females. The size of the population of Brasov is 227.961 inhabitants, of which 53.3 % women and 46.7 % men.
Following the research results we have seen that 94.8 % of respondents have heard at least once the DIY concept and 5 % have not heard. Of the 364 people who have heard of the concept of DIY the majority answered they know it throughout the television and the Internet. Of this percentage 67.4 % bought DIY products from retailers.

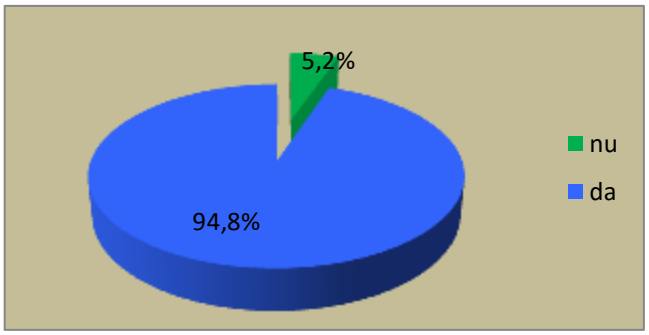


Figure.3. The degree of knowledge of DIY concept

Another important aspect is related to the number of views of the commercials, a percentage of 74.5 % of respondents saw commercials on various DIY products, and the remaining 24.5 % saw running ads in DIY shopping centers.
Following present search results, a percentage of 41.0 % had heard of the new offers of the company Dedeman and the remaining 59 % have not heard of these offers.

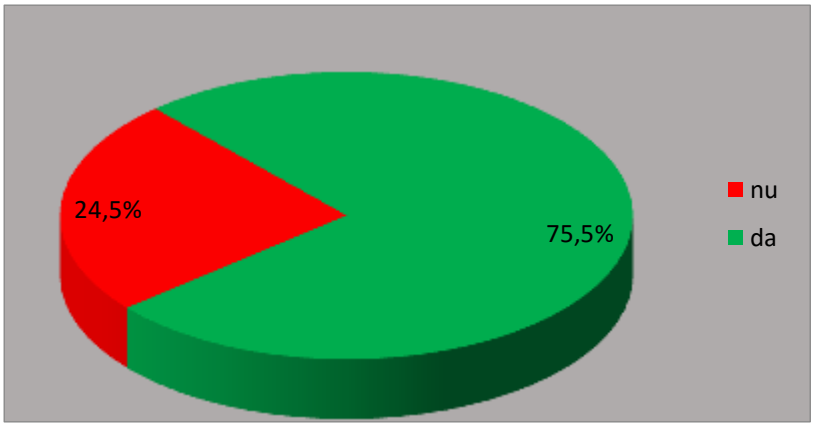


Figure.4. The degree of advertising viewing

From the results we can see that 58.1 % of respondents consider it necessary to open a new store while 41.9 % think it is not necessary.

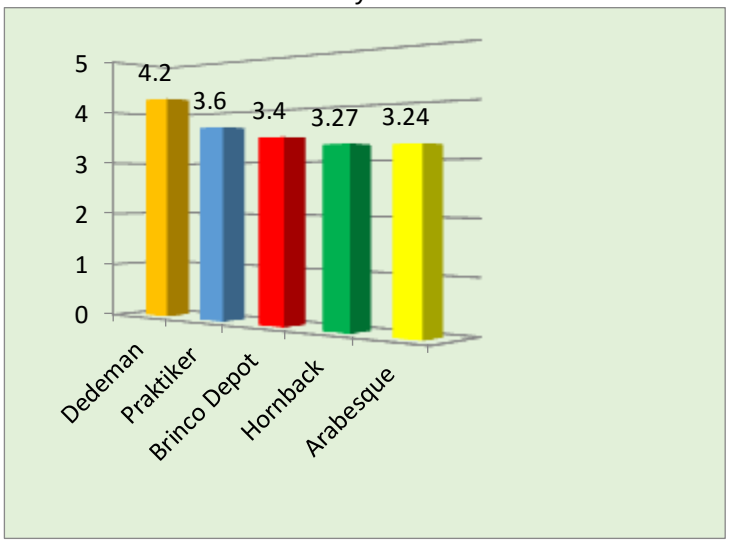


Figure.5. The image of DIY companies

Another important aspect is related to the number of views of the commercials, a percentage of 74.5 % of respondents saw commercials on various DIY products, and the remaining 24.5 % saw running ads in DIY shopping centers.
Following present search results, a percentage of 41.0 % had heard of the new offers of the company Dedeman and the remaining 59 % have not heard of these offers.
From the results we can see that 58.1 % of respondents consider it necessary to open a new store while 41.9 % think it is not necessary.
Another aspect is related to the image of DIY companies on the market. The people from Brasov appreciate the image of the company Dedeman as very good, ranking first place in their preferences, followed by the company Practiker occupying 2nd place, the company Brico Depot 3rd, Hornback is No. 4, and the company Bricostore on 5th .
From these results we can see that the first place in terms of the main issues that respondents took into account when purchasing DIY products are product range, followed by value for money and professionalism.
The research results show that the main complains from people who did not buy DIY products are related to the high prices charged by these stores, followed by low quality products, and company staff .
According to projections of 2015, it will still be difficult; with an increase of approximately 6.2 %, which means that the estimated retail DIY market will be about 10.3 billion lei (2.29 billion euros).
Development plans for Brico Depot warehouse network in Romania include expanding to a total of 50 deposits, whether the expansion will require other takeovers stores or build new warehouses. Local retailer Dedeman also wants to reach 50 stores by the end of 2016 and to obtain by default a 1 billion Euro in revenues.
The company Praktiker said through the voice of the new owner, in middle of last year that "in the next 2 years will expand our network to 45 stores." In terms of expansion plans for 2015, Praktiker Romania plans to open 2 to 5 new stores.
French retailer Leroy Merlin, part of ADEO, currently detaining 2 units in Romania at the end of 2014, will focus its expansion, in 2015, on two directions: to build stores from scratch and converting BauMax stores into Leroy Merlin stores. So far, three of the former

BauMax stores entered the restructuring process, which will reopen under the Leroy Merlin brand until June 2015.

Conclusion

Being one of the most dynamic and „surface" variables of the marketing mix, the promotional policy takes a special position within the decision-taking process since, by its valences, it is being correlated in an extremely complex manner with all the other components on which it is based and which it supports at the same time. All the components of the promotional policy complete each other by the fact that they are different, either in terms of quantity or quality or by the particular modality in which they contribute to reaching the company's strategic objectives. Making the context of the promotional mix in different combinations and averages, the mentioned techniques need a special approach from the company through their complementarity.

Given the extremely fierce competition on the DIY market in Romania, firms operating in this market are seeking ways to find the most attractive methods to promote their products. In addition to product quality, the Internet as a promotional channel, is more appreciated today than traditional means of promotion through television and press.

There are many aspects that differentiate the DIY companies from the traditional business trade of construction materials that exists in Romania. It is the concept of "multiple stores under one roof", where you can purchase all the products needed for construction, whether it is interior or outer buildings. It is not only a huge variety of items, but a huge variety of products in the same range, starting from the *economic type* (i.e. lower prices) to luxury products.

If from the point of view of the products, prices and distribution there is some uniformity to the competitors for the same class of goods or services and no decisive differences between the competing firms, the center of gravity of the differences seems to locate in the promotional policy area.

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THE ROLE OF CODES OF GOOD PRACTICE IN CORPORATE GOVERNANCE

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Abstract: *In this study we intend to understand the corporate governance systems in the companies from the business environment which are listed at The Bucharest Stock Exchange (BVB – Romanian) in order to identify and implement the good practices for insuring compliance with the BVB Corporate Governance Good Practices Code, in order to ensure the company's success under competitiveness circumstances. We wish to use the experience of successful companies from the Romanian business environment in order to improve the corporate governance systems. At the basis of this analysis there is the BVB Governance Code for listed companies, which represents an instrument for guaranteeing the competitiveness of the companies from the business environment.*

Keywords: corporate governance systems; BVB Corporate Governance Good Practices Code.

JEL classification: M10; M14.

1. Introduction

The company management structures have the final responsibility over the "good working" of the firm and so of its process to comply with the applicable regulation framework, respectively the legislation in the field, with the conduct codes and the corporate governance practices, as well as with its own policies and procedures. At the same time, each employee is obliged to fulfil the legal demands and the established objectives in his activity, observing the company's internal policies and procedures. The compliance process also has the role to provide the management and the people with tasks in the process of compliance insurance and to provide all the information which is necessary for the success of the corporate governance system.

The main instruments which ensure the passage from legal compliance to the culture of integrity are based on the internal compliance policies and procedures which are developed at the level of the company and which ensure the compliance with the legal norms, standards, regulations and recommendations which are applicable to its activity and which must be respected. Among these the most important are: the mission statement and the ethics or conduct code, the ethics training, interest conflict prevention (Farell Cobbin, 1996).

Besides developing compliance internal instruments at the level of the company, respectively the passage to the culture of integrity, supposes that all the members of the organization should adhere strongly to the values and the principles which define the company. Putting into practice the values of all stakeholders creates favourable conditions for obtaining long-term performance, respectively ensuring the competitive advantage.

2. Literature review

Starting from the assumption that globalization has determined the elimination of the knowledge boundaries and intensified competition, Friedman shows that " companies can have easier access to good practices, which can facilitate success or can lead to their staying behind if they do not want to apply them. Competition is the most important pressure for implementing good practices in the companies from the business environment." The author suggests that the hardships in setting standards (norms) for the managerial processes can be eliminated by identifying and applying good practices (Friedman, 2005, p. 321).

All these arguments plead for appealing to the best practices in the evaluation of the management systems and of the corporate governance system. The specialists in management assert that the best practices refer to those methods, techniques and instruments adopted by the company which ensure success/avoid failure in the future. The practitioners consider that the best practice is what you do not achieve in the company, but it can help you to implement.

If we refer to corporate governance, respectively to different stakeholders, we should take into account the fact that the good practices differ more or less according to their interests, which makes it difficult to choose a suitable and efficient set of good practices which would satisfy their different requirements.

Choosing the good practices correctly as well as the solutions for their application is the basic condition of good governance, respectively of the effectiveness of corporate governance, considering that they can be thought as performance standards because they can serve the improvement of the management processes in the firm. Kaplan and Norton show that, in the management audit, the most important aspect refers to the way in which the key management processes are achieved at the level of the organization (measuring performance is not the issue here). They introduce the concept of Strategy Focused Organization (SFO) for measuring organizational performance in the case of the companies which perform key management processes continuously (Kaplan, Norton, 2001).

As some authors emphasize, "using the good practices as standards of comparison between companies facilitates the benchmarking process, as support for learning and assimilating the methods and practices through which the successful companies, considered as standard, achieved excellence, having for result equalizing or exceeding their performance" (Ilieş, Crișan, 2011, p. 254).

If we refer to corporate governance, whose effectiveness is determined by the generally accepted good business practices and the ethical standards of the company management and which means " the way in which a company is organized and controlled" (OECD, 1996), we can assert that the good practices can help companies make a correct evaluation.

For efficient compliance to good corporate governance practices an important step is the comparison process with good corporate governance practices from the countries which have recognized corporate governance codes, in which companies have registered success in implementing the corporate governance principles, respectively in insuring the efficiency of implementing the good practices in the field. An aspect companies which aim success should take into account, is the fact that that the necessity of implementing good practices may often be a signal for managers as well as factors which should determine managers to consider the organizational changes as timely, necessary and continuous. (Bogan, English, 1996, p. 398).

The good practices in the corporate governance field can be found in many areas which ensure good governance such as: governance codes, governance systems (governance models, specific control bodies; the Board; protection mechanisms for minor shareholders, mechanisms for employees' participation to corporate governance); requirements regarding the governance practices of business information systems.

Many of the corporate governance practices refer to several fields, both at operational and strategic level, and to the management functions (planning, organizing, coordinating, communicating, controlling). Good practices are also absolutely necessary for the management of the corporate governance system, both for the operational and the strategic level.
Within the companies from the business environment, the good conduct rules are comprised in effective practice codes, as voluntary instrument, without neglecting the pressures in favor of compliance. Identifying the best corporate governance practices starts from the experience of the companies from developed countries, which were successfully disseminated in companies from interested countries such as Romania.
For the good corporate governance practices to have the expected impact there must be regulatory institutions suitable to market economy. Their success cannot be ensured only by taking over models from developed economies unless they are well conceived in a context which would make the transition from relation-based governance institutions to institutions which are founded on rules. It is a difficult transition which can affect people and groupsengaged in power conflicts at economic and political level. (CIPE, 2002, p. 9).
In international practice, the solutions for implementing the corporate governance policies, practices and principles, in most cases, were materialized in good practice codes, respectively governance codes under the form of regulations or guiding requirements, representing a way of organizing and managing the companies from the business environment. Thus in EU were adopted over 35 corporate governance codes, respectively, almost each country has at least a corporate governance code. In Romania there is only one Corporate governance Code made by the Initiative for Corporate Governance and Economic Democracy in Romania. (www.ccir.ro).
Today we can notice that almost all transnational firms have elaborated and defined their own good practice codes which are more and more transparent for shareholders and other stakeholders, both because of their increase in activism and because, being listed on the Stock Exchange, they are interested in having a good reputation for the investors and the public.
In the world we are witnessing a globalization process, and the necessity of perfecting in the field of complying to good corporate governance practices is one of the factors of this phenomenon of generalizing the good practices in the field, as it was seen in the field of International Accounting Standards. In this direction, the EU regulations established that all companies from member countries, which are listed on the Stock exchange, must adopt the International Accounting Standards, together with the corporate governance codes. The declarations and principles which are at the basis of their consolidation are a recognition of the fact that they support the corporate value of a firm and represent a premise in ensuring the achievement of corporate ethics standards. To this purpose it is necessary to understand well the way of application, respectively implementation of these standards, so that their principles should be known and understood by all the organization members and other stakeholders. The implementation of corporate ethics standards ensures, on the long run, the change and consolidation of the culture and attitude of the organization member, which ensures the reputation of the business (organization).
Some companies may be criticized by shareholders/investors for lack of compliance, whereas other companies may provide correct explanations about the areas and the causes of their lack of conformity. The principle “apply (comply with it) or explain”, recommended by the Combined Corporate Governance Code (published in 1998 on the basis of the recommendations furnished by the Cadbury Report), is accepted in international practice by the companies from the business environment and by the public institutions in order to adopt more transparency and to observe the stipulations of the corporate governance codes and to be forced to give explanations in case of lack of compliance.

At EU level, The European Forum for Corporate Governance examines the best practices for the member countries. FEGC launched a public declaration in which it specifies that " the apply or explain principle" forces companies to justify any deviation from the corporate governance codes. Charlie McCreevy, the EU commissioner for internal policy, declared on the occasion of launching the "apply or explain" principle that it represents an central element of the European type of governance. (FEGC www.europa.int).

3. Study regarding the compliance to the good corporate governance practices code

Many successful companies perform their activities on the basis of complying with the stipulations of some business principles codes elaborated on the basis of good corporate governance principles promoted and accepted at international level.

To analyze the corporate governance systems a study was made on a sample of 28 firms listed on the Bucharest Stock Exchange, from the business environment, in which were used both explicit methodologies for process evaluation and implicit methodologies, in which the researcher creates their own vision on the practices in the field, which may constitute starting points in evaluation (for example the specialized literature can offer good practices in the field, considering that the authors try to support and impose their own point of view about corporate governance). The detailed approaches of many authors in the field can also be considered models for the evaluation of corporate governance with the specification that there are many works which approach more the legal and financial-accounting aspects and less the management aspects which greatly influences the efficiency of the corporate governance system.

The analysis of the corporate governance system was made on a sample of 28 companies which provided information on the basis of valid questionnaires (administered to 37 respondents, out of which 82.40% were people in leading positions in the Board, 9.30% were company executive managers and 8.30% were specialists from consultancy firms.) We also added other information sources which were published officially such as the annual reports published on the companies' sites.

In order to make the study all the selected companies (100%) are listed on the Stock Exchange Market, adopted and complied voluntarily with the stipulations of the BVB Code of Governance. In order to obtain homogeneous data, we included in the sample companies from the business environment which provide goods and services. We did not consider the banks and the companies which perform financial activities. The companies from the chosen sample, according to their manufacturing sector, are divided as follows (fig 5.1): metallurgy/siderurgy products (10.71%), plastics products (14.28%), residential and non-residential constructions (3.57%), raw petrol extraction (3.57%), manufacturing tools for extraction and construction (29.30%), transportation through pipes (3.57%), chemical products (7.14%), pharmaceutical products (7.14%), food products (7.14%); electrical products (3.57%).

In this study we intend to understand the corporate governance systems from the business environment which are listed at BVB, in order to identify and implement good practices, to ensure the success of the company, in competitive conditions. We also wish to use the experience of the successful companies from the Romanian business environment in order to perfect the corporate governance systems. At the basis of this analysis there is the BVB Governance Code for listed companies, which represents an instrument for guaranteeing the competitiveness of the companies from the business environment, knowing that, to a great extend, the compulsory liquidation cases are caused by bad administration of the company (over 51% of the companies), 44% of the companies use human resources without adequate skills (without preparation for a specific position) with effect on low competitiveness (over 44% of the firms), lack of transparency in management (over 32% of the firms) (CILEA, 2013, p 12).

We should also show that the studies on emerging economies such as Romania which analyze the impact of implementing the corporate governance principles upon the

company performance have emphasized the fact that the firms with a higher governance index registered superior operational performance and stock yields because good corporate governance is correlated with good operational performance and higher market (Black et al., 2006, p 361-379), (Feleagăși alții,2011, p. 3-15).
The study of the current policies regarding the implementation of the corporate governance principles in the companies from the business environment and the management structures (Board and Supervisory Board members, executive managers, shareholders).
Even though the application of the "apply and explain" principle is linked to the formal observance of the BVB code and the quality of the explanations is not so well appreciated by the specialists in the field, the empirical study, respectively the respondents to the questionnaire, see in the last 3 years an improvement of the companies' concern for the identification and implementation of good corporate governance (72.72 % of the respondents confirm this opinion). At the same time, 64.28 of the respondents assert that the compliance with the BVB governance code has been assessed by an external assessor in the last 3 years, but if we analyze the company's annual reports, we can see that only 32.14 of the sample companies published this type of information.
In order to analyze the compliance degree of the companies which were part of the initial sample (50 BVB listed companies) in applying the corporate governance principles, in regard to the stipulations of the BVB corporate governance code, we used the information published in the "apply or explain" statements, issued for 2014.
Referring to the stipulations of the BVB governance code, to which the compliance degree is higher (over 95%), the most significant are:

- The companies, in a proportion of 100% published on their websites details about the General Shareholders' Meeting: GSM notice to attend, documents on the agenda, other information about the agenda, special issuesetc;
- Within the companies there is a department or a specialized person who deals with investors. Many firms post on their websites information for the investors;
- The Board meetings take place at least once in three months in order to monitor the company activities. They take place even more often in certain companies (even monthly), according to the problems which appear in the company daily activity;
- The Board structure ensures a balance between executive and non-executive members (specially for non-executive independent members) so that a person or a small group of people should not dominate the decision making process in the Board;
- Board members improve permanently their knowledge through management and corporate governance training;
- Companies perform social environment responsibility activities;

We must underline the fact that the firms tick the fulfillment of these stipulations without bringing clear and conclusive proof, especially if we refer to social and environment responsibility activities, for which there is little and less convincing information on the company sites.
Regarding the stipulations of the BVB governance code, to which the compliance degree is reduced, the most significant are the following:

- The firms in proportion of 92 %, are managed on the basis of a unitary system and not a dualist one, invoking the fact that this system corresponds to the current stage of evolution of the firm, which corresponds, at the level of the sample, to a non-compliance degree of 98% for this criterion;
- In proportion of 34% the companies don not have their own corporate governance code/regulation which would describe the main corporate governance aspects invoking the fact that they apply the BVB stipulations or they will adopt this code in the next stage;

- 38,78% of the companies, within their Board, do not have the support of consultative committees (commissions) for examining specific topics chose by it and for counseling in specific problems. Their role is taken by Board members;
- 42% of the companies do not promote, at least once a year, meetings with brokers, financial analysts, rating agents and other specialists in order to present financial information which is relevant for the investors;
- 38,88% of the companies do not have an Audit Committee which would examine regularly the effectiveness of financial reporting, internal control and the risk management system adopted by the companies.

The quality of the explanations provided by the companies regarding the degree and modalities of complying to the corporate governance code, through the "apply or explain" statement, emphasize very little the progress and the problems which appeared after applying the stipulations of the BVB corporate governance code, and the degree of compliance with it (the respondents to the questionnaire assess this aspect with a medium score of 3.17), for which reason we did not make a global evaluation of the compliance degree. Regarding the compliance degree concerning the applicability of the BVB corporate governance code stipulations, respectively of the way of implementing the corporate governance principles, based on the respondents' assessment, we have a score of 3.71 which corresponds to a compliance degree of 74.20%.
The "apply or explain" principle, respectively its purpose, as it results from our study, is not to force companies to comply if there are well-justified reasons.
Although the "apply or explain" principle enjoys general support from investors, regulation bodies and other entities in Europe there are a series of studies which identify several limits in its application (European Commission 2009), knowing that the "apply or explain" principle, respectively its purpose, is not to force companies to comply, if there are justified reasons, reason for which through its application we give mainly importance to the veridicity and the quality of the companies' explanations, regarding the degree, reasons and measures to be taken in case of non-compliance with the corporate governance code.
By its application we give importance firstly to the explanations given by the companies regarding the degree and ways of complying with the corporate governance code. Also the studies made by the regulation and supervision bodies emphasize the progress in applying the corporate governance code stipulations, the quality of the explanations and the formal compliance of the "apply or explain" statements which may become reasons for worry if reported to their fidelity as it also results from our study.

4.Conclusions
Among the solutions for improving the quality of the "apply or explain" corporate governance statements the most important should refer in our opinion to:

- Perfecting the mechanisms for imposing the corporate governance good practices codes under the circumstances in which the new code will contain many elements;
- Increasing the responsibilities and the competences of the leading bodies towards the corporate governance policies;
- Measures for improving the quality of the explanations in the governance statements ;
- Respecting the corporate governance code by a specialized body (as it is in France, for example);
- Introducing compulsoriness by imposing minimal standards of corporate governance;
- Elaborating standards specific professional competences, for the Board members;

- Ensuring management audits which would show not only the financial performance but also the social and environment ones.

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THE IMPORTANCE OF YOUTH TOURISM

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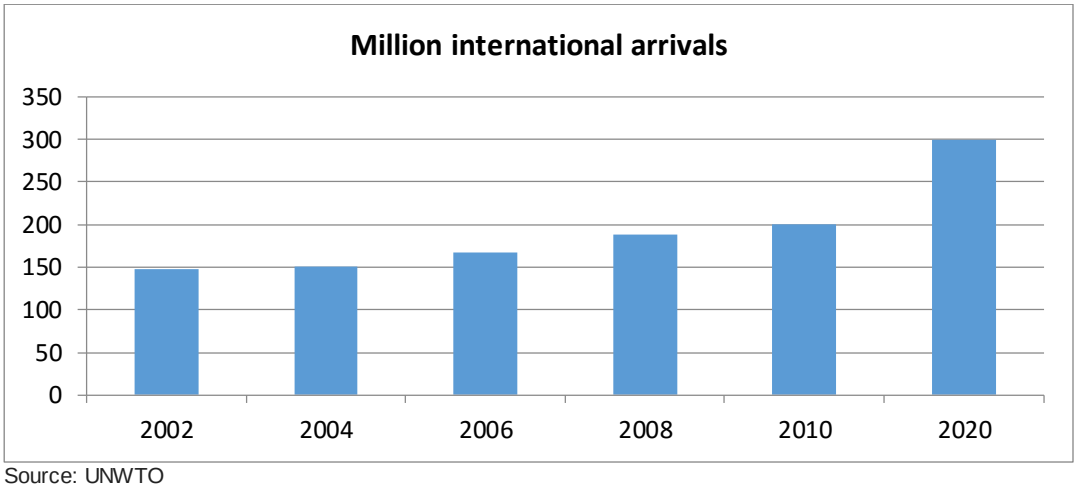
Abstract*: In an era full of challenges for the tourism industry, tourism for young people is a very important market segment, being a resource for change and innovation. World youth tourism industry is estimated to be approximately 190 million international travelers per year. According to UNWTO forecasts, 2020 will be about 300 million young people who will travel in a year, accounting for 320 billion dollars in market value. WISE (The World Youth Student and Educational) defines youth tourism as a form of tourism that include independent travelers (young people are not accompanied by a parent or guardian personally) for periods of less than one year, with ages between 15 and 29 years, individuals have the motivation for such movement willingness to construe experience vital to experience new culture and to benefit from new learning opportunities formal or informal in an unknown environment, different at normal everyday life. Educational tourism, traveling students and young people plays a very important role for world tourism. Around 90`s, young travelers have represented 15 % of the tourist market. In the past decade has increased by 20% and in the near future is expected to increase by 25%. Young people today want to travel as far to go as long, resulting in more spending, but managed to keep in touch with home more than ever before. These wish to enrich their experience at all levels. A comprehensive study conducted by WISE for youth tourism sector explained the motivations behind the trips made by these young but have noticed a significant development for cultural tourism. For young people, travel is a form of learning, a way to meet other people, a way to have contact with other cultures, a source of career development, a means of self - development, an essential part of everyday life, a brief escape from reality. Young people are adventurous and want to develop their own knowledge. Often chooses to work in the places they choose to visit. They have an important role in attracting new visitors to their destination. Young people are adventurous and want to develop their own knowledge. They have a wide variety of forms of tourism for young people from which to choose. Each form itself helps to progress and evolve in different ways.*

Keywords: young tourists, youth tourism, Work and Travel, educational tourism, travel, holidays.

JEL codes: M31, L83.

Introduction

In an era full of challenges for the tourism industry, tourism for young people is a very important market segment, being a resource for change and innovation. Young travelers increased level in decades since they first began to travel and the populations of countries that are developing. These trips are often made of raw relatively wealthy youth. World youth tourism industry is estimated to be approximately 190 million international travelers per year. According to UNWTO forecasts, 2020 will be about 300 million young people who will travel in a year, accounting for 320 billion dollars in market value.



Source: UNWTO

1. What is youth tourism?

WISE (The World Youth Student and Educational) defines youth tourism as a form of tourism that include independent travelers (young people are not accompanied by a parent or guardian personally) for periods of less than one year , with ages between 15 and 29 years , individuals have the motivation for such movement willingness to construe experience vital to experience new culture and to benefit from new learning opportunities formal or informal in an unknown environment, different at normal everyday life.
The number of young travelers represent 20% of all international travel, being equal to 207 million people and accounting for 194 billion dollars. Young people spend more time on vacation compared to other categories of travel (about 53 days per year), spend more and travel several times a year, uses money with local suppliers. The trips are very important because young people are the future market for the future development of the young people themselves but also for the places they choose to visit. Young travelers influencing development patterns and dimensions of global tourism. Shape the future of youth travel is based on experiences accumulated over the time. The estimated budget for young travelers is about $ 40,000.
Educational tourism, traveling students and young people plays a very important role for world tourism. Around 90`s, young travelers have represented 15 % of the tourist market. In the past decade has increased by 20 % and in the near future is expected to increase by 25 %.
Factors influencing young travelers are:
• Desire has more experience at international level;
• The price of transport has become more accessible;
• Number of cultural and political barriers is lower.

1.1 Purpose of youth tourist visit

Young people today want to travel as far to go as long, resulting in more spending, but managed to keep in touch with home more than ever before. These wish to enrich their experience at all levels. A comprehensive study conducted by WISE for youth tourism sector explained the motivations behind the trips made by these young but have noticed a significant development for cultural tourism. Young travelers wanting more than ever to enrich the cultural new experiences, meet new people, to enhance their chances for employment when they return home.

Youth aged between 15 and 29 years old travel for:
• 42 % holidays;
• 20 % education;
• 15 % visiting friends and relatives;
• 8% of business travelers;
• 6 % travel for employment;
• 9 % for other reasons.

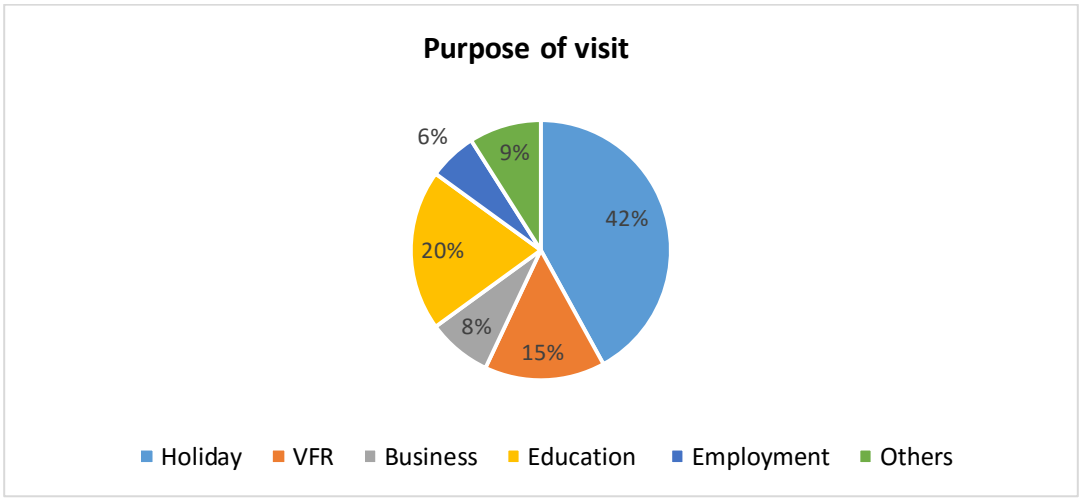
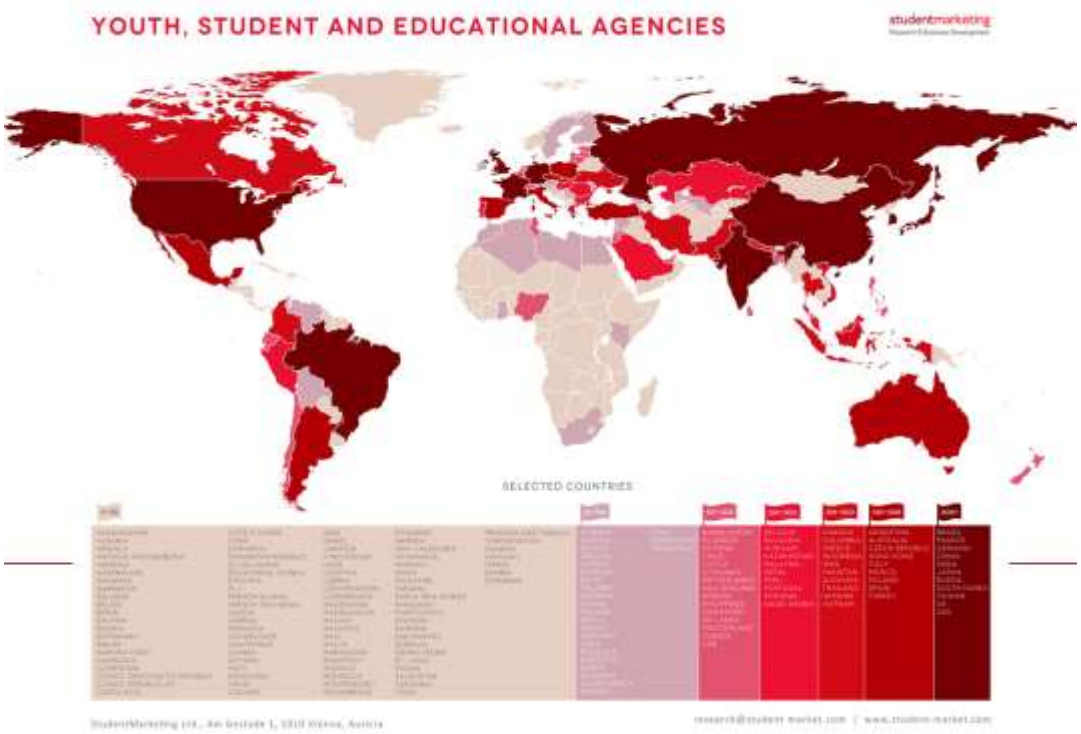


Fig.2 Youth arrivals by purpose of visit (15-29 year olds)
Source: ABS

For young people, travel is a form of learning, a way to meet other people, a way to have contact with other cultures, a source of career development, a means of self-development, an essential part of everyday life, a brief escape from reality. Young people are adventurous and want to develop their own knowledge. Often they choose to work in the places they choose to visit. They have an important role in attracting new visitors to their destination. Youth Tourism creates a diverse social and cultural understanding and the possibility to interact daily between young people and their hosts. Networks and new technologies are powerful tools that facilitate communication and deployment plans they have for a trip. Young people wishing to easily research on future destination.The way they use technology to communicate and to book trips evolving rapidly and has a strong impact on the industry. Businesses, to evolve, need to satisfy the variety of youth tourists requirements.
The Internet is used by young people for references, reviews, rankings or recommendations and for travel planning. It is used more to investigate future travel destination than booking online. Online bookings made by youth showed a slower growth compared to bookings made at travel agencies, confirming the importance the largest travel agencies for youth. As shown in the picture below, the countries that have closed their color number over a thousand travel agents and the lightest color means that those countries have only a maximum of 50 travel agencies.
Travel agencies are a channel to promote youth, registering 80% of reservations made. To succeed in this competitive environment, travel agencies must adapt to the requirements of young people in order to better meet needs as they are most interested in new adventures. They are the ones who spend 25 euro to a hostel and 80 euro for bungee jumping.



Source: http://www.student-market.com/youth-travel

As seen in the image above, countries with the fewest travel agencies are those most open color map. Some of these countries are: Afghanistan, Angola, Armenia, Bahamas, Belarus, Bosnia, Cuba, Dominica, Gambia, Guatemala, Haiti, Namibia, Luxembourg, Malta, Monaco, Panama, Paraguay, Sudan, Uruguay, Zambia and Zimbabwe. These countries have only a maximum of 50 travel agencies.

Countries that have between 51 and 100 travel agencies are as follows: Algeria, Austria, Bolivia, Croatia, Cyprus, Denmark, Egypt, Finland, Georgia, Ireland, Kenya, Libya, Moldova, Morocco, Serbia, Slovenia, South Africa, Sweden, Syria or Venezuela.

Countries that have between 101 and 200 travel agencies are as follows: Bangladesh, Ecuador, Estonia, Chile, Latvia, Lithuania, Netherlands, New Zealand, Nigeria, Philippines, Singapore, Sri Lanka, Switzerland and Tunisia.

Countries that have between 201 and 300 travel agencies are as follows: Belgium, Hungary, Bulgaria, Kazakhstan, Malaysia, Nepal, Peru, Portugal, Saudi Arabia and our country, Romania.

Countries that have between 301 and 500 travel agencies are as follows: Canada, Colombia, Greece, Indonesia, Iran, Pakistan, Slovakia, Thailand, Ukraine and Vietnam.

Countries that have between 501 and 800 travel agencies are as follows: Argentina, Australia, Czech Republic, Hong Kong, Italy, Mexico, Poland, Spain and Turkey.

Countries that have more than 800 travel agencies are: Brazil, France, Germany, China, India, Japan, Russia, South Korea, Taiwan, UK and USA.

Countries that have the most travel agencies are those that have a higher number of inhabitants and tourism as it is more developed than countries with fewer travel agencies.

1.2 Forms of tourism for young people

Even if things are going wrong, for example economic crisis or economic, political or epidemics, young people continue to travel. In fact, these problems stimulates young people to travel for longer periods of time when the economy is weak, prices are lower home having fewer opportunities for employment young people find it preferable to travel and find there a temporary job. Youth markets are less volatile than the market as a whole tourism. WISE industry figures showed that youth sector has been affected by the crisis in general, but the decline was smaller and faster recovery than mass tourism.
The most important forms of tourism for young people for whom they may choose are:
• Holidays;
• Educational tourism;
• Work and Travel;
• Volunteering;
• Tourism practiced to study a foreign language;
• International Camps;
• Cultural tourism.

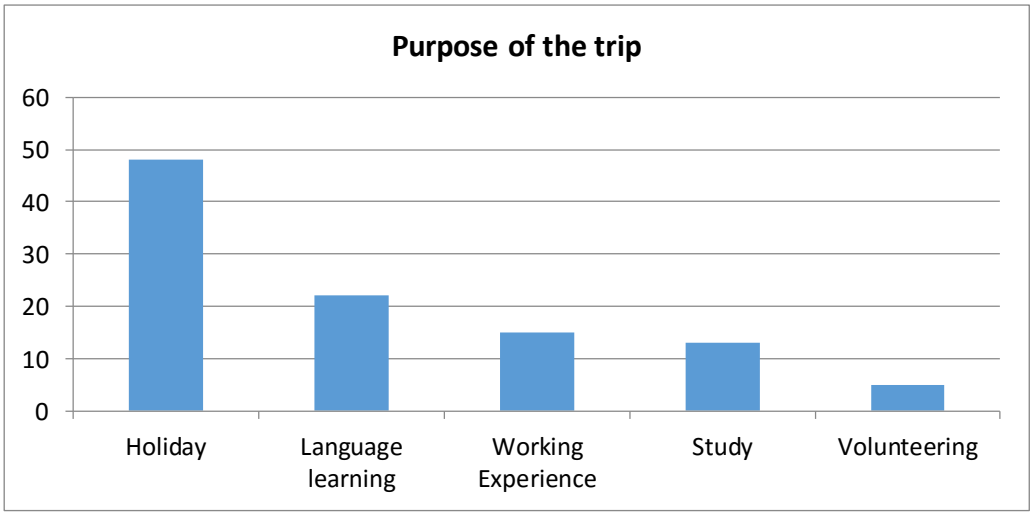


Figure 3.Purpose of trip
Source: http://thepienews.com/news/student-travellers-increasingly-common-biggest-spenders/
Every form of travel for young people is important and helps young people to develop the skills to adapt to new environments and cultures.
Educational tourism offering scholarships abroad, trips, courses, summer schools, camps nationally and internationally. In Romania, this is developing, and young people should know at least two languages.
International Camps offers participants campuses, apartments, hostel, hotels, depending on the type of program and age preferences. It facilitates learning by imitation and repetition, these two being the best schools for youth.
Young people can also opt to travel in studying a foreign language. The time needed for such a trip is 5-6 weeks, participants' age is decreasing. The most important destination to study a foreign language is considered to be the UK. This form of tourism is very important for those countries that have English as an official language or Spanish language.

Volunteering programs offers young people the opportunity to know other countries and cultures. The period of activity ranging from a few weeks to a year can be reached. Young people receive accommodation, meals and pocket money. The amount received varies from country to country. In Romania, the amount received is 80 euro. In Italy young people receive 162 euro. In Romania, there are associations that provide language training or IT disadvantaged people. A recent study showed that the number of volunteers worldwide is 1.6 million per year and the amount received by these is between 1.7 and 2, 6 billion dollars (Richards, G., 2008). The areas where the volunteers can work are diverse: environmental protection, culture, sports, recreation and art. These camps volunteer help the young people involved to develop their communication interacting with local communities or simply to know things and new people. In Romania should be adopted and implemented policies to stimulate volunteerism, volunteering must be promoted and citizens should be more involved in such activities.
Work and Travel is a common form of tourism is globally. It is particularly popular in North America, Western Europe and Australia. Dominant place is occupied by the United States followed by Australia, Britain, France, Spain or Greece. Young people participating in such a program gaining experience in a new cultural environment, establish new contacts with people around the world, visiting new places and earn some money.
Holidays meet the young tourists' specific needs regarding their spare time. It helps young people to develop their personality, gives the opportunity to discover new jobs, different cultures and ways of life. Holidays are a little bit of freedom, a little bit of history, culture and relaxation. They help to develop communication skills and the ability to accommodate to specific places. According YTI Magazine in July 2010, Southeast Asia is and remains the number one destination for young people.Percentage vacations highest recorded value of all journeys practiced by young people.

Factors influencing youth tourism market are:
-Increase the distance traveling buses for trips for young people;
-The employment contracts of a short period of time;
-A growing number of suppliers for specific products or students traveling youth;
-Overall development of the Internet, which young people learn the latest information on new destinations are promoted so places will want to visit and recommend to others;
-A desire of young people to obtain funds travel for those who choose to study or work.
Social, economic and cultural development of young people and students is recognized by employers and educational institutions and tourism by governments worldwide. The tourism industry is undergoing rapid change. We are entering a new economy more flexible, young people are often at the forefront of such innovation because they are willing to cross borders to try new things.

Conclusion
Tourism currently is considered to be the most developed industry across Europe, with considerable economic impact, with the highest annual growth rate : between 2 to 4.5 % in terms of turnover . Youth tourism market is a market for a particular purpose; They do not want common products and common activities, generally offered to the population ; they try to discover new adventures in this sector , to find out new things.
In conclusion, we can say that youth tourism plays a very important role in the economy of each country. But most important is for young people. It is considered to be a resource for change and innovation. The young people began to travel more often and for longer periods of time. They choose to stay gone longer than any other age group of global travel, spend more with local suppliers. Young travelers are extremely important for themselves. It helps to develop the cultural point of view, better learn a foreign language, knows different cultures and new things about the place that I have chosen as the destination. They

choose to enrich their experience at all levels. They want more than ever to enrich the cultural new experiences, meet new people, to enhance their chances for employment when they return home. For young people, travel is a form of learning, a way to meet other people, a way to have contact with other cultures, a source of career development, a means of self-development, an essential part of everyday life, a brief escape from reality. Young people are adventurous and want to develop their own knowledge. They have a wide variety of forms of tourism for young people from which to choose. Each form itself helps to progress and evolve in different ways.

In the last decade, tourism has undergone fast such as increasing demand and supply, gathered new markets by diversification of tourism for young people. Young tourism occupied an important place in the global tourism market.

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DISABILITY AND INCLUSIVE SOCIAL ACTION: A CASE STUDY IN BIHOR

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Abstract: *The overall objective of the research is to investigate the process and issues of social inclusion of children with visual impairments in Bihor County, in view of the need for inclusive social action. The main aim is to investigate the ways to optimize services for the protection of families and children with visual disabilities. To achieve this, the research is discussing the following dimensions: family environment and needs; characteristics of family socialization; educational opportunities; factors that cause dependence on the social environment and opportunities for achieving the capability to lead an independent life; objective and subjective dimensions of quality of life and opportunities for improvement; the way society relates to children with visual impairments and their families and how they perceive this way of reporting; the system of social services, educational, occupational, family and community inclusion; accessibility and efficiency of services; community life characteristics. The research is based on qualitative methods: the case study of a family with three children having visual impairments in the village of Albis (Bihor County), and semi-structured interviews with people involved in the local social services. The paper concludes that in order to alleviate or eliminate possible disadvantaging effects, social actions and policies undertaken by the family, school, civil society and community should be linked as parts of a coherent action strategy.*

Keywords: childhood disability, social inclusion, social services, family case study, Bihor County

JEL classification: I14; I24

1. Introduction

It is estimated that in the world live 650 milion people with disabilities, and if there are included their families, it can be considered that 2 billion persons are affected by this phenomenon, that meaning about a third of Earth's population (Preda 2009, p.206). This data show that identifying some viable solutions for social inclusion and improving the quality of life in the case of persons with disabilities represents a huge challenge and also an important social problem.

Being a person with a disability means, on the one hand, being part of the society of people with disabilities, and, on the other hand, deprivation from the affiliation to healthy people's world, of people without disabilities. Life conditions of people with disabilities and their social inclusion opportunities largely depend on their relationship with their environment. This relationship is interesting not just from the point of view of communication with the environment, but it also has a major influence on the persons with disabilities' lives,as it has an important role in auto-expressing and auto-defining the identity of these people.

In the specialist literature, disability is perceived and approached mostly using two patterns: the *individual* (medical) one and the *social* one. „From the medical pattern's perspective, people have a disability as a result of their individual, physiological or cognitive deficiency. The medical solution represents treatment or rehabilitation, establishing as a target the return to „normal", common condition, the one of being valid. " (Manea, 2006). „The social pattern is promoted by the European Union, and it emphasizes the social environment that is not adapted to the people with disabilities' needs, from which

result the difficulties that these people confront. As a result, the social pattern doesn't perceive disability as an individual problem, but as a social fact, generated by politics, practice, attitudes and the environment." (CNDR 2013). „The social pattern emphasizes the way how some inadequated characteristics of the social and physical environment determine compulsions on a category of persons." (Manea, 2006).

The inclusion of the persons with disabilities is influenced by several factors. One major factor is *the society's development level,* the way how society relates with the persons with disabilities. „The research from different countries prove that the social and family-related environment exercise the most important influences on the school-related performances, being then reflected in the income levels.". In fact the influences from the inside (the cooperating conditions, the quality of the teacher-scholar interaction, the classes preparation) and from the outside on the school are decisive in the matter of social inequalities. (Giddens, 2008).

The activities with the persons with disabilities have been characterised for a long time by a shortage due to an unilateral perspective: it has been highlighted what these people don't know, what they can't do, and how they can not adapt to society's requests. In the present it is paid a higher and higher attention *to adjust the social environment* to the persons with disabilities' problems, it becomes a priority not only the creation of equal chances, but also the improvement of these people's social lives, the diminution of the obstacles that these people confront day by day. From this perspective, disability must not be seen as a problem, neither a medical one, nor a social one: „people with disabilities can frequently confront with issues generated by their health." (OMS, 2012). Paul Hunt affirms that the disability problem appears not only in a function limitation and its effect on individuals, but also in forming their relationships with „normal people". (Hunt in Giddens, 2008, p.219).

A step forward on the way of public institutionalization of the concept of social inclusion has been made as a result to the modification of the European Union Treaty, the social politic and the occupational politic becoming components of the public politics at an union level. In 2000 the European Commission adopted the Report regarding Europe without barriers (European Commission, 2000), and during the same year the Council of the European Union emited a mandatory directive for the member states regarding the ensuring of equal chances for persons with disabilities. The action plan regarding the accomplishment of this objective, which had been adopted during the same year, has formulated concrete tasks for the whole decade 2001-2010 (Council of the European Union 2003).

The most recent document in this matter, The European Strategy Regarding Disability for the period of time 2010-2020 has been adopted by the European Commission on 17th of November 2010 (European Commission, 2010). The strategy mentions eight main fields of intervention: accessibility, participation, equalty of chances, occupation, education and training, social protection, health and social intervention. These fields have been selected by the level in which they can contribute to accomplishment of the objectives included in the Strategy and in the ONU Convention regarding the rights of persons with disabilities'.

Families who have a child with visual disabilities face a number of difficult issues. These children have difficulty in making detailed, carefully coordinated physical movements and develop slower the ability to get things done, as they cannot learn by watching others (Gherguţ 2006, p. 176).They need especially counseling. This problems can cause the teasing of the family, especially when they encounter tension, despair and frustration. In these situations, parents can isolate from everyone else, deliberately or not. For them it is hard to accept the fact that they have a child with disabilities. In this case, the best thing for parents to do is to help him or her to learn, to develop, to love him or her and to ensure him or her that he or she is not alone in this battle. In case of rejection, the child can close to himself/herself, or the rejection can facilitate the development of some agressive behaviours. The parents' encouragement will confer the child self-confidence.

Starting from the considerations mentioned above, the objective of this study is to investigate the role and the ways of optimization the relationship of the family and of the child with disabilities protection services, in the context of the resources that the comunity have and can dispose of, in helping the families where the parents assume the roles of teachers of the child with disabilities.

2. Public social services destinated to children with disabilities in Bihor county

By the legal regime of the provider, the social services can be organized as public or private structures:

Table 1: Social service providers

Public social services providers	Private social services providers
a) specialized structures included/subordinated to the authorities of local public administration and executive authorities from the territorial-administrative units, organized at level of village, town, city or sectors from Bucharest; b) the central public administration authorities or other institutions subordinated or coordonated by them, which have established by law atributions regarding the grant of social services for some categories of beneficiaries; c) sanitary units, education units and other public institutions that develop, at a comunitary level, integrated social services.	a) NGOs, respectively associations and foundations; b) the cults that are accredited by law; c) authorized persons, in legal conditions; d) the subsidiaries of the international associations and foundations accredited according to the active legislation; e) economic operators, in special conditions provided by law.

Source: The Law of Social Assistance 292 from 20th of December 2011

According to art.27, alin(1) from the Law 292/2011, „the social services represent the activity or the group of activities realized in order to accomplish the social needs, and also the special ones, the individual ones or the group ones, for outreaching the difficult situations, of averting and combating the risk of social exclusion, of promoting the social inclusion and increasing the quality of life.”.

We can mention the following public social services providers from Bihor county, destinated to children with disabilities: General Directorate of Social Assistance and Child Protection Bihor (DGASPC), Social Community Administration Oradea, County Centre for Resources and Educational Assistance Bihor, education institutions like: Center for Inclusive Education School No.1 Oradea, School Center for Inclusive Education "Cristal" Oradea, School Center for Inclusive Education "Horizon", School Center for Inclusive Education No.1 Tileagd, School Center for Inclusive Education No.1 Popeşti, School Center for Inclusive Education No.1 Valea lui Mihai, Technology High School "Ioan Bococi" Oradea, Technology High School "George Bariţiu".

In order to gain information related to the social services provided by the NGOs, I used *The Guide of Social Services Provided by Associations and Foundations in Bihor County.*The mentioned guide, 3rd edition, from 2012, has been accomplished at the request of the Coalition for strengthening NGO Sector in Bihor with the help of Social Work specialization Emanuel University in Oradea. In order to obtain the requested information, there have been contacted face-to-face, by phone, through fax and e-mail a number of 80

NGOs. Of these, have answered a number of 45 NGOs, respectively 56% of those contacted.
According to the SWOT analysis of the NGO sector involved in providing social services (GHID 2012, p. 18) may be mentioned as positive factors that Bihor County is among the top 10 counties in which associations and foundations demonstrated quality in providing social services, and a large number of partnerships between the public and nongovernmental sector of public administration, among the negative factors appear a small number of social services in rural areas and a few community services.

Table 2: Social services for children, families in need, children, youth with disabilities, provided by associations and foundations in Bihor

The NGO sector from Bihor		Social services provided by the NGO sector	Educational services	Occupational services	Program free time	Categories of beneficiaries	
Associations	**Foundations**	90%	46%	28%	21%	**Children, families in need**	**Children, youth with disabilities**
37%	63%					88%	35%

Source: The Guide of Social Services Provided by Associations and Foundations in Bihor

In the table above we can see that 37% of the NGO sector is composed of associations and 63% of foundations. From the providers, 90% provide social services, 46% provide educational services, 28% provide occupational services, and only 21 % offer programs related to leisure. As regards the categories of beneficiaries we can mention that 35% of private providers perform social services for children with disabilities, and 88% offer services to children and families in need.
Among public providers we can mention the General Directorate of Social Assistance and Child Protection (DGASPC) Bihor, which provides social services for children with disabilities in 25 operational subunits in Bihor county, of which 16 work for children and 9 for adults. Orphanages for children with disabilities have 203 beneficiaries. DGASPC Bihor cooperates with 106 accredited social service providers, of which 48 are public providers and 58 are private providers.Within the framework of DGASPC Bihor works the Complex Child Evaluation Service, which carries out the complex activity of evaluation of the children with disabilities.

3. Research methodology

The research is based on a qualitative-type methodology. We conducted a case study of a family with a child with visual impairments in the town Albis (Bihor county) and carried out semi-structured interviews with specialists involved in the local social services (local Social Welfare, a social worker of Foundation) in direct connection support to that family. Data was collected in December of 2014.

4. Information on family composition

Mother, A.E. is 40 years old and was born in Buduslău. Studies completed: middle school (8th grade), and she didn't continue her studies. She married at 17, had her first child at 18. Occupation: committed in 2013 as a laborer in a shoe factory in the nearby city of Marghita.
Father, A.F. is aged 52 years old and was born in the village of Albis. Studies completed: middle school (8th grade). He married at 29. He was never hired. He worked and he still

works today as a day laborer for the neighbors. The family is receiving welfare, father effectuates time of community service.
Children:
1. A.E., aged 22, is the first child. Studies completed: secondary education at the local school, baccalaureate in Agricultural School Group in Valea lui Mihai. She has a specialization of commercial technologist. Today she is a housewife, but she attends an elderly caretaker class. She lives with her original family.
Characterization of her class master from 8th grade (2007): "E. is attentive in class, low motivation, good receptivity to learning, intelligence IQ 110, on the participation and involvement is withdrawn, she is not participating to activities. She does not communicate with others, she is introvert. She adapts with difficulty, she is shy. Due to her health condition, she promoted the eighth grade with poor results, in national tests she did not show up. "
Currently, because meanwhile her view recovered partially and she wears glasses, teachers from elderly caretaker course characterize her a little different: "At the beginning of the course in the early days E. was withdrawn, uncommunicative but attentive. In the second, the third week she was quietly been more involved, she participated more often in activities, read more than her colleagues, she is always well-prepared, she feels good among her colleagues, but even so, she can't wait the weekend to be again with her family. the attitudes, skills, capabilities are suitable for the profession learned. ".
2. A. Er., Aged 20, is the second child. Studies completed: secondary education at the local school. She is a student in the 12th Grade of the Agricultural School Group in Valea lui Mihai, the business profile. She lives with her family. Characterization of her fourth-grade teacher from the school with classes I-VIII Buduslău, Albis section: "the child has good results, she is attentive." Class master opinion was that "after ophthalmic surgery there is an increased motivation, receptivity to learning is good with IQ 102. She participates actively in the class group's life. She's modest, friendly and communicative. She adapts well to the demands of school activities." Her eyesight recovered quite well, she is wearing glasses. She lives with her family of origin.
3. A. F. is aged 15. Studies completed: secondary education at the local school. He is a student in the ninth grade at School Group Tamasi Aron Agricoindustrial from Bors, the agricultural profile. According to the class master: "He's a very intelligent child with special educational outcomes." Due to early child ophthalmic interventions his eyesight has mostly recovered. He wears glasses. He lives a full life with his family of origin.
4. AR, aged 9, is the fourth child. Studies completed: secondary education at the local school, he is a student in the third grade. State of health: healthy. He is the only child who may not inherit father's illness. He lives with his family of origin.

5. The health of family members

Mother has heart problems and she is under treatment. She has no medical problems with her eyesight.

Father is ill, alcoholic, addicted to nicotine, and diagnosed with congenital cataracts in both eyes, unresectable, has low vision (sees only shadows). His illness was diagnosed by a specialist at the age of 40, and it remained untreated. From the interview taken after diagnosis revealed that the father had faced with vision problems that affected his daily life since he was young. Health condition contributed to the consumption of alcohol and tobacco, which were designed to reduce the frustration and the daily stress level. When congenital cataract was diagnosed by the specialist, the father was 40 years old, the doctor recommended surgery, but he refused and refuses steadily and currently to get operated. Parents were informed by the specialist doctor on the fact that children from their relationship have a strong possibility to inherit the disease, but at that time they had already had four children.

A.E. is diagnosed with hyperthyroidism, which is treated, and with congenital cataract, which is a genetic inheritance from family, more exactly from her father. She was operated on both eyes (artificial crystalline lenses). The operations took place at 12, respectively 17 years old. After two years she was diagnosed with bullous keratopathy, pseudophakic right eye, followed by surgery: corneal performant transplant (PKP) o.d. Her eyesight recovered quite well, she is wearing glasses.
A. Er. was diagnosed with congenital cataract. A father inherited disease. She was also operated on both eyes. The surgeries took place at the ages of 12 and 14 years. Her eyesight recovered quite well, she is wearing glasses.
A. F. was also diagnosed with congenital cataract. A father inherited disease. He was operated on both eyes. The operations took place at the ages of 9 and 10. Due to early ophthalmic interventions, his eyesight has mostly recovered. He wears glasses.
A.R. he is healthy. He is the only child who might not inherit father's illness. Dad andchildren do not fall into a category of disability.

6. The living conditions of the family

The family resides in the village of Albis, Buduslău. They possess a house composed of two rooms, kitchen and annexes. The house is located near the outskirts of the village. The family owns 0.60 ha land. By the time the mother has got hired they have received social aid under Law 416/2001. Dad and children do not fall into a category of disability. Family's income constitutes from mother's salary and proper food stamps, state allowance for three school children and scholarships for children from class IX and XII. The net monthly income per family member is 160 - 230 RON. In the garden located next to the house they grow vegetables and fruits, but this covers only a small part of the needs of the family. The family grows animals: chickens and rabbits, and in a shorter period they had a cow.
Family members are supported financially and with food by the maternal grandmother of the children. The family was included among the beneficiaries of the Diaconal Foundation of the Reformed Church. Besides aid of clothes, shoes, school items occasionally, food for the family, it has been started a social support for recovering the eyesights of the family members, that in order to benefit from proper medical care.
Pillar of the family is the mother who is a person of trust, punctual, fair, communicative, honest, and impulsive in a good way. She is just like a mother who takes care of the nest and defends her chicks.
Father works as a laborer for the neighbors in the village, he is paid either with wheat or corn, but most likely, he is paid with wine or brandy. A minimum of three times a week he arrives home drunk. At home he shows physically aggressive behavior towards the mother and verbally aggressive behaviour towards children.
The mother comes from a family with 2 children and the father comes from a family with 4 children. Their ties with the extended family are normal, they communicate, they help each other, they meet the extended family's members during the holidays. They help each other when agricultural work is needed. When the family started building a new room, extended family members helped with the labor.

7.Social assistance support

Identifying disability in the children from the A. Family's case was realized after the entering of the first child in the education system. Until child E.'s school teachers have noticed that there are problems with his view, until the child E., using the social worker arrived to a specialist and started solving the problem by seeking sponsors, there had already passed several years.

Based on our interviews reported by the social services (local social worker, social worker of the foundation) we can summarize the stages of assistance from family knowledge to date, as follows: "The case came to my attention during 2003-2004 . I was engaged in diaconal foundation of the Reformed Church. At school child E.'s vision problem had been detected and the school asked for support from the local reformed priest, the family representing a social event. "(Social worker of the Foundation).

Family's relationships with the teachers and with the priest were good. They were helping the family to get into an organisation's records that could provide moral and financial support. Thus, over the years, the family has received numerous social services provided by a social worker:

- finding a stable sponsor to cover costs of the specialized medical interventions, medicines, necessary medical devices, travel costs to the specialist doctor. In this regard, using the Foundation's help, it has been found a support group abroad, who is financially sponsoring family A. Over the years several times the sponsors have visited the family at home;
- administrative social assistance: preparation of files needed to achieve social rights, scholarships, aid, support in obtaining social rights;
- accompanying to doctors, hospitals, various clinics and social centers;
- support for continuing education of the children;
- effective communication between family, medical staff, school, state institutions, sponsors, etc;
- support in resolving conflicts, misunderstandings between individuals and institutions involved in the case;
- children's school orientation;
- counseling family members during surgeries, or in some crisis situations.

Professional opinion of the social worker employed by the Foundation on the case: "This is a special case, a case that I work for over 10 years, it periodically requires more active involvement on my part (operations, beginning of the school year in a new school , etc.), but there are quiet periods, too. ".

Every year, the specialist doctor, after children's annual control, makes a comparison between the return, children's vision healing after surgery, and the result of this comparison he communicated to the mother: "It's very important that the disability is being diagnosed early." Obviously, the family members also feel the difference on their life situation before and after the necessary operations, which has changed everyone's lives, even if currently they confront with their neighbours' negative opinions, with their prejudices. The neighbors have critical opinions regarding mother's decisions related to surgery, the schooling of children: "It is vain to send children to school, they will remain disabled forever, they will not achieve anything in their lives. It would be better if they would stay at home and work how they can. ".
With the support of teachers, the priest, and especially the social worker, mother has reached a very important decision, which is to enter into employment. Today every child of the family attends school, and the first child, after promoting the caretaker class has much better employment opportunities comparing to her mother in the past. She has a good chance of being employed at The Retirement Home in Marghita, where she currently works as a practitioner.

8.Conclusions

The main problems that the studied family faced occurred due to lack of adequate professional help and lack of early diagnosing of disability. All these were exacerbated by the poor social situation and increased economic vulnerability of the family. Without professional, financial and moral help offered through local community resources and directing them to the competent service representatives in this case, the family could not make any decisive step to solve problems of view. But today it is clear that there is a working partnership that has developed between the social worker, the family members, the ophthalmologists, the representative of the Foundation, the sponsor, the school representatives (children's class teachers) and other institutions. This professional partnership has four pillars: 1. Efficient communication, open and continuous collaboration; 2. The roles of all "actors" are well established, defined; 3. There is a relationship of trust between all stakeholders; 4. there is a "leadership team" consisting of a mother, sponsors representative and social worker who make decisions and take responsibility.

To achieve more efficient cooperation, particularly in dealing socio-medical complex cases as the one shown in this study is therefore need for partnerships at local and county level, strong and well functioning of all social actors involved. In pursuit of this objective, in the interests of children with disability in the family, in 2014 it continued cooperation based on partnership agreements between DGASPC Bihor and 8 social services in local Bihor County (ASCO Oradea, municipalities in Tinca, Husasău de Tinca, Borş, Sântandrei, Vadu Crişului, Tileagd, Paleu) for their access to rehabilitation services at the Rehabilitation Centre for Children with Disabilities Oradea and the Rehabilitation Centre for Children with Disabilities Tinca, according to the recommendations of the recovery plan approved by the Commission of disabled children for Child Protection. Ensuring continuity specialist mobile team intervention to children with disabilities residing in the county of Bihor is realized according to their needs of recovery identified by the specialists of SECC in the complex evaluation process.

We believe that it takes more active mobilization of political forces, specialized institutions at central and local level, civil society and the scientific one, towards a more stable legislation; additional resources; improve the education system of vocational guidance; development of services and therapeutic activities, vocational and training for independent and family life; stability and professionalization of staff, creating a motivational system for experts in the field; involvement and harnessing the potential of professional organizations, social and scientific environment and positive experiences in the field.

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ABSTINENCE AND RELAPSE OF THE ALCOHOLICS – ASPECTS REGARDING THE GENETIC HERITAGE

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Abstract: *One of the frequent questions asked about alcoholism is that if it is hereditary or not. Up until now the performed studies showed that it is not hereditary in the actual meaning of the word. This study is meant to analyze the possibility of a connection between the length of abstinence or the relapse during rehabilitation of an abstinent alcoholic, and the existence of relatives with similar problems. The studied group was made up of 112 men, abstinent alcoholics, and the results suggested that in the case of abstinent alcoholics who did or didn't have first or second degree relatives with similar problems, this very fact doesn't influence their success in maintaining abstinence on long term, nor the fact that they had relapses or not. On the other hand, in the case in which the period of time from the last relapse was registered, those who presented an abstinence of over five years and those with an abstinence up to five years present some differences regarding the existence of some relatives with similar addiction problems.*

Keywords: alcoholic, abstinent alcoholic, relapse, heredity
JEL classification: I12; I19

1. Introduction

To be drunk doesn't mean to be ill, it is an induced – disrupted - state achieved through the abusive consumption of a substance called alcohol. But from that point there is only a small step to becoming dependent, it is easy to make permanent and regular consumption a habit, especially given the circumstances of it being legal and the most popular and known *party drug* in our country as well.

Considering the definition of the term illness from *Dorland's Illustrated Medical Dictionary* that says „a deviation from or an interruption of the normal structure or function of any part, organ or system (or a combination of them) of the human body, which manifests through a series of symptoms or signs, of whose etiology, pathology and prognosis is or is not known" it is clear that alcoholism falls into this definition.

But we need to specify that the *diagnosis of alcoholism* does not say anything about the way, cause and degree of the basic affection. Recent research have shown that in the case of alcoholism we are not talking about a uniform illness but about a *complex physical-psychological disease*. The process of alcoholic illness takes place in 1 out of 10 or 15 people who start to consume alcohol (ethanol) periodically.

Abstinent alcoholics are alcohol dependent people who gave up the consumption of alcoholic drinks or any other kind of products that contain alcohol. Abstinence is an indispensable prerequisite, and when someone has chosen an abstinent life, they have to be able not only to live without alcohol but also to handle its proximity. (Schneider, 1999)

Relapse or recurrence means that a person, who decided to live an abstinent life, resumes the consumption after a period of success, during which other changes of their behavior have also taken place. (Schneider, 1999)

However, it being an illness, we ask to what extent can it or can it not be inherited, can the causality be inherited?

2. Alcoholism-Heredity

In the strict sense of the word, alcoholism is not hereditary, however all the people who are aware of the existence of an alcoholism problem in their family, should approach alcohol

with the same caution as a diabetic whose illness is hereditary, approaches sugar. But it is known that in certain families the cases of alcoholism are more frequent.(Schneider, 1999)
Alcoholism is a family related disorder caused by the dysfunctionalities in a family. Studies have repeatedly shown a high prevalence of alcoholism among alcoholic relatives. However, "family" is not a synonym for "hereditary". (Goodwin & Guze, 1974)
Other evidences reviewed as possible hereditary factors in alcoholism are followed by speculations about the genetic variation, and the way that combining it with conditioning might further or prevent the development of alcoholism. It can be valuable as a diagnosis category: „Family related alcoholism". (Goodwin, 1979)
People with alcoholic parents, who were adopted in their childhood years, were compared with their brothers/sisters who were not adopted and remained in the family they were born into. Both those adopted and those who remained in the basic parental environment had high rates of alcoholism (25% respectively 17%), the difference statistically being insignificant. The duration of exposure to the alcoholic parents was not associated to the development of alcoholism. However, the severity of the parents' alcoholism, established based on the number of hospitalizations, was positively linked to the alcoholism of their descendents. The results suggested that the environmental factors have contributed very few or not at all to the development of alcoholism among the children. (Goodwin et al., 1974)
It seems that some people react to alcohol differently then others, and that this sensibility may be transmitted genetically, as it was shown by some studies performed on twins, studies extended over several human races. Different human races react differently to varied external factors, including alcohol consumption. The alcohol metabolism involves two enzymes: acetaldehyde (known as ethanal, determines the speed of alcohol metabolism), and alcohol dehydrogenases (which absorbs the alcohol from the body). Thus, Native Americans and Asians are more vulnerable to alcohol related problems because they have more acetaldehyde in their bodies.
The causes that initiate the consumption of alcohol must be distinguished from the ones which affect the consumption patterns once the alcohol consumption has started. Studies performed on twin teenagers have shown that the consumption of alcohol is triggered primarily by the status of consumer/non-consumer of their parents, relatives, friends and by the social-regional differences, the environments the twin teenagers come from. The influence of genetic factors is negligible. On the other hand – paradoxically – once initiated, the differences between the frequency and quantity of alcohol consumption are strongly influenced by the genetic factors. In the same time, these influences are also modulated by the effects of those around (close relatives, entourage) and the variations of the regional environment. (Rose, 1998)
The psychotherapist Hans Klein states that „Not seventy percent of the children born from alcoholic parents, become alcoholics, but seventy percent of the alcoholics come from families where the father or the mother was alcoholic. There is a difference." (Klein, 1999)
In a study related to the evaluation of the risk of appearance of alcoholism among the children of alcoholics, the conclusion shows a sensitivity of 85% and specificity of 85.9% regarding the prediction of alcoholism in cases of the children of alcoholics. (Schuckit & Smith, 1997)
For those who still doubt the role of genetic makeup in the appearance of alcoholism, we remind you that 40% of the alcoholics have an alcoholic parent and that monozygotic twins show a higher correspon-dence in alcoholism than dizygotic twins. (Vraşti, 2001)
There are the so called biochemical markers of the tendency to become alcoholic: the decrease of the activity of monoamine oxidase (MAO) and the decrease of sensitivity of the receptors stimulating the cyclic AMP. These markers indicate the risk, tendency and probability of a person to develop alcoholism in the future. (Vraşti, 2001)

There is a long list of other markers of tendency to alcoholism, all representing variables transmitted genetically: the low sensitivity of the central nervous system to alcohol; the decrease of the amplitude of the P300 waves shown by the electroencephalogram; controlled genetic characteristics that are related to the attention processes; the cognitive impairment relevant in some areas like short-term memory, planning, visual-spatial analysis and attention, or even a well outlined attention disorder; behavioral and emotional disorders that occurred in an early stage of life and have organized into a personality disorder, people with antisocial behavior being more prone to alcoholism than others; the subjective effects of alcohol are felt less by vulnerable persons. (Vraşti, 2001)
The biological heritage can't be changed but it is accompanied by something called "social heritage", as in certain learning processes that we are never aware of. As an observation related to this genetic heritage, we can observe in many cases of alcoholics who have do have this information, that they use it as an immature shield, self-pity being very strong in their cases: „it's not my fault that I'm ill, I was born this way ... I inherited it". They make themselves comfortable this way and they go on with their self-destructive way of life.

3. The Research

This study is meant to analyze the way the duration of abstinence respectively the existence of a/some relapse/s may be linked to the existence of close relatives with similar problems. So I'm looking for answers for the following questions: a) can a period of abstinence of more than 5 years be associated with the lack of relatives with similar problems? b) is relapse caused (also) by the existence of relatives with similar problems? c) in case of an abstinence of more than 5 years without relapse can the lack of dependent relatives be identified?
The studies from specialized literature show high chances to maintain and stabilize abstinence during the first 3 years. Among people with a period of abstinence of more than 5 years, the risk of relapse decreases to 14%. (Dennis, Foss, & Scott, 2007)
The data was obtained after interviewing 112 male gender persons, abstinent alcoholics, between March and September 2015 at events and manifestations organized for and attended by abstinent alcoholics (meetings of former patients at specialized centers, post-therapy camps, anniversaries, AA groups). They reported abstinence periods between 3 months and 38 years. On the date of their interviewing all of them were abstinent for at least 3 months from the start of their abstinence or their last relapse. They were between 26 and 73 years old (the average being 47,46 years).
As work instruments of this research the items of interest (A2, A4, A5, A8, F1) were processed included in a sociologic survey for alcoholics (at request at the author).
NOTE: based on the reported data, I will talk about the relatives as dependent persons. Item A8 "Did you have relatives in your family with such problems (abuse of alcohol) ?" – answers 1. Yes, I Degree; 2. Yes, II Degree; 3. No.
42,9% of the total participants reported first degree relatives and 30,4% second degree relatives.
In Table no. 1 it is presented the correspondence between the duration of the abstinence, the situation of the relapses and the existence of dependent relatives.

Table 1 – The correspondence between duration of abstinence/relapses/relatives

Abstinence			Relatives		
			Yes	No	Total
Less than 5 years	Relaps	**No**	19	5	24
		Yes	18	5	23
	Total		37	10	47
More than 5 years	Relaps	**No**	19	13	32
		Yes	26	7	33
	Total		45	20	65
Total	Relaps	**No**	38	18	56
		Yes	44	12	56
	Total		82	30	**112**

Table no. 2 presents a synthesis of the results obtained following the application of the chi-square test for the part of the study which considers the connection between duration of abstinence and the existence of relatives, respectively the situation of relapses and existence of relatives.

Table 2 – The correspondence between duration of abstinence/relatives - relapses/relatives and results of the chi-square test / Fisher's Exact

		Relatives			χ^2	Asymp.Sig. (2-sided)	Exact.Sig. (2-sided)
		Yes	No	Total			
Abstinence	less than 5 years	37	10	47	1.253	.263	.288
	more than 5 years	45	20	65			
	Total	82	30	112			
Relaps	No	38	18	56	1.639	.200	.286
	Yes	44	12	56			
	Total	82	30	112			

Regarding the persons that have been abstinent for more than 5 years without relapse (35 persons), in comparison with the persons who have been abstinent for less than 5 years with relapse (22 persons), the results of the chi-square test are presented in Table no. 3.

Table 3 – The correspondence between abstinence of more than 5 years without relapse/abstinence of less than 5 years with relapse and results of the chi-square test / Fisher's Exact

		Relatives			χ^2	Asymp.Sig. (2-sided)	Exact.Sig. (2-sided)
		Yes	No	Total			
Abstinence	more t. 5 years without relapse	21	14	35	1.814	.178	.251
	less t. 5 years with relapse	17	5	22			
	Total	38	19	57			

Taking into consideration the period of time from the last relapse (which hasn't yet been taken into consideration) and applying this way two groups to the Chi-Square test, groups compound from those with an abstinence up to five years and those with an abstinence above five years, we obtained the results presented in Table no. 4.

Table 4 – The correspondence between abstinence less than 5 years /abstinence more than 5 years and results of the chi-square test / Fisher's Exact

		Relatives			χ^2	Asymp.Sig. (2-sided)	Exact.Sig. (2-sided)
		Yes	No	Total			
Abstinence	less t. 5 years	50	10	60	6.748	.009	.011
	more t. 5 years	32	20	52			
	Total	82	30	112			

4. Conclusions and discussions

The reported high percent of relative with similar problems (42,9% I degree and 30,4% II degree), concur with the data from the specialized literature.

The results (Table 2) indicate that the number of those who were abstinent for more than 5 years and had dependent relatives, is 45 (the highest value), the anticipated number of probability being 47.6, respectively the number of those who were abstinent for less than 5 years and didn't have dependent relatives, is 10 (the lowest value), the anticipated number of probability being 12.6, and that in the cases of alcoholics that have been abstinent for less than 5 years and those that have been abstinent for more than 5 years there is no significant difference between the observed values and the expected values regarding the existence of relatives with similar problems, because $\chi^2 = 1,25$ and the value $p = 0,263$ (value higher than 0,05), and the Fisher test for the exact bidirectional probability indicates a $p = 0,288$.

The number of the abstinent persons with relapses who had dependent relatives is 44 (the highest value) the anticipated number of probability being 41, respectively the number of the abstinent persons with relapses who didn't have dependent relatives is 12 (the lowest value) the anticipated number of probability being 15. The statistical analysis (Table 2) shows that regarding the existence of relatives with similar problems, in the cases of abstinent alcoholics without relapse and the cases of abstinent alcoholics with relapses, there is no significant difference between the observed frequencies and the expected ones, because $\chi^2 = 1,64$ and the value $p = 0,2$ (the Fisher bidirectional probability $p = 0,286$).

The statistical analysis shows that regarding the persons that were abstinent for more than 5 years without relapse in comparison with the persons who were abstinent for less than 5 years with relapse (Table 3) and relatives with similar problems, there is no significant difference between the observed frequencies and the expected ones, because $\chi^2 = 1,81$ and the value $p = 0,178$ (the Fisher $p = 0,251$).

Without taking into consideration the period of time from the last relapse, in general, the obtained results suggest that the fact that an abstinent alcoholic has or does not have first or second degree relatives with similar problems, doesn't influence their success in maintaining abstinence (duration, stability, durability). The connection between the fact that an abstinent alcoholic has or doesn't have relapses and the fact that they have such relatives was not statistically demon-strated either.

On the other hand, in the case in which it has been taken into consideration the period of time from the last relapse, the compared two groups being formed of those with an abstinence up to five years (n=60) and those with an abstinence over five years (n=52) - periods of time without any relapse - studying the existence of any relatives with similar addiction problems, the results of the statistic analysis (Table 4), it is indicated the fact that there is a significant difference between the observed frequencies and the expected ones, because $\chi^2 = 6,75$ and $p = 0,009$ (Fisher bidirectional probability $p = 0,011$ which is less than 0,05). We can affirm that those with an abstinence over five years and those with an abstinence up to five years present some differences regarding the existance of any relatives with similar addiction problems.

Regarding exactness, the items were formulated clearly, but I didn't separately take into account the kinship degree, and in accordance with the previous note, I considered the

relatives as being “dependent”. So, even if the participants were (abstinent) alcoholics and this means they have extended knowledge about dependence, the answers may be subjective when reporting relatives with similar problems. The fact that someone abuses alcohol more often doesn’t necessarily mean that they are dependent. Thus, this assessment may have repercussions on the validity and I consider it a limitation of this study.
Other important limitations of this study are that it hasn’t been taken into consideration the relativity degree (I or II) and the fact that the participants were only men, because the author himself is a man, as a result interviewing them by winning their trust was easier. Assuming the identity of an alcoholic, even an abstinent one, is a delicate thing to do, especially for women.

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LOAN MARKET AND THE REGULATION IN THE CONTEXT OF GLOBALIZATION

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Abstract: Lending is part of everyday life, and this is why it must be supported by the deciding factors, but not under any terms. We can hardly imagine an economy that does not include the lending activity in its mechanisms. Lending is a fundamental element for the fluidization of monetary circuits, but its effects are not always positive. From this point of view, the present analysis tries to highlight a number of issues underlying the functioning of modern economies, issues that have harmful effects on the general welfare. Along with the recent economic crisis, economists' debates on the culprits were amplified, increasingly discussing about its real causes, the modernization developments always confronting us with new paradigms, including that of the regulation of the modern banking system. Starting initially as a means of temporary redistribution of available resources lending also acquired slavery accents as it is sometimes promoted among final consumers, the interest of banking institutions being just the growth of banking performances and therefore of the bank profit. We do not dispute its necessity, especially in times when the amount of currency on the market is much lower, but we cannot but agree with the excesses that financial institutions register in the creditor - debtor relation by means of unfair terms, interest rates sometimes exorbitant and recovery policies which lie at the limit of legality. All these practices unfortunately are ignored by those who should oversee the credit market. People speak of deregulation or over-regulation. We believe that the regulations are welcome, but only when they protect all parties involved, not just certain interests. A market of this kind, involving substantial financial gain is a market that attracts such excesses. The role of the regulators must be precisely to ensure that such agreements are concluded and take place in humane, fair and lawful conditions for all those involved.
The experiences of recent years show that regulators have responded to the financial market abuses just after they exploded. It is important for the supervision to prevent and drain everything that is harmful.

Keywords: financial globalization; regulation; deregulation; credit; financial intermediation; financial markets.

JEL classifications:G18, G01, E 51

1. Introduction.

Globalization is one of the main topics of our time, a consequence of modernity, a permanent component of political and social-economic life since the emergence of states. The discussion about globalization and the future are always of current interest, especially when discussing the recent financial crisis and about those guilty of it (state, capitalism, supervision, lack of financial education, etc). Every step of globalization has been and is accompanied by debates about their interpretation from the point of view of liberal theories and those in favour of interventionism. The doctrine dowry on the conceptual delimitation

of globalization is remarkable, the differences in perception reflecting precisely the scale and complexity of the phenomenon itself. Summing the attempts to define the process of globalization, it is regarded as a complex process, mainly characterized by profound tendency of retrieval of the unity; the increase in global interdependence; internationalization of trade and production; liberalization of markets; free movement of capital, information, people and goods, increase of global competition, loss of individuality of a people, of a community. Of all the factors underlying the emergence and development of economic globalization and integration, the economic-financial factor is the top of the pyramid, followed by the technological and informational factor, the social, the political factor and the cultural factors. (Ionescu and Popa, 2010). Because of the role that it plays in all development processes the banking market cannot be bypassed by the globalization process, and we can even say that it appears as a promoter of globalization in all its areas.
Globalization is a phenomenon that is expanding at an increasing speed. Countries with economies in transition, such as Romania, require a framework to allow reaping the benefits of globalization and decreasing the negative efforts. But for this, substantial efforts are required from the authorities, efforts to adapt policies and legislation (Isarescu, 2001). These developments confront us with a new paradigm, that of the state's role in the administration of financial markets.

2. Radiography of lending activity

Given the financial globalization, the importance of the relationship between banks and money in our economy, it is necessary to have a critical look on the banking system, one of the key players of sustainable development, which is due to the fact that it plays a fundamental role in economic performance and in all forms of trade and industry. This represents a disruptive force that tends to induce and enhance stability, exactly in the same way as it represents a crucial factor to finance investment and economic growth (Minsky 2011).
As we can see in Chart no.1 the role of banks in Romania is obvious. They attract and manage much of the financial resources of Romania. Among the components of the financial system, the banking sector is dominant, with a value exceeding 78% of total assets, followed by investment funds with 7.97%, non-banking financial institutions6.01%, pension funds 3.72% and insurance companies 3.40%.

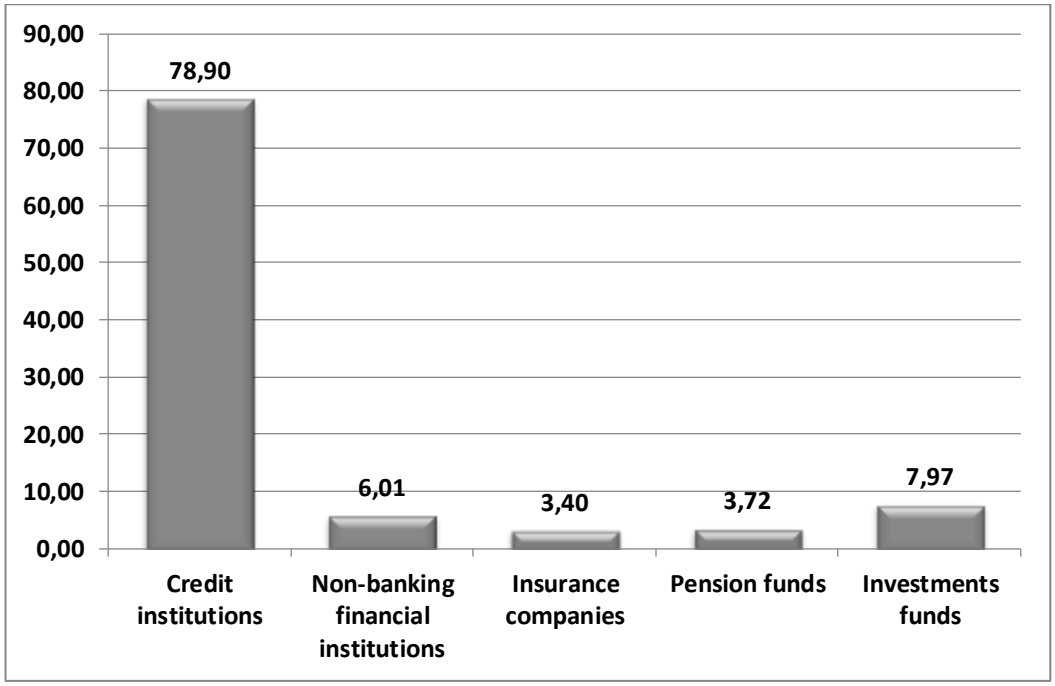


Figure 1: Dynamics of the financial system components in Romania on December 31, 2014 (%)
Source: National Bank of Romania, Financial Stability Report 2015

Unfortunately, most banks existing in the Romanian banking system are foreign owned (as will be seen in Table 1, banks which are interested only in the economic component, focusing solely on increasing the performance of the bank and hence in the banking profit.

Table 1: Market share and number of credit institutions with foreign capital in Romania

	Number of credit institutions	Number of banks with majority foreign capital	Percent (%) in the total assets of banks with foreign capital
2006	39	33	88.6
2007	62	36	88.0
2008	43	37	88.2
2009	42	35	85.3
2010	42	35	85.0
2011	41	34	83.0
2012	40	34	89.9
2013	41	34	90.0
2014	40	33	89.8
June 2015	40	34	90.2

Source: National Bank of Romania, Financial Stability Report 2015

A first step for Romania, we think it would be encouraging domestic owners of capital to invest in local institutions and thus the Romanian economy. A balanced ratio between foreign capital and domestic capital would protect us more in the face of financial convulsions. The presence of more than 90% of foreign capitals can only expose us more. The great share of foreign capital in credit institutions in Romania has made us vulnerable to the crisis, and the crisis effects would have been much lower if we had a Romanian capital base. We should provide a much stronger solidarity of the domestic banking system and implicitly to the Romanian economy.

Financial intermediation sector has the role of administrator of the relationship savings-investment, the role of banks in the economy being analyzed in terms of the concept of financial intermediation

If we look at the economic recovery in the European Union we can see that it is a slow one, the phenomenon of financial disintermediation being still present. The financial intermediation compared to other European countries is low in Romania, still being well below the EU average. The pace of decline being more accentuated in the past four years, approx 60% of GDP (Table 2).

Table 2: Financial intermediation degree in EU countries in December 2014, percentages

EU countries	Assets / GDP	Loans / GDP	Deposits / GDP
	percentages		
Austria	267.24	102.05	98.06
Bulgaria	112.83	61.89	69.98
Estonia	109.88	74.07	58.90
France	383.45	101.49	94.22
Germany	268.70	87.04	103.81
Greece	222.14	119.34	90.35
Italy	248.90	103.51	94.47
Latvia	128.24	54.05	44.47
Lithuania	70.19	42.52	41.59
Holland	369.86	169.14	148.65
Poland	91.88	52.72	51.99
Portugal	271.18	128.23	119.97
Czech Rep.	126.34	53.06	69.86
Slovakia	85.41	52.65	57.04
Slovenia	116.94	56.92	58.26
Spain	280.89	130.35	136.48
Hungary	109.96	44.28	54.93
Romania	60.33	31.40	34.73

Source: National Bank of Romania, Financial Stability Report 2015

Government policies must provide a stable framework conducive to the resumption of financial intermediation, including by avoiding measures that could distort the role of financial institutions in the society, especially because Romania does not have a healthy stable economy.

If we look at the dynamics of lending to the private sector (Table 3), we see after many years, the share of funding in national currency granted to the private sector has surpassed that of credit in foreign currency, reaching 50.3%, a reduction in the rate of bad loans, a reduction of the currency risk, which means a recovery and consolidation of the domestic banking sector.

According to NBR data loans granted until 2008 cumulate currently about 70% of total non-performing loans, these loans being loans generally secured by mortgage on the long term and in foreign currency. Romania's experience in terms of the rapid pace of lending in the period 2005- 2008 can be seen in Table. 3.

Table 3: The pace of private sector lending by denomination currency, mld lei,

	Total credit private sector	Credit private sector in LEI	%	Credit private sector in FOREIGN CURRENCY	%
Dec. 2006	92.3	48.6	52.7	43.7	47.3
Dec. 2007	148.1	67.7	45.7	80.4	54.3
Dec. 2008	198	83.6	42.2	114.4	57.8
Dec. 2009	199.8	79.7	39.9	120.1	60.1
Dec. 2010	209.2	77.3	37.0	131.9	63.0
Dec. 2011	223	81.6	36.6	141.3	63.4
Dec. 2012	225.8	84.7	37.5	141.1	62.5
Dec. 2013	218.5	85.3	39.0	133.9	61.3
Dec. 2014	211.2	92.1	43.6	119.1	56.4
Sept. 2015	214.3	107.7	50.3	106.6	49.7

Source: Own calculations based on data NBR data, Monthly Bulletin December 2007-September 2015

We know that in an economy lending plays a crucial role, especially in times of crisis, but the last years analysis showed us banks interested only in increasing the number of people dependent on loans, being interested only in the economic component of bank performance, without having a clear analysis of the potential client and a vision on how it will operate in economy to reimburse the loan. A population with a very low degree of economic culture, who was given the illusion of a prosperous period, was encouraged to become indebted to the extreme. According to Minsky the lending function of banks is threefold: "The request of the potential customers who would like to borrow, credit structuring and supervision of borrowers. In this regard, in order to achieve profit, bankers have to organize the loans they grant so that borrowers can and want to honour their contractual obligations ....more than that before granting a loan, the banker must have a clear vision of how the borrower will operate in the economy to get the money to repay the loan "(Minsky, 2011)

The National Bank of Romania warned both debtors and creditors about the risks of lending in foreign currency. At a conference hosted by the National Bank of Romania, Governor Mugur Isarescu, drew attention to the moderation of foreign currency credit saying "that prevents larger imbalances and I think it is good for you and bankers (.....) I

said from this rostrum that I do not know how many times I have said that foreign currency loans are risky)
Even if superficial, there are signs that the global economy is at the beginning of recovery from the crisis, the economic crisis topic being still subject to everyone's attention because its causes are still unclear and deep and economies are quite fragile after the harsh period they went through.
They have been writing about the crisis in recent years, noting the deregulation of financial markets. Of course, we cannot ignore that one of the underlying causes of the financial crisis was the mortgage loan with high risk, the abundant liquidity, along with bad loans that banks have extended on a clientele with a low degree of financial culture about whom it was known to have a low likelihood to repay the debt, but if we look from an institutional perspective we can see that system managers and bad regulation assume part of the blame.
The markets have become increasingly global, and the state has not kept pace with market innovations, regulation not being dominated by good rules. Market innovation, regardless of the period will surprise regulators.
Although the causes are clear, part of politicians and even analysts have called for more regulation and more control over the financial system, as if the crisis would have been based on capitalism, based on free markets. In fact, it is not capitalism that has contributed to the generation of the current crisis, but the wild, unethical, globalized capitalism, imposed by corporations, is the one who built and started this economic dismantling in recent years.
In one of his articles Lucian Croitoru says: "The crisis has interrupted a gradual process of derailment of the rules from the requirement to be clear, consistent and fair with each other (namely without favouring special interests). When these rules substantially derail from these requirements, we cannot speak of capitalism"(Croitoru 2012)
Even Keynes, the advocate of interventionist government policies through his theory on economy management says that the state must be ready to intervene at any moment to intervene in rising budget deficits, but it should not make an abuse of this. (Croitoru, 2011)
Given the lack of a coherent, grounded legislation oriented to both sides of the money route (both to initiator and to consumer) slippages appear at the level of legislative initiatives, such as the mortgage bill, debated in the Romanian Parliament recently. The bill provides that the debtor has the right to extinguish the mortgage by delivering to the creditor of ownership on immovable property mortgaged in favour of the creditor, without paying anything else. We are aware that this project is quite "thin", less founded and leaned rather toward elective capital accumulation, but if we look in depth we would have to ask those responsible for supervision why in these years of crisis they have not thought about regulating this situation and provide a minimum of protection to consumers. Why was the issue mortgages consumer protection considered so late, leaving room for these bills, which do nothing but shading the uncertainty and instability to nuance of our country at the legislative level and with repercussions on the economy in general.
We know that such laws are found internationally in many countries and contribute to real consumer protection against financial institutions absorbed only by gains. In any stable society, the institutions which oversee the banking system are those that meet consumer protection and do not let them be used by banks. In our country we unfortunately did not see that such initiatives coming from those who specialize and remunerated to oversee banking market. This lack of firmness has done nothing else but to give the possibility of financial-banking entities to take advantage of clients and bankrupt most of the market. The lack of regulation in the field of financial and banking products consumer protection, coupled with speculative games at the level of real estate market led largely to desperate situations, making them true "slaves" not only for the present but also for the future, even if the goods they places as collateral have already been executed by the banks.

Who lost? The great mass of consumers. And someone else: the banking system and NBR. Lost consumers' confidence in a system totally deprived of protection.

3. The State and the financial markets

The recent crisis nuanced the struggle between the state and the financial markets, the two candidates for the central role in managing the economy, amplifying tensions regarding the economy management, the crises imposing power adjustment. They drew attention to the need for a better understanding between the financial sector and the real economy and the need of restoration of political and economic role, their inadequacy and mismatch being a real obstacle in ensuring macro stability and sustainable economic growth. The financial crisis has brought a new paradigm, that of the role of the state in the economy. Definition of the role of the state in modern societies, in its relations with the economy, was a major debate.

After the Second World War the role of the state has become increasingly more present at the level of economy.

Relations between the state, financial markets and economic administration are in a process of change, in a substantial change of the existing balance.

The state acts through legislation and decisions or interventions initiated by authorities such as central banks. The state influences the financial behaviour rules and the financial structure. Laws, governmental decisions and interventions reflect the view on how the economy is leaven by financial instruments and institutions.

Lucian Croitoru, in an interview for the journalists from Cursdeguvernate in 2011, made a brief history of the relationship between the state and financial markets, thus in the period of the 30s being marked by subordination of central banks to governments, the freedom of financial markets being drastically reduced, instead the fight triggered by the crisis in the 70s was won by the markets. (Croitotu, 2011)

According to Stiglitz "a political and economic system that does not do its duty to the majority of citizens cannot be maintained on the long term. Finally, confidence in democracy and market economy falls apart and the legitimacy of institutions and of the existing organization modes will be questioned "(Stiglitz, 2015)

Conclusions

Step by step we tried to confirm the relationship between globalization, crisis, and administrators of economy - markets and policies. The banking financial activity is one of the main fields of this report, both as a starter and as a supportive factor in all development processes, especially in any underdeveloped or developing economy.

Along with the globalization, the economic and financial context has experienced major changes. We note that along with the globalization of relations between the state, financial markets and economy administration are in a continuous process of change and positioning in terms of power.

We need policies to overcome the overtaking of commercial, geographical and governance difficulties and which contribute to the optimal use of the opportunities offered by globalization without exposing very much the integrated economies in the European Union to the international financing "games".

We believe that a first lesson of the recent crisis may be that of rethinking the economic size of the state in economy.

Regulation and state intervention should be responsible and only minimize the excesses of a decentralized market economy, and the manner intervention should strengthen the economy and its prospects in the long term and not to push problems in the future.

Crises should be seen as lessons. As the Alexandre Lamfalussy says financial crises are necessary in that they "represent an indispensable sanction for management errors". The recession periods force the society to perform a self-assessment of the lifestyles, to search for new solutions. (Lamfalussy, 2008).

Authorities' policies must provide a stable framework conducive to the resumption of financial intermediation, including by avoiding measures that could distort the role of financial institutions in the society and by regaining trust among citizens.
Analyzing the dynamic pace of lending during 2005-2008, we believe that the aim pursued should be to limit the unsustainable indebtedness both in terms of the debtor and of the creditor and not a fight between financial markets and the political class. Banks should approach customers, citizens.
The regulations should not be regarded as a favour to consumers, but as an essential condition for carrying out serious and fair, sustainable investment, to ensure proper functioning and development of both private entities and economies in general and, last but not least of the personal welfare of every consumer.
A very important thing for Romania would be encouraging domestic owners of capital to invest in local institutions and thus in the Romanian economy. A balanced ratio between foreign capital and domestic capital would protect us more in the face of financial convulsions.
We believe that in a post crisis period on which an increasingly tougher political crisis overlaps we need to think financial market regulations and the conduct of its activities within it in compliance with its observance and protection of the parties.
Current premises are quite bleak and show that we are already dealing with material damage by armed conflict. All these require a reconstruction period in which a major role will be played by loans. It will be very easy and tempting for the excesses from creditors to occur.
In one of his works Nicolae Danila says "The lessons of the past and present must be in our minds" any disregard of economic laws is punished sooner or later (Daianu, 2015).

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A VIEW OF MACROECONOMIC STABILITY

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Abstract: *The present paper summarizes the history of macroeconomics, the way macroeconomics has developed over time, the influences and trends which appeared during these years. In order to understand what is needed from macroeconomic stability, we need to follow the evolution of the concept, of the limits reached by a certain model and of the approaches which define the macroeconomic models. The complexity of the problems arisen during economical recession has led to a continuous enhancement of the macroeconomic models, meanwhile looking for a model which would respond as much as possible to the identified problems. Also, I have approached macroeconomic stability starting with concepts, with the way it is conceived to work, with the policies which come to support macroeconomics and, implicitly, macroeconomic stability. I have approached the role of macroeconomic stability in resolving financial crises and also the way macroeconomic policies should work or be used both during economical growth and during recession periods. On a short-term, the settling role of fiscal policy is based on the efficiency of automatic stabilizers and on the ability of the governments to create a fiscal stimulus in due time. The governments can deliberately modify public expenses and public fiscal instruments in order to compensate the fluctuations of the business cycle, but, ultimately, the structure of the fiscal system has to be designed for maximizing economical efficiency and market flexibility, thus increasing the endurance of the economy when facing shocks.. During the past two decades and until the initiation of the 2008 crisis, the specialty literature regarding monetary and macro-prudential policies has recorded a diversity of opinions, but is still far from a consensus regarding its objectives. Generally speaking, macro-prudential policy is seen to focus on financial stability, but there is no clear definition of financial stability.*

Keywords: macroeconomic stability, macroprudential instruments

JEL classification: E51,E61;E62;E63

1. Introduction

The recent financial crisis has highlighted the lack of regulatory frames that allow first a predictable economic crises and also managing the cluster of financial imbalances. This lack of regulation has proven to have important macroeconomic consequences, affecting the entire global economy (Catte et al., 2010).

Trusting the self-adjusting ability of the financial system has led to underestimating stock build-ups and, accordingly, the increase of debts (which were the result of expansion of assets and given loans - specially in the field of real-estate) (Galati, 2012).

Regarding macroeconomic policy, the recent financial crisis has highlighted the need to go beyond an approach based on a micro-approach of financial regulations and surveillance (Clement, 2010).

This is exactly the approach we have chosen in the present paper, starting with the history of macroeconomics and then debating the macroeconomic stability.

2. Macroeconomics - Origins and History

Macroeconomics is a branch of Economics which deals with the performance, structure, behavior and decision-making of an Economy as a whole (Blaug, 1986).

The word 'macroeconomics' comes from Greek, being made up of 'makro'- which means 'large' and οίκος [oikos], 'home' and νομος [nomos], 'leading' and studies indicators like gross domestic product, inflation and unemployment rates and the interrelations among these factors and different sectors of the Economy.

In the begining of the macroeconomics study there were two distinct approaches:

- The theory of economical cycles - presented by William Stanley Jevons, Clément Juglar and Wesley Clair Mitchell and
- Monetary Theory - taken from the works of David Hume, Knut Wicksel, David Ricardo, Henry Thornton, Irving Fisher, corroborated with the theory of circular flows of François Quesnay and Karl Marx (Dimand, 2008; Durlauf et al., 2008).

The real establishment of the word 'macroeconomics' came together with the approach suggested by John Maynard Keynes in his book, "The General Theory of Employment, Interestand Money" (1936), (Snowdon et al., 2005) and then, specialists in Economics like Paul Samuelson, Franco Modigliani, James Tobin (who embraced the Keynesian trend) have developed the model initially suggested by Kenyes and presented new approaches.

During 1970 - 1980 the monetary trend developed, its fundamental exponent being Milton Friedman, by which another approach of macroeconomic terms took place, mainly demonstrating a direct connection between high unemployment rate and the increasing of inflation (Blanchard, 2011).

Another approach came from the Neo-Classics, especially through the approach of the theory suggested by Robert Lucas, namely that of rational expectations, which basically is based on the assumptions that people make decisions in the future based on their experience from the past, on the information had and on a rational vision, taking this trend towards the idea that present economical expectations are equivalent with the future in facto status of the economy (Snowdon et al., 1994).

Starting from the paper of Lucas, (Lucas, 1976), Edward C Prescott and Finn E. Kydland, the exponents of Neo-Classicism, have created a new macroeconomic model, RBC (Real Business Cycle), by which this theory promotes the idea that the cycling fluctuation of business is actually the efficient response of the changes which appear in the real economic world (*Blanchard, 2011*).

Towards the end of the 90s, a new approach, Dynamic stochastic general equilibrium (DSGE), tries to explain the connection between different economic phenomenon (economic growth, production cycles) and the effects of monetary and fiscal policies (Huw, 2001; *Blanchard, 2011).*

The theoretical approaches were diverse.

A first approach consists of macro patterns, and, Dynamic stochastic general equilibrium patterns in particular. A main advantage of this approach is that it relies on the analysis of the financial stability and uses patterns in which time (as a scale) plays an important role. Moreover, these models are particularly suited for simulations, that makes them attractive to study the impact of new fiscal policy instruments.

In the same time, a significant disadvantage of Dynamic stochastic general equilibrium patterns is that they are patterns on infinite time horizons, therefore are not well suited to specific situations, well determined. As a result, Dynamic stochastic general equilibrium patterns present trouble modeling financial intermediation (Bean, 2009).

Another research line is based on the idea according to policy decisions must take into account the appropriate role of various interest rates – (the loan interest rate, the reference interest rate (Goodfriend and McCallum, 2007).

3. Macroeconomic stability

The concept of macroeconomic stability has suffered important changes during the economic course of the previous decades. During the years after the war, period dominated by the keynesian concept, macroeconomic stability actually meant a combination of external and internal balance, which would mean a full labor occupancy and a stable economic growth, accompanied by a decreased inflation. During time, fiscal balance and the establishment of prices became the center of attention, replacing the keynestian focus on real economic activity (Ocampo, 2005).

This change of policy has led to minimizing and, in accordance with some more radical opinions (Stiglitz, 2003), even to a complete suppression of the anti-cyclic role of macroeconomic policy.

There is now undeniable proof regarding the fact that pro-cyclic financial markets and pro-cyclic macroeconomic policies did not encourage growth; these actually increased the volatility of developing countries (Prasad et al., 2003).

This fact has generated a renewed interest in the possible role of anti-cyclic macroeconomic policies in decreasing the intensity of production cycles in developing countries.

The recent financial crisis has highlighted the negative effects over life standards, which can be a result of macroeconomic instability. Major changes in the economic activity, high inflation, less developed markets, level of debt and volatility of exchange rates contribute to unemployment and an increase of poverty.

The large objective of macroeconomic policy is to contribute to the economic and social well-being in an equitable and durable manner. Since unemployment and the lack of reforms needed for economic growth are the main causes of poverty, maintaining a full employment of labor in economy, as constant as possible, is an essential task.

Macroeconomic stability presents the way in which a national economy minimizes its vulnerability to external shocks and, in the mean time, the way in which it creates its premises for a sustainable growth.

Macroeconomic stability acts as a safety margin (buffer) against currency and interest rate fluctuations in the market. Exposure to currency fluctuations, excessive indebtedness and inflation that cannot be controlled may generate economic crisis and even cause the collapse of the gross domestic income (product).

According to the Maastricht Treaty, macroeconomic stability is measured through five variables (Hubbard and Kane,2013):

- Low and stable inflation – which indicates well-conditioned market demands.
  In case of high or unstable inflation it can lead to alterations of the values of long-term contracts. Also, high inflation creates some uncertainty in the market, thus, leading to increasing the risk premiums (Wessels, 1993);
- Low long-term interest rates – which leads to a perception of stability of inflation in the future;
- Low debt related to the gross domestic income (product) – which indicates that the Government will have to shape the revenue going to be collected (from charging) in a manner not having to borrow from pledgees and thus having to pay a surcharge;
- Low deficit - which would allow the countries to assure a sustainable growth on a medium term.
- Monetary stability, which would allow both importers and exporters to create a long term strategy for development, without being highly influenced by the fluctuation of the foreign exchange.

  Macroeconomic policies can be based on monetary policies and on fiscal policies. The Economists prefer to rather use monetary policies than fiscal policies due to two main reasons.

- The first might be that the monetary policies are implemented by central banks and not political institutions (eg. Public Authorities) which control fiscal policy, therefore, central banks should not take such decisions based on political grounds.
- Secondly, monetary policies can have immediate effect, while in the case of fiscal policies, results can be seen later.(Mayer and Thomas, 2002), (Snowdon et al., 2005).

The different approach come from trends expressed by two distinct groups.

- The first group defines financial stability based on the solidity of the financial system when facing external shock (Padoa, 2003; Allen and Wood, 2006).
- The second group describes financial stability in terms of resistance to shocks in the financial system (Schinasi, 2004) or vulnerability to financial stress in response to midsize shocks (Bario and Drehman, 2009).

Brunnermeier and Sannikov ((2009) has argued that the key goal of macroeconomic stability is for this to work as a counterbalance during periods when macroeconomic indicators start to show downward values in economic growth periods, whereas in times of crisis to act as a lever to increase the value of these macroeconomic indicators.
In approaching economic policies there were opinions regarding the intensity they should interfere with in the economy.
There are several arguments that support the idea of not engaging these economic policies in such an extend they interfere directly with the financial stability issues.
The first argument is that of the principle of Tinbergen (Tinbergen, 1981) according to which for every objective of monetary policy you want to achieve it should exist one independent policy instrument. (For Eg.: if you have two objective of the macroeconomic policy – price stability and a low unemployment rate - you need two independent policy instruments: price stability as a monetary policy and fiscal policy for low unemployment rate).
An example of compromise between monetary policy and macro-prudential policy can be found in the works of Agenor, Alper and Pereira (2009), in a pattern in which „the bank stock's" impact on lending rates presents two forms: a cost effect (associated with the fact that issuance of equity for regulatory purposes is expensive) and a stimulating effect (due to the fact that an increase in capital improves the expectance of refunding loans). If the central bank increases the monetary policy interest rate and, also, increases the minimum capital adquacy rate (to promote financial stability), the netto effect on the loan rate can act as a lever.
Another argument is that monetary policy that manages to keep low and stable prices, can induce cycles of booms in assets prices. For example, low interest rates could encourage taking a higher risk regarding lending which could lead to higher assets prices.
The third argument is that, the monetary policy interest rate alone cannot account for financial stability concerns. Form this point of view there is evidence suggesting a higher association between loan growth, depending on the cost of borrowing and, therefore, the monetary policy rate and real estate assets price inflation (Claessens et al.,2011).

4. The effectiveness of macro-prudential Instruments

The recent financial crisis has enabled us to reveal the vulnerability ot the existing monitoring patterns focused on individual reliability of the institutions, these being unable to identify systemic risks which may spread to the global economy.
Therefore, the institutions responsible with monitoring the financial branch have developed a regulatory and institutional frame for implementing the best macro-prudential policies and instruments to mitigate systemic risks that may affect financial stability.
These reforms are found in the Basel III regulatory frame, which defines the conditions relating to the implementation of a number of available instruments to deliver macro-prudential policies.

Therefore, many macro-prudential authorities have selected a number of instruments to be developed and implemented nationwide. These instruments were analyzed individually by each authority, taking into account the specific risks and characteristics of national economies (without neglecting the risks that may arise through extended consequences between countries).
The implementation of macro-prudential instruments involves:

- identifying a number of appropriate indicators to signal periods of crisis or financial crisis and
- adjusting instruments, taking into account their expected impact on the financial system and economic activity.

A number of criteria are relevant for this selection. First, an appropriate balance between covering risks that can be reduced by instruments and the efforts made so these instruments become operational, must be provided.
Developing criteria to find instruments with major impact, collecting, scanning and adjusting relevant data requires a thorough analysis.
In addition, it is also important to make sure that the selected instruments are the most appropriate to reduce the identified risks. This selection is normally based on effectiveness, efficiency and transparency criteria which tries to assess:

- to the extent the instrument is required to fulfill the goal;
- if cost or potential adverse effects arising from their activation are commesurate with the goals pursued;
- if the instrument is clearly measurably in terms of its application and the goals it pursues, to ensure that the policy is credible and responsible.

Therefore, the selection of instruments nationwide will probably be reviewed and updated in the following years. In this context, the selection of instruments should not be seen as restrictive (meaning it does not block the activation of other instruments that have not been selected), but as an indication of the instruments considered by the authorities as a priority and for which conditions will be developed to become operational nationwide.
Since macro-prudential policy instruments have been introduced recently in approaches and patterns developed by economists, they may not have a proper assessment for three main reasons.
The first would be exactly, the time – it is too early to assess empirically the efficiency of some instruments that have been introduced only in recent years. The data series are relatively new and therefore cannot assist in achieving the goals of macroeconomic policy Lo (2009), Sibert (2010) and Brunnermeier et al., (2011).
The second would be that empirical work is much harder in the absence of established patterns of interaction between the financial system and macroeconomics.
Third, the measures are often combined with other policies and it is quite difficult to realize the impact of each one per total. Therefore, there is a need to measure the effectiveness of macro-prudential instruments.
In the literature, there are five main approaches to determine the basic methodology of macroeconomic policies.

- The first is based on the study of events covering different sections of the countries, and has been carried out, usually, at central banks (CGFS, 2010b), the IMF (Hilbers et al., 2005; Crowe et al., 2011a, b; Terrier et al., 2011), BIS (Montoro and Moreno, 2011)
- A second approach is based on the assessments of authorities and foreign observers regarding the effectiveness of macro-prudential instruments (Borio et al., 2001). In fact, Borio and Shim (2007) argue that in order to draw clear conclusions about the effectiveness of some macro-prudential instruments, they should rely on a systematic analysis of the various situations encountered.
- A third approach consists of country studies using reduced regression analysis (IMF, 2011 b,c)**.** Compared to event studies, this line of research allows more

formal tests of the impact of macro-prudential instruments. However, one of the limitations is that patterns likeso do not capture enough the interaction between macroeconomic, financial and political variables. In addition, since in most cases, macro-prudential instruments have been recently introduced, there is not sufficient data available to perform regression analysis (Galati, 2012).

- A fourth approach uses macroeconomic patterns – usually Dynamic Stochastic general equilibrium (Antipa et al., 2010) or structural patterns (Catte et al., 2010) – to perform simulations of macro-prudential policies.
- A fifth approach is testing the impact of macro-prudential instruments on micro data of the commercial banks, and particularly the data regarding risk exposures of individual banks and the interbanking connections (Gauthier et al., 2010).

All these approaches should be considered a fusion, each generating answers to certain issues and questions, in the same time, for things left unanswered through that certain approach. The more we diversify the certain approaches the more may result in a solution covering answers to many questions.

5. Conclusions

The hereby study analyzed the evolution of the concept of macroeconomics, starting with defining this term up to nowadays approaches. Macroeconomic stability, macro-prudential policies and the effectiveness of macro-prudential instruments were also referred to in the study, starting with the concept following motivation for their admission, their role and the way they responded to different aspects, through time.The recent financial crisis showed us that regardless of what was accomplished until then in the field of macroeconomic stability, of macro-prudential policies, these facts were not enough for foreseeing and preventing what has happened. Therefore, the reassessment of macroeconomic policies had to be rethought in order to find measures which can be taken during economic growth, precisely to be able to limit the effects of possible future crises and to be able to have reserves (from periods of economic growth) which can be used if needed.

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THE EVOLUTION OF THE SOCIAL ECONOMY CONCEPT IN EUROPE

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Abstract: *Since its emergence in 1830 until today, social economy has been perceived differently by the European countries and has taken many forms. During the last decade it has gained a momentum especially due to the economic crisis Europe has gone through, being seen as an alternative in solving this global crisis. All the more so, it was born from the need to set the production of goods and services towards meeting all the requirements and not only some countries' interests. There are three categories of relevant actors of social economy: the organization forms of social economy, the relevant competent institutions and beneficiaries of social economy activities. The social economy organizations were divided into four categories: business cooperatives, mutual societies, foundations, and associations whose legal form can vary considerably from one country to another. From a conceptual standpoint, social economy is understood differently by EU countries. Thus, in some countries such as Cyprus, Denmark, Finland, Greece, Luxembourg, Latvia, Malta, Poland and the United Kingdom, the concept of social economy enjoys a medium level of acceptance. In countries such as: Austria, Estonia, Germany, Lithuania, the Netherlands, Czech Republic and Slovenia, the concept of social economy is less well known and is at an early stage.The term tertiary sector is mainly used in English-speaking countries to describe non-profit private sector consisting largely of foundations and associations, a term used as a synonym for social economy.A definition of social economy was proposed during the European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations in 2002: "The organizations of social economy are economic and social actors active in all sectors, characterized mainly by their goals and specific form of entrepreneurship. The social economy includes organizations such as cooperatives, mutual associations and foundations. These enterprises are particularly active in certain areas, such as social protection, social services, health, banking, insurance, agricultural production, neighborhood services, education and training, culture, sport and leisure activities". (Charter of Principles of the Social Economy, CEP – CMAF European Standing Conference on Co-operatives, Mutual Societies, Associations and Foundations, 2002).*
The social economy is understood differently , from a theoretical standpoint , both in european countries and cultural beliefs according to their development of each country.The research methodology is based on the theory basics , which is used to examine barriers and stimulating factors management development of social economy.

Keywords: social solidarity; participatory democracy; non-profit sector; cooperative; corporate responsibility.

JEL classification: A14, M31

1. Historical evolution of the concept of social economy

The term of social economy first emerged in the economic literature in 1830, when the French economist Charles Dunoyer published a *Treatise on Social Economy,* which advocated for a moral approach of the economics.
Social economy witnessed a deeper shift in the latter part of the 19th century, being influenced by two great economists: John Stuart Mill and Leon Waltras.

In the 20th century, the development of social economy was hampered by two world wars and the communist regime. The European Union recognized its role and importance at the end of the 80s, and the first country to legislate social economy was France in 1981.
The term *tertiary sector* is mainly used in English-speaking countries to describe non-profit private sector consisting largely of foundations and associations, a term used as a synonym for social economy.
Levitt was the first to use the term *tertiary sector* in the US, identifying it with the non-profit sector. In Europe this term began to be used later in order to describe a sector between the public and capitalist one, having a closer meaning to the concept of social economy.
Addressing the modern concept of *non-profit sector* was widely known throughout the world by means of an international research project, initiated in 1990 and led by Johns Hopkins University (Baltimore, USA) to reveal the size and structure of the sector and to assess its impact on the society.
Social added value of social economy can be seen clearly in regulating the imbalances on the labour market, helping to create new jobs and exploring new professions and establishing routes for admission to employment, especially for disadvantaged groups and socially excluded people (*Danièle Demoustier, CIRIEC, 2000)*.
A consequence of the cooperation between the state and social economy, given how it allocates and distributes the resources, can give the latter a guarantee that government funding for various policies, especially for social ones, will not be embezzled and appropriated by political interests (*Vienney, C.(1994) L'économie sociale, Paris: La Découverte).*
According to the authors Chaves R. and Lévasque B. there are three predominant models of society in which the role of social economy is different:

- in the first model of "*traditional social democracy*", social economy is considered to be a legacy of the past and it has a residual role. Social problems require investments solely supported by the state;
- In the second model, *"the neo-liberal model",* social economy is precluded from determining the key challenges and contributes to economic and social duality of two sectors: in commercial activities and the informal economy (Chaves R.,2005);
- In the third model, *"the model of social and economic democracy"* or *"the plural economy*" social needs are addressed simultaneously by the state and society; the state is still the main organ of regulation and redistribution whilst social economy is involved both in commercial and non-commercial activities. According to this model, encouraging the involvement of social economy requires appropriate mechanisms to assess its potential and limitations in the generation of social added value, on the one hand, and major socio-economic and institutional changes, on the other hand (Lévasque B., 1997).

In the European Union in 2010, the associations had 8.6 million employees, representing 4% of GDP, and 50% members of the European Union citizens, according to Luis Monzón, in his *Report on social economy in the EU*.
In various European countries, the associations of social economy have created some platforms that represent credit cooperatives, labour and agricultural cooperatives, mutual insurance companies, complementary insurance companies and associations and other NGOs of social action. Social economy has played a historic role in different EU policies since the Treaty was signed in Rome, when EUROCOOP, the organization representing consumer cooperatives in Europe, was founded and in the process of developing mutual agricultural policy. The Permanent European Conference of
Cooperatives, Mutual Societies, Associations and Foundations is the most competent body within the European social economy in relation to the European Institutions.
In the current context of rationing the credit and of increasing financial exclusion, social economy has proven its ability to meet social requirements. Microcredit banks, founded by the economist Muhammad Yunus from Bangladesh – a Nobel Peace Prize laureate in

2006 – are a classic example that gives women the opportunity to express themselves, purchasing power and negotiating ability in countries where their financial and social position is currently marginal.

2. Major players in the field of social economy

Given the role of different entities in the social economy, we can identify three categories of relevant players: the forms of social economy, competent institutions in the field and the beneficiaries of social economy activities (*Research report on social economy in Romania, 2010)*.

Social-economic organizations have been grouped into four categories: business cooperatives, mutual societies, foundations, associations whose legal form can vary considerably from one country to another.

European regional and local institutions have been identified that have the responsibility of complying with the national decisions with an impact on the social economy.

From a conceptual standpoint, social economy is understood differently by EU countries. For example, the countries where the concept of social economy enjoys a medium level of acceptance are: Cyprus, Denmark, Finland, Greece, Luxembourg, Latvia, Malta, Poland and the UK. In these countries, the concept of social economy coexists with other concepts, such as the non-profit sector, the voluntary sector and social enterprises or social firms. In the UK, the low level of awareness of the social economy is in contrast with the government's policy to support the social enterprises (CIRIEC, p. 36).

The countries where the concept of social economy is less well known and is at an early stage, form a group consisting of Austria, Estonia, Germany, Lithuania, the Netherlands, Czech Republic, Slovenia and Hungary, a group consisting mainly of Germanic countries and those which joined the European Union in 2004. Related terms in the non-profit sector, voluntary sector and non-governmental organizations enjoy a relative recognition (Social economy. Benchmarking in eight member states of the European Union, 2011).

3. Recent forms of organization of social economy

Social enterprises are characterised by new organizational forms and new features of social economy. The term first emerged in Italy by the late 1980s, in order to emphasize the transition of traditional cooperatives to social cooperatives.

Table 1: Forms of organization of social economy in different European countries.

No.	Forms of organization	Austria	Belgium	France	Germany	Ireland	Italy	Luxembourg	Spain	Great Britain
1	Association	X	X	X	X	X	X	X	X	X
2	Foundation	X	X	X	X	X	X	X	X	X
3	Consumer cooperative	X*	X	X	X	X	X	X	X	X
4	Credit union	X*	X	X	X	X	X	-	X	X
5	Production union	X*	X	X	X	X	X	-	X	-
6	Mutual associations	-	X	X	-	X	X	X	X	X
7	Protected workshops	X	X	X	-	X	-	X	-	X
8	Public benefit organization	X	X	-	-	X	-	X	-	X
9	Social unions	-	X	-	-	-	X	X	-	-

Source: Research database of ES trends in Europe, MMFPS 2010

* These forms of organization exist but are not considered part of the social economy.

As it follows from the table above, associations, foundations and consumer cooperatives are forms that can be found in all countries analysed while public benefit organizations and social cooperatives are the least common (Belgium, Italy, Luxembourg).

Table 2. Specific characteristics of social economy enterprises and social enterprises..

Social economy enterprises	Social enterprises
▪ Definite social mission; ▪ Lack of partial and total distribution of profits; ▪ Democratic character.	▪ Definite social mission ▪ Lack of partial and total distribution of profits; ▪ Increase in the quality of processes of democratic control; ▪ Multistakeholder approach; ▪ Entrepreneurial orientation in the provision of social services (e.g. associations) ▪ Increase in the categories of beneficiaries.

Source: I.E.S.- The guide of social enterprise manager, Bucharest, 2012.

We can say that social enterprise is a new form of entrepreneurship combining "business management with a social purpose", which mainly aims at meeting the needs of its members and not at maximizing profits.

The mission of the social enterprise to serve social services and is correlated with the economic activity of social services marketing, thus generating economic value. For example, an organization that offers free meals for low-income families can use the kitchen and the staff to provide catering services to schools, hospitals etc, who are willing to pay for these services. (I.E.S.- The guide of the social enterprise manager).

Moreover, the social enterprise may also have a different mission from the parent organization, which is to generate profit for the former to be able to support the costs generated by social activities.

Types of new forms of social economy:

1. Collective enterprises (associations for agriculture, compossessorates for forests, mutual aid funds, craft cooperatives, consumer cooperatives - community micro-hydropower stations or different transport companies).
2. Community enterprises (folk associations, various foundations that aim at protecting the historical monuments, etc.). These cannot support themselves and they are financed by local authorities. This includes multi-stakeholder social enterprises, in which some private companies associate with the public authorities in order to solve specific community problems.
3. Work enterprises are specific to urban environment and are meant to integrate disadvantaged people into employment labour market.
4. Non-profit entrepreneurship. They are generally financed from donations, sponsorship, grants, but because they need stable funding, they also run economic activities.

Working and Social Enterprise makes a distinction between the business values of a traditional, classical firm and those of a social enterprise.

Table 3. Comparison between the values of a classical enterprise and those of a social enterprise

Business values of a classic entrepreneurial company	Business values of a social enterprise
✓ Ensure customer satisfaction; ✓ Build customer's satisfaction ✓ Outrival the competitors; ✓ Providing goods at the best value for money; ✓ Finding innovative solutions to solve customers' problems; ✓ Increasing business and profit; ✓ Finding a competitive niche market.	✓ Integrity and fairness in everything that is done; ✓ Practicing social inclusion and fighting against exclusion; (cred ca aici asta ai vrut sa spui) ✓ Treating all people who come into contact with the company with fairness and equality; ✓ Permanent concern to members, employees and customers; ✓ Involvement in community probems; ✓ The production of competitive goods and services; ✓ Concern for the development of human resources in the enterprise; ✓ Providing a pleasant environment for employees and members; ✓ Respect, courage, creativity and impact; ✓ Proof of passion and professionalism.

Source: I.E.S.- The guide of social enterprise manager, Bucharest, 2012, p 26.

In conclusion, one can notice that, for a successful social enterprise, achieving the values helps to increase revenue, and, thus, the values become part of the business strategy of a social enterprise.

For social economy organizations, economic performance is separate of the social one, efficiency often being difficult to measure. It has responsibilities not only to its members but also to the community, generating the term "social responsibility" or corporate social responsibility.

D. Crowther defines corporate social responsibility as "an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behaviour, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques" .

According to Matacena there are three dimensions through which social enterprise can demonstrate its responsibility:

- Financial dimension that aims at achieving performance and sustaining activity;
- Social dimension, by means of which social goals are achieved thus creating social value;
- Institutional dimension, which involves obeying the laws and internal regulations.

For a social enterprise, performance achievement means the assessment of non-financial results and of social vision, social efficiency being defined as "the ability to meet the proposed social objectives". (I.E.S.- The guide of social enterprise manager, Bucharest, 2012)

Thus, we can identify several patterns of social enterprises, considering the relation between enterprise – enterprise market – social mission:

1. The intermediary (e.g. micro-crediting funds, consignment shops, etc.)
2. Paid services (e.g. homecare, etc)
3. Traditional cooperative
4. The pattern of subsidized service or Subsidized Organization (Source: Virtue Ventures, LLC)

4. Conclusions

Social economy has witnessed an upward trend at European level lately, culminating with the Europe 2020 Strategy. This strategy has five main objectives based on education, research and innovation, employment, social inclusion, energy and climate changes.

I believe that we need a European model of pluralist and inclusive economy that needs to be strengthened by encouraging the involvement of the societies in creating an inclusive society and promoting social responsibility.

Recently, social economy has experienced an upward trend at European level, culminating with the Europe 2020 Strategy, which is based on five main objectives based on education, research and innovation, employment, social inclusion, energy and climate change.

We consider that we need a European model of pluralist and inclusive economy that needs to be strengthened by encouraging the involvement of enterprises in the formation of an inclusive society and promotion of social responsibility.

In European countries social economy is understood differently, from a theoretical standpoint, in terms of the level of development and the cultural beliefs of each country.

Due to the various forms of social enterprises, according to the social assistance system, civil society, financial market and public policies in each country, there are significant differences between countries in the social sectors and businesses in which they operate. Thus, in Romania and Hungary social enterprises predominate in areas such as health, education and social work, while in Sweden and the UK they provide community and social services; in Italy social enterprises particularly include social assistance services and work integration (which comprise: cleaning, furniture production, gardening, renovations, etc.)

We believe that social enterprises in Europe would have a much greater impact if their solutions to social needs were applied to a larger scale. Recent trends show the need for their expansion into new areas such as modern forms of education, culture, environment, distribution and consumption, public services. Therefore, social enterprises may be present in any field, being able to contribute to the transformation of our societies and economies, providing innovative solutions to generate revenues and achieve a balance in the labour market.

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OVERVIEW ON TERRITORIAL COMPETITIVENESS: FROM HOS THEORY TO CONTEMPORRAY APPROACHES

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Abstract:
The concept of competitiveness has been extremely influential in recent years, and today is a dominant discourse among all economists and policymakers worldwide. From its entry on the market, a company competes not only nationally but also internationally. To meet this increasing competition, the company will have to develop those creative-productive capabilities so as to secure its future in a highly competitive market. To discuss about the competitive advantages, the paper will analyze first in a brief overview, the evolution of economic thought, starting from the absolute and comparative advantages, and end with the competitive advantages. The paper will start with the classical theory. An extremely important step towards sustainable development economic thought was moving from an autarkic thinking toward a more liberal thinking, focused on commerce and encouraging trade flows, manifested by the mercantilists. The classical economic thinking is completed by another work, which encourages the production and trade creation effect achieved by specialization and comparative advantages effects. Then, the paper continues with the HOS model designed by the Scandinavian economists, which emphasis on the correlation between the abundance of natural resources and the production of those goods based on those resources. The comparative advantage effect is studied also by other economists that focus on comparing the industrial production results. Such comparison is made between the heavily industrialized countries, and those countries which emphasize on the primary sector production. Further, other economists allocate plenty of time to research the correlation between research and development activities with education investment process. Their results and recommendations will be presented in this paper. The final chapter will look at the passing from a comparative to a competitive advantage. The leading author in this domain will correlate all the theories mentioned. This embeddedness is possible through a complex diamond shaped figure which gives a logical and rational explanation.

Keywords: Competitiveness, advantages, development, economic model, education

JEL classification: B10, B20

1. Introduction

According to Fagerberg (1988) the term competitiveness refers to "the ability of a country to achieve economic objectives, especially income and employment, without any difficulty in the balance of payments" (Fagerberg, 1988).

The Organization for Economic Cooperation and Development (OECD), in an annual report classifies competitiveness as "the degree to which, in an open market, a country can produce goods and services that meet the test of foreign competition while maintaining and expanding domestic real income" (OECD, 1992).

The European Commission, in a report addressed to the regions, defines competitiveness as "The ability to produce goods and services that meet international markets requirements, while maintaining high levels and sustainable earnings or, more generally, the ability to generate, when exposed to foreign competition, high rates of income and employment".

2. A shift from the comparative and absolute advantage to the competitive advantage

To discuss about the competitive advantages, the paper will analyze first in a brief overview, the evolution of economic thought, starting from the comparative advantages, and end with the competitive advantages.

2.1 The comparative advantage through the HOS theory

The basis of the theory of Bertil Ohlin and Eli Heckscher starts as follows: factors - land, labor, capital varies from country to country; natural resources vary from country to country.

This belief will give all countries a comparative advantage in the production process of goods and services.

This foundation will give all countries a comparative advantage in the production process of goods and services. If a country is endowed with fertile arable land, in the sense of two economists, it must target the production of agricultural goods. If the country is mostly covered by forests such as the Scandinavian states, it must focus on the production of wood and furniture. The two countries have to exercise trade between them, process that will lead to an equalization of input prices

As criticism of this theory, I insist that the production of goods and services only from abundant factors, limits the growth and development of a nation. Focusing on the production of goods and services from available production factors, will stop that nation from investing in research and development processes. If a country does not invest in research and development processes, it will never be able to create goods and services that incorporate high technology.

There are many international examples of countries that do not have significant natural resources, yet they register a comparative advantage in international trade, strictly because of investment in research and development. The primary sector only needs to provide raw materials and should not be in the long-term the main development factor. If this phenomenon occurs, and the primary sector is the main factor of development, then that nation will never make the transition from an underdeveloped to an developing economy.

2.2 Competitive advantage achieved by national labor exploitation

Manoilescu notes that the production of goods in industrialized countries offer higher income than the production of goods in countries with a predominantly primary sector.

Industry and development, particularly technology-intensive areas, augmented labor productivity are primary elements conferring any country's comparative advantages in trade and upon which it can build a sustainable economic development.

The idea of the Romanian author can be translated like this: industrial sector can achieve a result which involves using few resources, and the comparative advantages obtained in that area may give a chance for sustainable economic growth, with a positive impact on the terms of trade.

Spiral development of comparative advantages imagined by the Romanian economist provides the development of new industries, leading to an increase in industrial production.

Facing the idea of the two Scandinavian economists, the Romanian economist believes that trade flows do not confer a win for both sides. Manoilescu believes that only the industrialized countries with high labor productivity will record considerable gains from the international flows.

2.3 Neofactors and the comparative advantage

The proponents of this movement are Posner (1961), Vernon (1966) and Krugman (1979). The authors place a great emphasis on comparative advantages derived from investments in education, research and development.

In chronological order, the theorist who emphasized the necessity of neofactors is Posner (1961). The economist noted the close link between the level of education and industrial production results.

The second economist that encourages neofactors incorporation in the production process is Vernon (1966). He develops the idea that comparative advantage is obtained from a technological gap.

The first stage captures creating goods in developed countries, because in these countries there are considerable investments amounts necessary in research and development projects. Also, in these countries there is the market segment of consumers who can afford to buy the new goods.

The second stage made certain changes in the sense that the produced goods become standardized, and the practiced previously prohibitive price turns into an affordable one for most consumers. Due to this phenomenon, a good part of that production is outsourced to manufacturers in developing countries.

The third stage surprises the relocation of production from developed countries to developing countries and underdeveloped ones, because the price of the product becomes affordable for all consumers. In contrast, developed countries resume the cycle due to investment in research and development of a new product.

And Krugman (1979) comes to reinforce this neofactors theory arguing that only continuous investment in education, research and development may confer comparative advantage.

2.4 The competitive Advantage

Based on the theories advanced in the previous sections, it can be concluded that the economists focused on: production factors, natural resources, labor, neofactors.

Based on them, the American economist Porter (1985) conducted a convergence of all, into the so-called "Porter's diamond" structure that leads to a national competitive advantage. The economist takes into account several attributes, and through their convergence creates competitive advantages.

The first attribute, factor conditions, refers to the existence of an educational and transport infrastructure.

The second attribute targets strategy, structure and competition between firms nationwide.

The third attribute emphasis on demand. Consumers represent an important pillar in the diamond structure, as they can exert pressure on companies.

The fourth attribute refers to the structure of industries, where the focus is on the upstream and downstream related industries and the cooperation between them.

The last two factors enunciated by Porter (1985) refer to chance and state intervention. Chance typically gives a company special attribute like technological discoveries of deposits of rare resources. In addition, government intervention can help develop industries or finance certain research programs.

The "Diamond" is not the only way to determine competitiveness. The American economist designed a pyramid structure, but in reverse, pointing to the base. He believes that everything starts with production factors, consumer market size, geography, territorial mass.

On this foundation we can build competitiveness based on macroeconomic policy and human resources and public institutions to design and implement sustainable fiscal and monetary policies. The results of macroeconomic competitiveness will, in return, have an impact on the micro level competitiveness.

Porter believes that the micro level should be composed of three elements:

- The quality of the business environment. A combination of public policies designed to encourage companies fair competition, productivity and research and development.
- The development of clusters. The more companies in the same field are located in a small geographic area, the more they will get an increased productivity. I do not think we should focus attention only to one sector, because in times of economic crisis, once the demand for goods and services for that particular sector reduces, the entire community will lose. I believe that any economic sector should not hold a majority in the percentage of total production in the territory under review.
- The sophistication of operations and corporate strategies. Know-how and operational management can be a competitive advantage in the globalized economic environment.

Garelli (2006) is another author who focuses on the competitive advantages of nations. One of the key contributions to classical economic theories is that competitiveness encompasses the economic conceptualization of non-economic issues, such as education, science, political stability or value system.
Garelli (2006) emphasizes on four factors that defines competitiveness creators in general, the national environment of a country. Such factors include: economic performance; government effectiveness; business efficiency; infrastructure.
Economic performance aims the following issues: economic prosperity; competition between firms in the market; results achieved by the country in international trade, reflecting its domestic companies' competitiveness; openness of the economy to foreign companies, measured by the investments made by foreigners.
Government efficiency aims the following issues: minimum interference in the economy or dedicated only to apply competition rules; implementation and enforcement measures for predictable economic environment; flexibility in adapting economic policies due to changes in the international environment.
Business efficiency address aspects related to: the ability of companies to adapt to changes in the competitive environment; adequate financing schemes from an internationally integrated financial sector; an emphasis on entrepreneurship and is considered essential to economic activity.
Infrastructure address aspects related to: the impact that a developed infrastructure has on the business environment; inclusion of information technology infrastructure and effective environmental protection; investments in basic research and innovation activities in the long term, that can lead to increased competitiveness; adequate and accessible educational resources anyone can contribute to the development of a knowledge-based economy.

3. Competitiveness measurements

World Economic Forum (WEF) identifies 12 categories, each with their own subcategories, by which it provides a clearer picture regarding the degree of national competitiveness.
These 12 pillars are: institutions; infrastructure; macroeconomic environment, health and primary education; higher education and training; goods market efficiency; labor market efficiency; financial market development; technological readiness; market size; business sophistication; innovation.
The institutional pillar refers to the government openness towards proposed or implemented policies regarding investors. Predictability regarding fiscal policies, strict attitude regarding competition, protection of private property and intellectual rights,

measures taken against corruption and traffic of interest, all these measures offer a positive image among international investors.
Pillar involving the infrastructure puts great emphasis on reducing the time in logistical processes, the production and its location. Investments in roads, railways, airports, ports results in job creations. Also, in addition, access to electricity and modern telecommunications infrastructure can provide many pluses in front of corporate decision makers.
The third pillar refers to the macroeconomic environment. All macroeconomic indicators indicate to potential investors sustainability and predictability. A deviation, such as a budget deficit increase creates both a domestic problem, because a future debt has to be paid, and an external one, from the investors perspective.
Health and primary education form the fourth pillar in the World Economic Forum account. Its meaning is as follows: if the inhabitants of a country are sick, their efficiency is lower in the economy. Therefore the health of the inhabitants of a country is paramount when corporations want to invest in the area. Also, an educated workforce provides increased yields compared to people with gaps in education.
The fifth pillar aims at higher education and continuous training of residents. All developed countries base their economic growth on research and development. Higher university education can provide skilled labor for research and development, to the detriment of primary education. For countries to rank better in this respect, they must invest in higher education, to have the chance to improve their economic performance.
Goods market efficiency as the sixth pillar attach great importance on the supply and demand price establishing conditions, eliminating any discriminatory measures on FDI or those limiting access of foreign goods and services on the domestic market.
Pillar seven, one related to labor market efficiency, allows a more efficient allocation of the labor force towards economic sectors with the greatest demand. It also emphasizes the rapid reorientation of labor and low costs to other economic sectors, when the national economy requires. Meritocracy and equity at the workplace should be key pillars for any company that operates nationwide.
Financial market development, as the eighth pillar in the index devised by the World Economic Forum, is necessary because of the demand for funds from the private sector. Efficient allocation of funds to a gainful economy may confer competitive advantages needed on the regional and international level.
The productivity of the industrial sectors is measured using technological readiness. The ninth pillar is stating that any company can benefit from the footsteps of technological progress, even if it produces or not within the territorial borders.
Market size as the tenth pillar is emphasizing the importance of scale economies achieved by investors. Although in the past it was referring strictly to national markets, today the regional markets are the main attraction. This attraction is due to investors who locate their production facilities so as to deliver goods and services at regional level.
The eleventh pillar refers to business sophistication. Here there are two important subjects: operations or strategies implemented by firms that are facing in the market and the nature of relationships between companies. The nature of relations today concerns the number of suppliers in that market. The more and more, the economy shows greater interest. The presence of industrial clusters can give a plus when deciding a possible investment.
The last pillar refers to innovation. On the long term, the standard of living can be improved largely through technological innovation. Continued investment in research and development confer a superior position to the countries and companies in the international market.
The Global Competitiveness Index ranks countries according to: factor driven economies: institutions, infrastructure, macroeconomic environment, health and primary education; efficiency driven economies: higher education and training, goods market efficiency,

labor market efficiency, financial market development, technological readiness, market size; innovation-driven economy: business sophistication, innovation.
The Global Competitiveness Index ranks 144 countries, each falling under the three previously mentioned types, but this paper will mention only Romania's position regarding territorial competitiveness.
Romania is situated at the efficiency driven economies. This level states that the Romanian economy has a long road to go in order to become an innovation driven economy.

Conclusions
Based on the literature review a country cannot achieve a global competitive position if it relies only on some comparative attributes such as labor or resources. Countries need to adopt a mixed policy suited for their special conditions. If they want to encourage the development of a specific industrial area of the economy, that implies a series of policies in order to achieve a regional competitive advantage.
Following the incipient classical theories that focus only on labor productivity to a more modern approach focused on resources, education, research and development, the paper suggests that Michael Porter's theory is better suited for a modern economic improvement.

Mixing all the above theories in Porter's diamond, it will be seen as follows:

Firms strategy, structure and rivalry - Vernon, Posner, Krugman

Factor conditions - Classical economic theory, HOS theory

NEW - Demand conditions

NEW - Related and supporting industries

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EVOLUTIONS IN IMPLEMENTING STRUCTURAL AND COHESION FUNDS IN CENTRAL AND EASTERN EUROPE DURING 2007-2014 PERIOD.

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Abstract: *For the purposes of the research for doctoral thesis, this article refers to the following 10 EU Member States, which cover the Central and Eastern Europe: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.The selection was made taking in consideration the appropriate similarities and differences in living standards, population, development orientations and EU Structural and Cohesion Funds allocations. Looking forward, it can be stated that this countries had an estimated share of available European funding, ranging from almost a tenth to approximately a quarter of their annual Gross Domestic Product. A comparison of the absorption rates during the 2007-2014 period can be critical towards reconsidering some theories of potential cohesion impact and reflecting them in current Eurostat statistics. It may be useful to acknowledge that most of the problems in contracting and disbursement of European funding occurred in every of the 10 Member States, nevertheless it cannot be held an underestimation of absorption capacities between the top and the tail countries, whereas some of the related countries (i.e. the 2004 EU accession countries) had more time and some experience in adjusting wrong or insufficient focus on absorption capacity. It is a well known fact that contracting of European Structural and Cohesion Funds started only in 2008 and reached a reasonable level in 2009, while payments tended to lag by a further year. By the end of 2014 most of the 10 Member States had the performance of reaching or overtaking the full contracting ratio, but payment ratios were situated much lower.The absorption process lies in the responsibility of each Member State. According to Hapenciuc et al (2013), the European Comission grants funds, proportional to each state's GDP, but the institutional system, the procedures, the capacity of the beneficiaries to contract the necessary co-financing are all elements in which national authorities have a decisive role.*

Keywords: Structural; Cohesion; funds; contracting; payment; certification.

JEL classification: F63; O19; O52; O57.

1. Introduction

If it would be necessary to lay down the benefits of Structural and Cohesion Funds in a scientific manner, the first rising question in mind would be: how have they contributed to the overall development of the economy of each of the 10 EU Member States analyzed in this article? At a short glance, it can be stated that these funds are not generating external debt and they are similar to foreign direct investments, but at the same time, a bit different: because of the co-financing mechanisms, they are rather stimulating public investments – most visible in tangible transport infrastructure, environmental protection, renovation of historical heritage, the re-development of cities, and extended urbanisation in terms of sewerage water systems, waste management, etc (KPMG, 2015).

On the other hand, these investments have also focused towards human development, decrease of unemployment and creation of non-governmental organisations. According to KPMG (2015), investments were also set on developing IT systems in public administrations, in order to provide population with modern communication technologies, as we will see later in this article.

Moreover, Romania and the other 9 Member States have gone through a significant reduction in foreign direct investment, as, KPMG (2015) estimated, investors have been

moving away from emerging markets to rapidly developing economies such as the BRIC countries – Brazil, Russia, India and China.

2. Comparisons regarding allocation, contracting, payments and European Commission certification of EU Structural and Cohesion Funds

As it can be observed in Table 1, during the 2007 – 2013 programming period extended by an year, beneficiaries from the Member States signed contracts totalling 181.7 billion EUR and 131.3 billion EUR, had been disbursed.

Table 1: Cohesion data in 10 EU Member States during 2007-2014 period

Country	Population (mill.)	Annual GDP (Bill.€)	Allocated Grants (Bill.€)	EU funds per GDP (%)	Contracted Grants (Bill.€)	Paid Grants (Bill.€)	Certified Grants (Bill.€)
Bulgaria	7.2	42.00	6.67	15.9%	7.7	5.1	4.3
Czech R	10.51	154.94	26.30	17.0%	25.2	18.1	17.2
Estonia	1.32	19.53	3.40	17.4%	3.3	3.0	2.8
Hungary	9.88	103.30	24.92	24.1%	28.0	21.7	-
Latvia	1.99	24.06	4.53	18.8%	4.8	3.9	3.7
Lithuania	2.94	36.29	6.78	18.7%	6.8	6.0	5.8
Poland	38.48	403.08	67.19	16.7%	68.2	52.5	54.0
Romania	19.95	150.66	19.18	12.7%	20.3	10.0	8.6
Slovakia	5.42	75.21	11.65	5.5%	13.1	7.6	5.4
Slovenia	2.06	37.25	4.10	11.0%	4.3	3.4	3.1
Total	-	-	174.72	-	181.7	131.3	104.9

Source: Own representation based on KPMG (2015)

Furthermore, analyzing the annual evolution of contracting ratios from Table 2, it can be observed that Bulgaria, Hungary and Slovakia had remarkable results in achieving a gradually uprising annual contracting ratio, ranging from 112% to 115%. At the other end, lower but quite good contracting ratios were reported in Czech Republic and Estonia.

Table 2: Contracting ratio evolution in 10 EU Member States during 2007-2014

Country	Contracting ratio (%) / Year							(Bill.€)
	2008	2009	2010	2011	2012	2013	2014	2014
Bulgaria	6%	22%	35%	62%	98%	112%	115%	7.7
Czech R	18%	31%	55%	74%	83%	92%	96%	25.2
Estonia	12%	58%	73%	86%	91%	96%	98%	3.3
Hungary	20%	38%	51%	64%	82%	106%	112%	28.0
Latvia	9%	44%	73%	84%	95%	97%	105%	4.8
Lithuania	6%	40%	64%	77%	90%	99%	100%	6.8
Poland	4%	24%	56%	69%	82%	95%	102%	68.2
Romania	6%	16%	43%	67%	79%	94%	106%	20.3
Slovakia	4%	26%	53%	64%	75%	98%	112%	13.1
Slovenia	19%	35%	49%	61%	72%	93%	104%	4.3

Source: Own representation based on KPMG (2015)

Table 3 shows quite a different situation when it comes to disbursement of EU funds to beneficiaries. Countries like Lithuania, Estonia and Hungary show a real level of effectiveness of EU funds absorption. The biggest gap between contracted and paid grants are observed in Romania and Slovakia.

Table 3: Payment ratio evolution in 10 EU Member States during 2007-2014

Country	Payment ratio (%)							(Bill.€)
	2008	2009	2010	2011	2012	2013	2014	2014
Bulgaria	-	3%	10%	19%	34%	54%	77%	5.1
Czech R	-	9%	26%	40%	52%	64%	69%	18.1
Estonia	1%	13%	27%	42%	59%	77%	87%	3.0
Hungary	-	9%	16%	28%	42%	62%	87%	21.7

Latvia	3%	15%	29%	43%	57%	70%	86%	3.9
Lithuania	3%	15%	29%	44%	59%	74%	88%	6.0
Poland	-	5%	17%	31%	48%	64%	78%	52.5
Romania	1%	3%	9%	15%	22%	37%	52%	10.0
Slovakia	-	5%	14%	25%	38%	53%	65%	7.6
Slovenia	5%	16%	28%	39%	50%	62%	83%	3.4

Source: Own representation based on KPMG (2015)

As we observe in Table 4, there is a lot to catching-up when it comes to certifying the eligible spending out of the total disbursed funds. It may be also true that the European Comission audit actions are also lagging behind schedule, so it is possible to see some future improvements from this point of view.

Table 4: European Commission certification ratio evolution in 10 EU Member States during 2007-2014

Country	**European Comission certification ratio (%)**							**(Bill.€)**
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2014**
Bulgaria	-	1%	7%	16%	29%	49%	64%	4.3
Czech R	-	3%	13%	21%	35%	48%	65%	17.2
Estonia	-	11%	23%	38%	52%	71%	84%	2.8
Hungary	-	-	-	-	-	-	-	-
Latvia	-	7%	15%	27%	42%	55%	81%	3.7
Lithuania	-	-	-	-	-	65%	86%	5.8
Poland	-	1%	4%	7%	11%	15%	80%	54.0
Romania	-	1%	2%	6%	11%	27%	45%	8.6
Slovakia	-	1%	9%	18%	31%	42%	47%	5.4
Slovenia	-	5%	18%	31%	44%	59%	77%	3.1

Source: Own representation based on KPMG (2015)

It is also important to know the theoretical approach of the purposes of the Structural and Cohesion Funds, in order to shape some measurable results of their implementation.
From the definition given by KPMG (2015), the European Regional Development Fund (ERDF) aims to promote economic and social cohesion by addressing main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from other Structural Funds. Such actions may include: investments which contributes to creating sustainable jobs, investments in infrastructure, support for local and regional investments (small and medium sized enterprises, research and development, information society, etc), financial instruments, investments in education and health.
From the same point of view of KPMG (2015), the purpose of the Cohesion Fund is to co-fund actions in the field of environment and transport infrastructure of common interest with a view to promote economic and social cohesion and solidarity among Member States. Such actions may include: investments in major infrastructure projects and major environmental projects, support for renewable energy, investments in sustainable transport.
Also, KPMG (2015) describes the goal of the European Social Fund as to reduce differences in prosperity and living standards across EU Member States and regions. Such actions may include: improving human resources, increasing the adaptability of workers, enterprises and entrepreneurs, improving social inclusion.
The following table shows detailed implementation statistics for each of the Structural and Cohesion fund in Central and Eastern Europe.

Table 5: Breakdown by country on ERDF, CF, ESF allocated, contracted and paid grants during 2007-2014

Country	European Regional Development Fund (ERDF)			Cohesion Fund (CF)			European Social Fund (ESF)		
	Available budget (Bill.€)	Contracting ratio	Payment ratio	Available budget (Bill.€)	Contracting ratio	Payment ratio	Available budget (Bill.€)	Contracting ratio	Payment ratio
Bulgaria	3.15	107%	76%	2.28	132%	75%	1.18	106%	84%
Czech R	13.71	100%	71%	8.82	86%	66%	3.77	104%	69%
Estonia	1.86	97%	85%	1.15	100%	90%	0.39	98%	90%
Hungary	12.65	112%	88%	8.64	117%	86%	3.63	103%	84%
Latvia	2.41	107%	86%	1.54	99%	79%	0.58	111%	103%
Lithuania	3.44	100%	86%	2.31	99%	88%	1.03	101%	93%
Poland	34.79	101%	78%	22.39	101%	74%	10.01	105%	88%
Romania	8.97	109%	51%	6.52	93%	49%	3.68	121%	59%
Slovakia	6.19	113%	68%	3.90	107%	60%	1.56	122%	67%
Slovenia	1.93	103%	91%	1.41	109%	68%	0.76	98%	89%

Source: Own representation based on KPMG (2015)

After consulting these statistics, it is necessary to explain why the annual evolutions of the contracting and payment rates are so different from one country to another. The next selection of examples was chosen randomly, in order to understand that each Member State has confronted with such problems at a given moment and to raise the awareness of the risks or sanctions that can occur where Structural and Cohesion Funds are incorrectly used or reimbursed.

3. Member States problems in contracting and disbursement of EU funds

In Bulgaria, in 2014, the payments under Operational Programme (OP) Environment were suspended and the payments under Operational Programme (OP) Regional Development were interrupted (KPMG, 2015). The suspension of payments occurred also to Romania in 2012, within the Operational Programme (OP) Development of Human Resources. The Czech Republic was also in a similar situation, having repeated suspension of payments for some programmes, because of the lack of transparency in public tender procurement (KPMG, 2015). Severe problems related to public procurement were also reported in Slovakia.

Different problems were identified in Estonia during the 2007-2013 programming period, where after consistent investments made in infrastructure, it was observed that rural areas are still lagging behind in terms of development (KPMG, 2015). But the same issue can be witnessed in Romania or Bulgaria.

Lithuania is another example of misuse of European funds when it comes to implementing projects for local and urban expansion, by miscalculation of full exploitation possibilities of a given area (KPMG, 2015). This kind of unnecessary or wasting investments have also been observed in Romania.

Countries like Poland or Hungary were more preoccupied to improve the system of distribution of EU funds.

In Romania, the main problems can be materialised in late launch of calls for proposals and delays in the submission and evaluation process of disbursement claims (KPMG, 2015). Bulgaria and Slovakia faced similar types of problems regarding delays in starting and implementation of operational programmes.

One of the key problems in Slovenia is the implementation of EU funds policy in the Information System (KPMG, 2015). Data supplied from the managing authority were inadequate and in some cases inaccurate.

4. Potential impact of EU Structural and Cohesion Funds

The EU uses about one third of the EU budget to run Cohesion Policy with the objective of reducing disparities between the levels of development of the various regions and the least favoured regions.

According to Marzinotto (2012), economists use the expression σ-convergence (sigma-convergence) to indicate that income is distributed more equally across regions (or countries) compared with the past.

Marzinotto (2012) also states that economists use the term β-convergence (beta-convergence) to describe the catching-up process whereby poor regions (or countries) grow faster than rich ones to approach the common income level.

Absorption capacity can be defined, according to the most accepted reviews, as the extent to which a state is able to fully spend the allocated financial resources from the EU funds in an efficient way. In a more advanced manner, the absorption capacity can be split into 3 dimensions: the macroeconomic absorption capacity (related to GDP), the financial absorption capacity (related to co-financing) and the administrative absorption capacity (related to organising) (Albulescu et al, 2013).

First of all, among the 10 Member States it can be stated that the annual increase in contracting and payments reflected in Table 2 and Table 3 meant a large increase in government spending, in particular in government investment.

The annual growing rates of contracting lead to productivity and to a gradual increase in output of the final goods sector: this phenomenon can mean, on one side, that it reduced the profit requirements for intermediate producers and, on the other side, it encouraged the entry of new firms (Varga et al, 2009).

Employment effect was slightly negative from 2008 to 2013 in the 10 Member States. Due to gross domestic products turning positive, the first signs of labour market improvements occured towards the end of 2013 and this pattern continued in 2014 as the employment rate increased (Eurostat, 2015).

Finally, the GDP effect for the 10 EU Member States can be assumed as being positive: despite their substantially contributions to the EU budget, even if relatively smaller absorption rates were registered. In 2015, GDP deccelerated significantly in the Czech Republic and Romania in the first quarter. Estonia and Lithuania returned to expansion in the second quarter (Eurostat, 2015).

Other authors are less optimistic. According to certain studies, the Structural and Cohesion funds may stimulate the GDP growth in the Central and Eastern Europe countries by 0.7% annually, while some econometric models indicate increase by a little over 0.1% (Zaman, 2009).

The literature on the effectiveness of EU funds is mixed. According to Varga et al (2009), a macroeconomic model may find that the funds are effective in enhancing economic growth and trigger significant output gains in the long run due to sizeable productivity improvements. From the point of view of Tomova et al (2013), the econometric strand of models is more inconclusive. One reason for the mixed results is that the set of countries and periods of study vary significantly between papers. The shorter time series for the new member states, the endogeneity problems, the difficulties in identifying impacts, particularly in isolating structural funds effects from other macro-economic measures and other noise, as well as the relatively small amounts of EU funds compared with national expenditures make it difficult to establish conclusive econometric results on their macroeconomic effectiveness (Tomova et al, 2013).

5. Indicators of the output of Structural and Cohesion Funds

Following the discussions about the potential measurement of the impact of Structural and Cohesion funds uppon the individual economies of the Member States, it is worth showing an explicit comparison of the output generated through such investments, during 2007-2013 programming period, such as: number of jobs created, number of start-ups

supported, kilometers of reconstructed or new roads, kilometers of reconstructed or new railroads, statistics of participation in European Social Fund funded projects, number of inhabitants beneficiaries of water projects or waste water projects, square kilometers of rehabilitated areas.

But before showing the breakdown on countries, it is necessary to explain each indicator's way of measurement, in order to better understand the impact of such outputs into the real economy.

What do we understand by the number of jobs created? Gross direct jobs created, full time equivalents (FTE): A new working position created (did not exist before) as a direct result of project completion (workers employed to implement the project are not counted). The position needs to be filled (vacant posts are not counted) and increase the total number of jobs in the organisation (Cohesion Data, 2015).

By number of start-ups supported we understand the number of enterprises created receiving financial aid or assistance (consultancy, guidance, etc.) from Structural Funds. The created enterprise did not exist one year before the project started. The legal form of enterprise may be various (self-employed persons, partnerships, etc.) (Cohesion Data, 2015).

If we refer to reconstructed roads we are pointing towards the length of roads where the capacity or quality of the road (including safety standards) was improved. In the case of new roads, we refer to the length of roads constructed by the project where no road existed before or the capacity and quality of the previously existing local/secondary road is significantly improved to reach a higher classification (e.g. national road or equivalent) (Cohesion Data, 2015).

When it comes to talk about reconstructed railroads, capacity and quality stand in matters of electrification, developing single track railroad into double track, increasing the possible speed on the track or ensuring compatibility. If we refer to new railroads, then we talk about the length of railroads constructed by the project where no railroad existed before, including railroad developed along a Trans European Network (TEN) corridor (Cohesion Data, 2015).

Waste water projects are to be measured by number of persons (in population equivalent) whose wastewater is transported to wastewater treatment plants through wastewater transportation network as a result of increased waste water treatment/transportation capacity built by the project, and who were previously not connected (Cohesion Data, 2015).

The same explanation goes for water projects, which are to be measured by number of persons provided with drinking water through the drinking water transportation network as a result of increased drinking water production/transportation capacity built by the project, and who were previously not connected. It includes reconstruction projects but excludes projects aiming to create/improve irrigation systems (Cohesion Data, 2015).

By rehabilitated areas we understand the surface of contaminated or derelict land (in square kilometres) made available for economic (except agriculture) or community activities (Cohesion Data, 2015).

Broadband access projects aim to increase the number of persons who can access the internet with a download speed of at least 256 Kbit/sec and who did not have access before at all or only had more limited access. The capacity to access must be a direct result of the assistance (Cohesion Data, 2015).

The difficulties of assessing the impact of Structural and Cohesion funds comes when analyzing the statistics of participation in ESF-funded projects, which are provided annually by the EU Member States. Despite some measurable results, the definition and application of indicators is not necessarily uniform, so comparisons across different countries (or even operational programmes within the same country) will not always be conclusive (Cohesion Data, 2015).

Table 5: Structural and Cohesion funds output indicators as 31 Dec 2013

Country	Bulgaria	CzechR	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia
Jobs created	4514	33250	9125	92936	2082	4291	65449	25193	3923	5307
Start-ups supported		6		2059	908		1581	106	124	17
Reconstructed Roads (km)	730	1267	205	2237	548	1369	6312	1436	1392	4
New roads (km)	223	292	70	443			1594	162	72	3
Reconstructed Railroads (km)	164	301		179		40	332		62	73
New railroads (km)	17	292		20			2			
Water projects population		340321	9158		398245		206745		4150	193128
Wastewater projects population		459266	11064	200000	64463	63214	393967		13883	114936
Rehabilitated areas (km2)		86		338		2	1			
Broadband access (population)				72382	25977		573490			73316

Source: Own representation based on Cohesion data, 2015

6. In conclusion

Slow absorption rate is not an issue that concerns only Romania, many of the analyzed Member States have encountered the same problem. The selected 10 Member States must concentrate their efforts in finalising the implementation of project contracted during the 2007-2013 period by the end of 2015.

There is evidence of positive impact of Structural and Cohesion Funds on economic growth; at the same time, several studies find the opposite or a weak positive effect (Albulescu et al, 2013). The impact of investments on economic convergence cannot be very easily identified: the effects are generated in time.

Marzinotto (2012) also states that it is possible that Structural Funds do not fully realize their potential either because they are not efficiently allocated or are badly managed or are used for the wrong investments, or a combination of all three.

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ON THE IMPORTANCE OF ADAPTING UTILITY FUNCTIONS TO INVESTOR'S ATTITUDE TOWARDS RISK

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Abstract: *Within the current economic reality, investors are confronted daily with the problem of choosing between more investment options, when acting inside a risky business environment. Thus, the problem of choosing between the existing investment options becomes a multi-criteria problem, within which the investor must take into account not only to maximize the profit, but also to minimize the associated risk. Eventually, the primary aim of any investor is to maximize the utility felt by choosing a certain investment option. We leave from the assumption that an investment option considered to be best in terms of utility by a risk loving investor, will most certainly fail to satisfy a risk averse investor, as the two investors seek different opportunities. In this respect, we come to conclude that a decision making criterion that considers a certain utility function, should adapt the mathematical form of that utility function to fit the user's attitude towards risk. We consider a decision making criterion to be reliable only if able to maximize the investor's utility function by taking into account his attitude towards risk. Therefore, we will analyze the decision-making criterion under risky conditions proposed by Daniel Bernoulli by adapting its utility function to the investor's attitude towards risk. In this respect, we will firstly analyze the characteristics that a utility function should have to be fit for a certain investment profile, in mathematical terms. Following this analysis, we find that different profiles determine different characteristics and, therefore, different utility graphic shapes. Thus, we propose different functions, each of them proper for the investor's attitude towards risk, in order to expose and use Bernoulli's criterion. After analyzing each investment profile through its proper utility function, we come to the conclusion that our assumption regarding the difference in utility felt by a risk averse investor and a risk loving investor, was correct, as the best investment option is different for each investment profile.*

Key words: utility function, attitude towards risk, expected utility;

JEL Classification: D81

1. Introduction

The multitude of investment options available nowadays within the financial markets, the economic conditions and the fluctuations of every economic agent's activity leaves us the open issue of choosing between several investing options under risky or even uncertain conditions. This problem remained among the economists' research concerns, from early ages until the present time. Many decisional criteria have been created during time by several renowned scientists, each criterion being meant to bring something new and to improve the economic knowledge. Daniel Bernoulli has the great merit of pointing out the fact that every individual which acts as an investor, judges his actions not taking into consideration the price of the investment option available to him, but the utility felt by him after making his choice. The Expected Utility Theory created by Daniel Bernoulli changed the economic way of thinking forever, also succeeding to create the premises needed by later researcher to develop the theory of investors' attitude towards risk. Within the context of choice between several possible options, under risky conditions, in 1738, Daniel Bernoulli's researches led to the concepts of utility and marginal utility. Later, the concept

of marginal utility became the central point from which the Neoclassical Economic Theory emerged. The work of Daniel Bernoulli was based on the existing theories of that period regarding risk measurement, theories that had been developed by mathematicians over time and based on the absolute value that can be gained or lost. Those researchers had reached the following agreement:

"Expected values are determined by multiplying each possible gain by the number of its occurrence possibilities, and then dividing the sum of these products to the number of all possible cases, where, within this theory we insist over the cases that have the same probability of occurrence."

Bernoulli explains the meaning of this statement in the following way: if two individuals meet identical risks, they should expect equal value results. He challenges this idea, by giving an example to substantiate his opinion. His example emerges from a poor individual who obtains a lottery ticket. By keeping this lottery ticket, there were two possible outcomes: to win twenty thousand ducats or not to win anything. But the individual also had the possibility to sell the lottery ticket for the sum of nine thousand ducats. Bernoulli states that for this poor individual the rational solution would be to agree to sell the lottery ticket for nine thousand ducats, whereas from the point of view of a wealthy individual, the rational option would be to buy that ticket for the sum of nine thousand ducats. That's because winning a certain amount of money does not have the same importance for the two individuals. Through this example, Bernoulli proves wrong the mathematicians' conclusion on how to determine the expected value, suggesting instead, as a measure of value, the utility in exchange for the price. The price of a good is determined by the intrinsic qualities of the good in question, being equal for all individuals. However, the utility of that good is not the same for all individuals. The person who estimates the utility and the circumstances he find himself into influence the degree of utility felt. Thus, gaining an amount of one thousand ducats is more important for a poor individual than for a rich one, although both of them earn the same amount. Going through this reasoning, Bernoulli formulates the fundamental rule of measuring the risk to gain an amount of money through the utility associated to the probability of gaining:

"If the utility of each possible profit is multiplied by the number of its occurrence possibilities, and then the sum of these products is divided by the total number of possible cases, one will obtain an average utility and the profit corresponding to this utility will emphasize the value of the associated risk."

In 1948, Milton Friedman and Leonard J. Savage defined the connection between the investors' utility and their behavior, taking into consideration their attitude towards risk. Their researches pointed out the connection between the investors' attitude towards risk and the sign of the utility function. The utility function, in their opinion, doesn't always have a positive second derivative, the second derivative's sign depending on the investor's attitude towards risk.

Thus, for an individual who has risk aversion, the additional amounts of money that he can win have decreasing marginal utilities. The decreasing marginal utilities are explained by the fact that from the point of view of the individual with risk aversion, additional gains do not compensate for the undertaken risk. In other words, for such individuals, what may be lost as a result of the occurrence of the risk is much more valuable than what may be gained if the risk doesn't occur. So, for this kind of investors, the initial gains are important, the amounts of money initially won (even if they are small) bringing high marginal utility (and thereby determining an increasing trend of total utility function). As the individual has already accumulated some wealth, additional amounts won begin to lose importance and have negative marginal utility (leading to a downward trend of the total utility function). The switch from positive marginal utility to negative marginal utility is explained by the fact that for the individual, once he has reached a certain wealth, it becomes more important not to lose anything (to preserve the wealth gained) than undertaking any risk in the attempt to gain something.

In our opinion, the situation of the risk averse investor is identical to the situation of the poor individual obtaining a lottery ticket, presented in Daniel Bernoulli's theory. Just like the risk averse investor (for whom the initial amounts are more important, preferring to win small amounts than not to win anything until he accumulates a certain wealth), the poor individual poor in Bernoulli's example prefers achieving a certain wealth by selling the lottery ticket for nine thousand ducats, although its possession would maybe have brought twenty thousand ducats. He prefers therefore the sure but lower gain, over a big, but risky one.
In conclusion, the situation presented above describes an increasing utility function at first (due to positive initial marginal utility), which afterwards becomes decreasing (because the marginal utilities become negative). This is, in fact, the description of a concave function. A concave function is actually determined by a negative second order derivative. Therefore, it is concluded that if an investor is risk averse, the second derivative of his utility function is negative, the graph of the concave utility function being illustrated in figure 1.

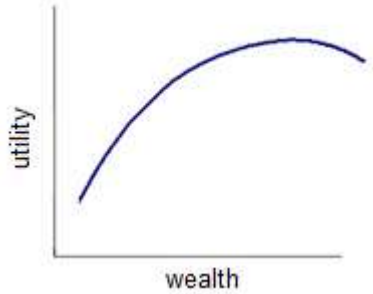


Figure 1: Utility function for risk averse investors
Source: simplified reproduction, made by the authors, after Friedman and Savage (1948)

On the other hand, if the investor has a preference for risk, the additional gains that he may achieve bring him increasing marginal utility. Increasing marginal utility is due to the fact that from the point of view of the risk preferring investor, additional gains which may increase his wealth compensate the undertaken risk. For him, initially gained small wealth is not as important as the large potential gains that he could still get if he keeps investing, even if these gains have a high associated risk. This kind of investor doesn't get any satisfaction from small gains or from a small wealth. In other words, for such an investor, what he may gain if the risk doesn't occur is much more valuable than what he may lose as a result of the occurrence of the risk. So, for the investor who prefers risk, initial gains are not important, the amounts of money gained initially bringing low marginal utility (thus leading to a decreasing trend of the total utility function). As the individual continuously increases its wealth, additional amounts won are becoming increasingly important, the marginal utility becoming positive (leading to an increasing trend of total utility function). This switch of the marginal utility from negative to positive is due to the fact that for the investor with preference for risk it's more important to keep trying to win and increase his wealth, than to remain with a low risk free wealth.
In our opinion, the situation of the risk preferring investor resembles the situation of the rich individual buying the lottery ticket, described in Daniel Bernoulli's theory. Just like the investor with preference for risk (for which the additional amounts gained are more important, preferring to risk losing a small fortune in hopes of obtaining a high gain), the rich individual in Bernoulli's example prefers to lose nine thousand ducats, (a small sum in his opinion), paying for the lottery ticket in hopes of winning a sum of twenty thousand ducats (and significantly increase his wealth), although this action is risky. He prefers therefore the higher gain, though risky, to the detriment of a small wealth, unsatisfactory from his point of view.

Thus, the situation described above is associated with a utility function that is decreasing in the beginning (because of the initial negative marginal utility), and afterwards becomes increasing (for the marginal utility becomes positive). All these facts describe, in fact, a convex function. A convex function is actually determined by a positive second order derivative. We, therefore, conclude that if an investor presents preference towards risk, the second derivative of the utility function is positive and the graph of the utility function is a convex one, as shown in figure 2.

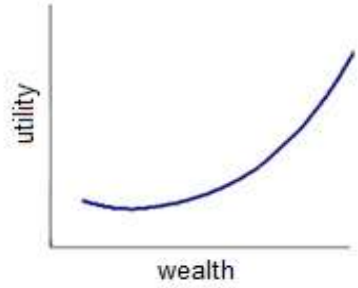


Figure 2: Utility function for risk preferring investors
Source: simplified reproduction, made by the authors, after Friedman and Savage (1948)
It is important to note that the point of minimum of the convex utility function marks the point where the earnings become interesting for the investor. Beyond this point, the risk preferring investor will feel motivated to invest in order to achieve large gains, interesting from his point of view.

2. Setting Assumptions

Taking into account all the facts described within the introduction part of this paper, we shall continue by establishing a set of assumptions regarding the utility functions proper for each investment profile.

We shall consider that the risk averse individual is, in fact, a poor individual concerned to achieve a certain wealth, even a low one. This individual does not want to lose anything that could affect his wealth and is not, therefore, willing to take any chances.

In order to illustrate his utility function, and to simplify the reasoning, we will choose a second degree utility function, depending on the wealth level, w:

$$U(w) = aw^2 + bw + c \quad (2.1)$$

Further, we will adapt this second degree function's parameters to the individual's investment profile.

The parameter c shows the level of utility felt by the individual when having no money. We will consider that nobody can fell any kind of utility if their wealth is null, so that for both cases described (risk aversion and risk preference), zero money will lead to zero utility.

$$f(0) = c = 0 \quad (2.2)$$

Taking into consideration Friedman and Savage's description of the aversion towards risk, we know that the utility function in this case is a concave one. This means that the second derivative of the utility function must be negative.

$$U''(w) = 2a \quad (2.3)$$

Therefore, we come to conclude that $a < 0$ (2.4).

The marginal utility is, in fact, mathematically, the first derivative of the utility function. In the case of the risk averse individual, the marginal utility is positive initially, and becomes negative after the targeted level of wealth has been reached. So, in mathematical terms, the first derivative of the utility function must be positive in the beginning and must become negative after the point of maximum (the targeted level of wealth being, in this case, the point of maximum). The first derivative of the utility function is presented below:

$$U'(w) = 2ax + b \quad (2.5)$$

The wanted wealth and its corresponding utility level are, in fact, the Cartesian coordinates of the parabola's vertex (or turning point). So, the targeted wealth is $-\frac{b}{2a}, b \neq 0$ (2.6), b has to be different from 0, as the targeted wealth can't reasonably be 0. The maximum utility corresponding to it will be $-\frac{\Delta}{4a} = -\frac{b^2-4ac}{4a} = -\frac{b^2}{4a}$, as $c = 0$ (2.7).

The targeted wealth must be a positive value, so if $-\frac{b}{2a} > 0$ and $a < 0$, we conclude that $b > 0$ (2.8).

The maximum reached utility must, also, be a positive number, so $-\frac{b^2}{4a} > 0$ (2.9), which is correct as $b^2 > 0$ and $-4a > 0$ (2.10).

Therefore, we reach the following utility function for an individual that has aversion towards risk:

$$U(w) = aw^2 + bw \qquad (2.11),$$

whereas $a < 0$ and $b > 0$.

We will choose the same second degree utility function in order to illustrate the utility function of a risk preferring individual:

$$U(w) = aw^2 + bw$$

We have already agreed that both functions will be constant free.

Taking into account Friedman and Savage's description of the preference towards risk, we know that the utility function in this case is a convex one, meaning that the second derivative of the utility function must be positive.

We conclude, therefore, that $a > 0$ (2.12).

In the case of the risk preferring individual, the marginal utility is initially negative, becoming positive as the gains become bigger. So, in mathematical terms, the first derivative of the utility function must be negative at first, becoming positive after the point of minimum is reached (that point where the earnings become interesting).

The point where the gains become interesting for this individual is $-\frac{b}{2a}$, and the minimum utility corresponding to it will be $-\frac{\Delta}{4a} = -\frac{b^2-4ac}{4a} = -\frac{b^2}{4a}$, as $c = 0$.

The point where the gains become interesting must be a positive one, because the losses can't be interesting for anyone, so if $-\frac{b}{2a} > 0$ (2.13) and $a > 0$, we conclude that $b < 0$ (2.14).

Analyzing the vertex of this parabola, we see that, in the case of the preference towards risk, the minimum point in utility is a negative one. The rich individual is so disappointed by the small initial gains, that he sees them as damage. He doesn't need the small amounts of money wined; they don't fulfill his wishes, as he only wants to win big. As the winning becomes bigger and bigger, the rich, risk preferring individual becomes satisfied and feels their utility. The total utility function starts growing, eventually becoming positive. Solving the second degree equation $w^2 + bw = 0$, we find out the point where to total utility function becomes positive, that point being $-\frac{b}{a}$ (2.15).

Therefore, we reach the following utility function for an individual that has preference towards risk:

$$U(w) = aw^2 + bw \qquad (2.16),$$

whereas $a > 0$ and $b < 0$.

We conclude that in this case figure 2 does not capture the reality correctly. The case of the investor who prefers risk, is better illustrated in figure 3.

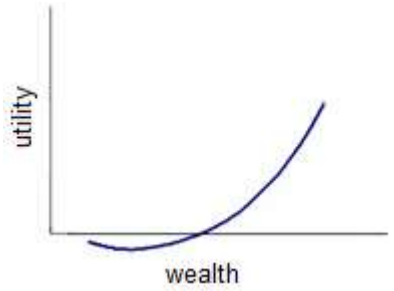


Figure 3: Utility function for risk preferring investors, as proposed by the authors
Source: graph made by the authors

3. Bernoulli's Decision Making Criterion, with the Utility Function Adapted to the Investor's Attitude Towards Risk

In order to exemplify Bernoulli's decision making criteria, taking into account the investor's attitude towards risk, we shall consider that the individual is confronted with three possible investing lotteries. The actions he may take are investing in either one of the three lotteries (L_1, L_2 or L_3). The possible outcomes of these actions could be not to win anything, win 150% of the invested amount or win 300% of the invested amount. The price of the lottery ticket will be taken into account. So, if the investor doesn't win anything, he will, in fact, lose the amount paid for the ticket. If he will win anything, his final gain will be calculated by subtracting the price of the ticket from the gain.

Price of L_1 is 5 monetary units (m.u.), price of L_2 is 25 m.u. and price of L_3 is 50 m.u. For example, if the investor chooses L_1 and doesn't win anything, he will, in fact lose 5 m.u., if he wins 150%, he will have 150% of 5 m.u. minus the price of the ticket (5 m.u.), so he will gain 2.5 m.u. If he wins 300%, he will have 300% of 5 m.u. minus the price of the ticket (5 m.u.), so he will have 10 m.u.

The informational matrix is presented below. In order to get results accurately describing the reality, we considered the possibilities of gain from actions taken by the individual (or from lotteries between which he can opt) to be equiponderated:

Table 1: The informational matrix

		Possible outcome		
		win 0%	**win 150%**	**win 300%**
probability		**0,(3)**	**0,(3)**	**0,(3)**
Lotteries	L_1	-5	2,5	10
	L_2	-25	12,5	50
	L_3	-50	25	100

Source: scenario proposed by the authors

We will consider that the profit or loss determined by this investment equals the available wealth of the individual.

Within this decision making criterion, every strategy is evaluated by its expected utility, as follows:

$$EU(L_i) = \sum_{j=1}^{n} p_j U(w_{ij}),\ i = \overline{1,m} \qquad (17)$$

where:

i from 1 to m is the number of actions that the individual can chose among;

j from 1 to n are possible outcomes which may occur;

L_i is the lottery number i that the investor can choose;

$EU(L_i)$ is the expected utility of action L_i for each possible outcome;

w_{ij} is the gain of generated by action i within the outcome j;
$U(w_{ij})$ is the utility associated to gain w_{ij};
p_j is the probability of occurrence of outcome j.

The actions available to the investor will be ordered ascending, according to their expected utility, in correspondence with the following equivalence relation:

$$a_p > a_q \Leftrightarrow EU(a_p) > EU(a_q) \quad (18)$$

The above relation signifies that a certain strategy a_p is preferred to strategy $a_q$only if the expected utility of profits generated by strategy a_p is superior to the expected utility of profits generated by strategy a_q.
The optimal solution of Bernoulli's criterion corresponds to that action for which the expected utility of obtainable profits is maximum.
The optimal solution = $\max\{EU(a_i)\}, i = \overline{1,m}$ (19)
We will next evaluate each of the three actions according to Bernoulli's criterion, through its expected utility. In this respect, we must choose a form of the utility function.
We will start with the case of the investor who has aversion towards risk. According to relations (2.1), (2.2), (2.4), (2.6), (2.8) and (2.10) and by attributing values to a and b accordingly, we can propose the following utility function for the risk averse individual:

$$U(w) = -w^2 + 20w \quad (20)$$

Under these circumstances, the expected utility (from the risk averse investor's point of view) for each possible action would be:

$$EU(L_1) = 0.(3) * \left(-(-5)^2 + 20 * (-5)\right) + 0.(3) * (-2.5^2 + 20 * 2.5) + 0.(3) * (-10^2 + 20 * 10) = 6.25$$

$$EU(L_2) = 0.(3) * \left(-(-25)^2 + 20 * (-25)\right) + 0.(3) * (-12.5^2 + 20 * 12.5) + 0.(3) * (-50^2 + 20 * 50) = -843.75$$

$$EU(L_3) = 0.(3) * \left(-(-50)^2 + 20 * (-50)\right) + 0.(3) * (-25^2 + 20 * 25) + 0.(3) * (-100^2 + 20 * 100) = -3875$$

By ordering the expected utilities increasingly, we will obtain the preference order according to Bernoulli's criterion:
L_1 is preferred to L_2 (as $EU(L_1) > EU(L_2)$).
L_2 is preferred to L_3(as $EU(L_2) > EU(L_3)$).
The optimal solution for an investor with risk aversion is, therefore, L_1.
It also can be easily notice that the optimal solution is the only action bringing a positive utility function to the risk averse investor. The other two possible actions are on the other hand too expensive for his taste and on the other hand to risky to be chosen by him. So, the theory presented above is proven by this example. The investor who has aversion towards risk prefers less risky actions and the cheapest investment options, being aware of the fact that these kinds of actions will only bring small profits.

We will continue by analyzing the case of the investor who presents preference towards risk. According to relations (2.1), (2.2), (2.10), (2.11), (2.12) and (2.13) and by attributing values to a and b accordingly, we can propose the following utility function for the risk preferring individual:

$$U(w) = w^2 - 20w \quad (21)$$

Under these circumstances, the expected utility (from the risk preferring investor's point of view) for each possible action would be:

$$EU(L_1) = 0.(3) * \left((-5)^2 - 20 * (-5)\right) + 0.(3) * (2.5^2 - 20 * 2.5) + 0.(3) * (10^2 - 20 * 10) = -6.25$$

$$EU(L_2) = 0.(3) * \left((-25)^2 - 20 * (-25)\right) + 0.(3) * (12.5^2 - 20 * 12.5) + 0.(3) * (50^2 - 20 * 50) = 843.75$$

$$EU(L_3) = 0.(3) * \left((-50)^2 - 20 * (-50)\right) + 0.(3) * (25^2 - 20 * 25) + 0.(3) * (100^2 - 20 * 100) = 3875$$

By ordering the expected utilities increasingly, we will obtain the preference order according to Bernoulli's criterion:

L_3 is preferred to L_2 (as $EU(L_3) > EU(L_2)$).

L_2 is preferred to L_1(as $EU(L_2) > EU(L_1)$).

The optimal solution for an investor with risk aversion is, therefore, L_3.

We notice that, in this case, the first possible action is the most unattractive for the risk loving investor. The possible outcomes are so small, that by choosing this action, he would feel negative utility. He feels that by choosing this action, he would lose his time, even if he wins. The investor presenting preference towards risk prefers risky actions and expensive investment options, expecting high profits and being ready to assume any loss.

4. Conclusions

Following this analysis, the great importance of adapting the utility function to the investor's investment profile emerges. If the investors' expected utility should have been analyzed without taking into account the form of the utility function, the results would not reflect the reality, misleading the user. This fact is primarily proved by the fact that there is no common optimal solution to apply to both investment profiles: risk preferring and risk averse investors.

Investors act differently within the market. Their decisions are driven by their own knowledge, emotions, wealth, etc. Every investment option is evaluated from the investor's point of view, taking primarily into consideration the utility that the investor hopes to get by making a choice. But the individuals live and take actions within different environments. This means that there aren't universally valid decision making criteria, and every existing criterion should specify what type of investor it addresses to or should be adapted to every attitude towards risk.

Usually the wealth level determines the attitude towards risk.

Some can't afford to take chances, because of their wealth level. They prefer to pay small amounts of money in order to invest, as these small amounts are affordable for them and if they lose, they want to be sure not to lose important amounts of money. These are the investors who present aversion towards risk. Their goal is to gain a certain wealth. They wish to win money without risking money, even if this means that the maximum winnable amount will also be small. For them, the loss of a big amount of money would be more important that the gain of a big amount of money. So they prefer to invest small hoping to win small.

Opposite to these individuals, there are the ones getting satisfaction from winning big amounts of money. For these investors, who dispose of a big wealth, the goal is not to reach a certain wealth anymore, they already have it. They are only satisfied by big amounts of money, if they win small they consider it a waste of time, fact that diminishes their utility. They wish to win big money, being disposed to risk money. But by risking money, they also expect big gains.

So, an investment option with a big expected utility from a risk averse investor's point of view, will not have the same expected utility when analyzed by a risk preferring investor. Their criteria are different, so it is logical that the results should be different.

Taking into account all these psychological aspects, it is clear that every type of investor should use proper decision making criteria, depending on their attitude towards risk. From our analyses displayed above, it is proven that the same investment options, with the same probability of occurrence will not be seen the same by two investors having different attitudes towards risk.

Therefore, every investment should be evaluated according to the investor's attitude towards risk. Only then the chosen option will be proper for the investor and the expected return will be realistic.

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TECHOLOGICAL CREATIVITY AND ECONOMIC DEVELOPMENT

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Abstract: *This study presents a quantitative analysis through technological creativity role in economic growth, as well as leading actors in innovation. Innovation and technological changes are the result of entrepreneurial initiatives by identifying creative solutions to problems. Thus, the presence of creative persons is necessary for entrepreneurship and economical development. The interaction of entrepreneurial context with the share of the workforce employed in the creative class is strongly associated with growth in the number of new establishments and employment. The main theoretical objective of recent work is to create a comprehensive scientific material related to creative economy and creative industries. As a result of my research I want to prove that technological creativity represents a strong economic base in the economic structure of the region. On the other hand I would like to emphasize the importance of a detailed analysis concerning the attitudes of the creative class, to uncover the key factors that attract their members.*

Keywords: creative class, entrepreneurship, economic development, R&D, innovation, economic dynamism

JEL Classification: O31, O32, O33, O34, O35

1. Introduction

Technology has long been recognized as a key driver of progress and economical development. The relationship between technology and economic growth has been captured in a vast number of formal models. Nearly a century ago, a classical economist, Schumpeter (1912) noted that economic development is significant influenced by products combinations, results of new production processes and possibilities. The basics of growth theory were defined by Solow-model (1956), where technology has been formally released. Uzawa (1965), Phelps (1966), Conlisk (1967, 1969) and Shell (1967) related technology growth to some specification based on labour resources devoted to the development of new technologies and ideas. Romer (1994) treated that a continued increase of expenditures in the field of research-development leads to a continued increase in economic growth. Jones (2002:36) considered technology like manna falling from heaven. It corresponds to an accumulated knowledge, that clearly improves work productivity in long term. In the latest trend of growth theory plays a key role the creative destruction ((Aghion–Howitt, 1992), like the basic of innovation, and also other mechanisms, such as active learning (learning by doing), which together define the growth specifics.
In recent years a new social order has emerged, in which knowledge, creativity and innovation have become essential driving-forces for regional competitiveness. This new order is the creative class, which concept has introduced by Richard Florida (in Giddens, 2007: 105), consists of people from diverse backgrounds, of all ages, sexual orientations, from different ethnic groups, and which form part of mainly vocational category of managers and highly skilled professionals and IT professionals/high-tech.. Florida has devised an index to measure the distribution of this new social classes - creativity index based on four factors: the percentage of creative class in total labour force, percentage of high-tech industry, innovation (as measured by the number of patents per capita) and

diversity as estimated by the "Gay index" (the percentage of homosexuals which declares open his orientation).
Knowledge, trade, technology, capital, goods and services are today more than ever interconnected globally.
According to the study "Managing tomorrow's people-Talent mobility 2020" (2010: 8-9) over the next 10 years, competition for talent will continue to be the major issue in the field of human resources, human capital, representing one of the key variables that will separate winners and losers in the market (Ridderstrale, Nordström, 2007). The term "creative class", has as distinctive feature the fact that its members are involved in creative innovative activities. The core of this class is composed of scientists, engineers, professors, writers, poets, artists, actors, architects, and designers, men of culture, editors, researchers, analysts and trainers. Around this core to creative class is added a core of creative professionals-high-qualified workers, who work in other areas such as: high-tech, financial services, the legal sector, health services, business, etc. (Florida, 2012: 11). Florida builds creative class definition focusing on professions and not on branches of economy, because every industry can meet people engaged in creative and/or innovative activities. For this reason, a clear definition is very difficult, the measuring and delimitation of the creative class is still problematic.

2. Methodology

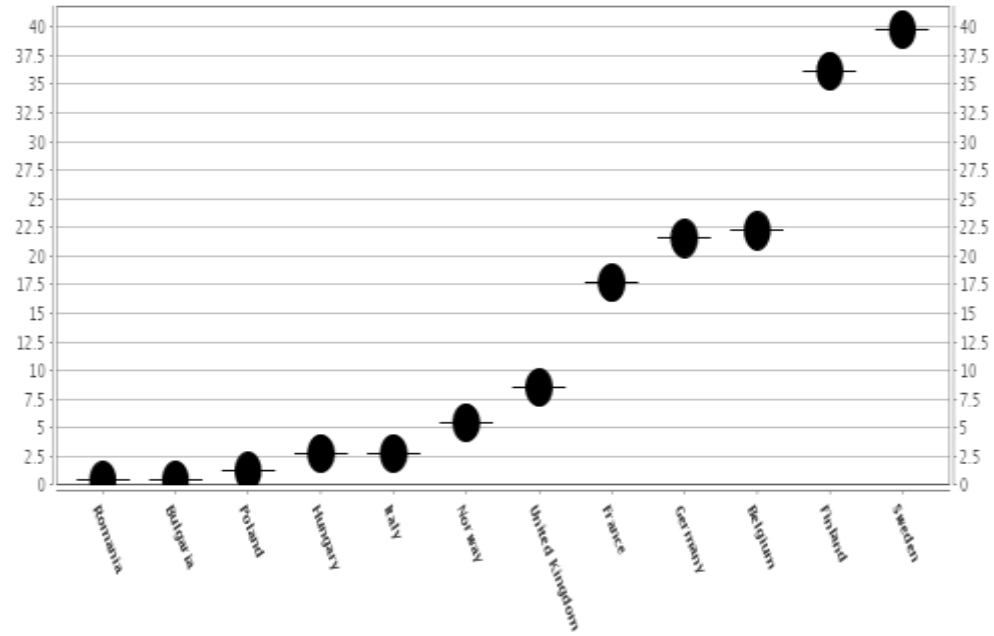
Technology plays a fundamental role in the knowledge-based economy and is a fundamental driver of innovation and the regional development New inventions in industries like software, robotics, and biotechnology, improvements in manufacturing systems and processes, technology makes economies and societies more efficient and productive.
Present research aims to analyze the index of creativity in case of Romania (in European context) by applying the 3T model developed by Florida, relating to technological creativity. The Global Technology index is based on two measures: the standard measure of innovation (patents) and the standard measure of R&D effort (the share of GDP devoted to R&D).
Recognizing the importance and use of technological creative potential of individuals and companies, as well as creative process of social change is the center element of the social and economic development. The assertion above is pragmatic illustrated by Richard Florida's theory on regional development based on creativity, that technological innovation, development of new firms and regional development are all related to the "three T" of economic development: technology, talent and tolerance, without which innovation, entrepreneurship and growth are less favoured. Florida characterizes creativity as a concept with many dimensions of which clearly distinguishes three types of interconnected creativity: technological creativity: innovation; economic creativity: entrepreneurship; cultural and artistic creativity.
Regional economic growth is induced by creative people. In order to stimulate development, a region must create conditions favoring innovation, art, culture and diversity. The creative class is not just a form of human capital; it is constituted by the creative people-the key factor in economic growth. Places which are open to creativity of any kind (technological, cultural, and/or economic) reflect a more favorable environment to stimulate entrepreneurship and economical development (Florida, 2002: 8-11).
Creativity is often associated with the entrepreneurial spirit. Entrepreneurs are distinguished by small business owners through the creativity with which develop innovative products and new business models. That's why income and employment growth are often associated with the entrepreneurial spirit. According to his theory Schumpeter (1947), innovation and technological changes are the result of entrepreneurial initiatives by

identifying creative solutions to problems. Thus, the presence of creative persons is necessary for entrepreneurship and economical development (Pratt et al, 2008:221).
After the determination of global technological creativity index it's necessary to analyze the correlation between economic performance and technological creativity. The first step in this direction is the association of global technological index to the standard measures of economic output, GDP per capita, and of global competitiveness based on the World Economic Forum's Global Competitive Index.
The Global Competitiveness Index developed by Michael Porter is based on the following categories: basic requirements (including institutions, infrastructure, macroeconomic stability, health, and primary education), efficiency enhancers (including higher education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness, and market size), and innovation factors including business sophistication and innovation (Florida; Mellander; King, 2015: 37)
The different aspects of competitiveness are captured in 12 pillars, which compose the Global Competitiveness Index (GCI), innovation and skills are the key drivers of economic growth. In this way, the second step is to examine the innovation component of GCI.

3. Results

The Figure 1 illustrates the situation of our country in relation to others in terms of the number of high-tech patents in recent years. The data refers to the ratio of patent applications made directly to the European Patent Office (EPO) or via the Patent Cooperation Treaty and designating the EPO (Euro-PCT), in the field of high-technology patents per million inhabitants of a country. The definition of high-technology patents uses specific sub-classes of the International Patent Classification (IPC).

Figure 1: High-tech patent application, per million inhabitants

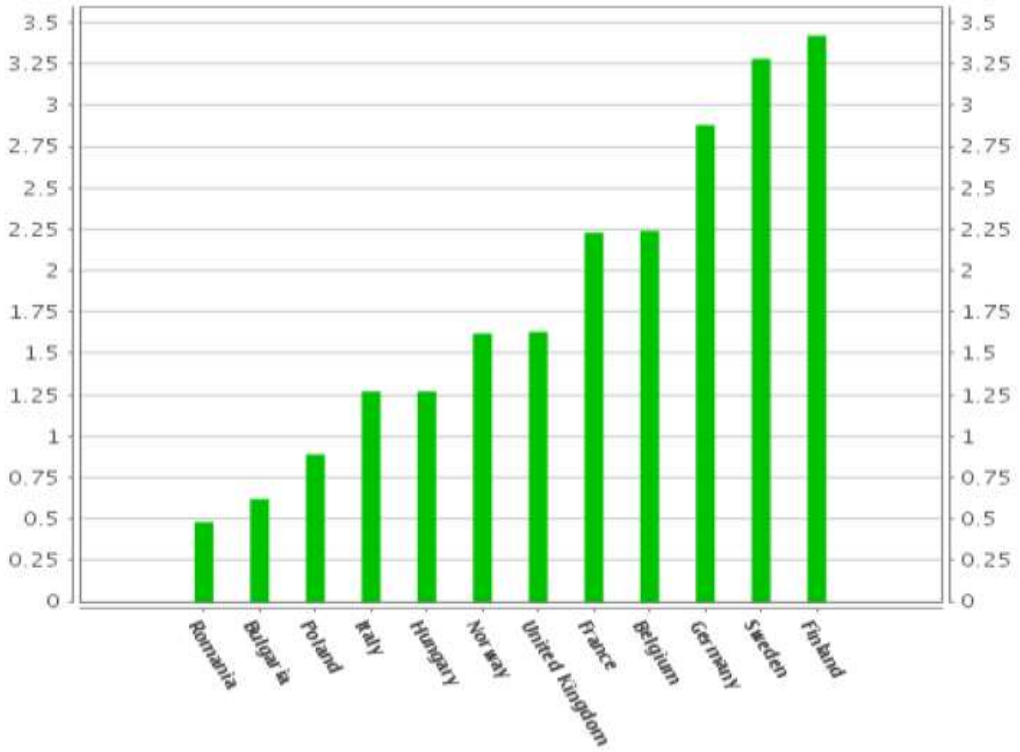


Source: Eurostat statistics, 2014, Available: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsc00010&plugin=1

Are clearly highlighted three groups of countries: countries with low numbers (less than 10) of patents per million inhabitants, including Bulgaria, Romania, Poland are near the bottom; States with a number of patents between 10 and 35 per million inhabitants- Belgium, France, Germany, United Kingdom, and countries with remarkable results and a real "tradition" in innovation such as Sweden and Finland. Statistical data relating to the poor development of industrial activities in Romania and reflects the lack of interest for innovation.

It is very important the analysis of the relationship between the number of existing patents and expenditures in the field of research-development. The indicator provided is GERD (Gross domestic expenditure on R&D) as a percentage of GDP. "Research and experimental development (R&D) comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications" (Frascati Manual, 2002 edition, § 63).

Figure 2: Gross domestic expenditure on R@D , % of GDP



Source: Eurostat statistics, 2014, avialable at http://ec.europa.eu/eurostat/tgm/graphDownload.do?tab=graph&language=en&plugin=1&pcode=t2020_20

Figure 2. illustrates that Romania spent in 2014, 0,4 percent of the Gross Domestic Product for research and development, most of the money coming from public funds and only 34,4 from business enterprise sector. Low levels of investment from private sector can be explained, on the one hand by low degree of development of our country, but also by

discrepancy or failing field of research and innovation to the requirements of the market and the business environment.
Technological creativity is closely connected to the economic development, competitiveness, and prosperity of nations. Countries that score highly on the GTI have higher levels of productivity (measured as economic output per person), competitiveness, entrepreneurship, and overall human development.
Romania ranks a solid 59rd among the 144 economies represented in the World Economic Forum's 2014-15 Global Competitiveness Report. Romania is tied on points with Hungary (60th) with both nations finishing with a score of 4.3.
The report highlights that there is a clear correlation between technological creativity and competitiveness. Countries with high number of patents and high level of investment in filed of research and development are in top positions of competitiveness ranking. Thus Finland (4), Germany (5), United Kingdom (9), Sweden (10), Norway (11) have obtained a score between 5,4-5,5, given that Switzerland with the best performance finishing with a score of 5, 7, according to the Global Creativity Index . The report places Romania in the 'Emerging and Developing Europe's group.

Table 1: GDP per capita (US$), 2014

Romania	Bulgaria	Poland	Italy	Hungary	UK
8.911	7.328	13.394	34.715	13.404	39.567
France	Belgium	Norway	Germany	Sweden	Finland
42.999	45.384	100.318	44.999	57.909	47.129

Source: Word Economic Forum, Global Competitiveness Report, 2014

Table 1 shows the standard measures of economic output, GDP per capita in the case of analyzed countries. Clearly delineated the three groups of states with high output over 40.000 US$ per capita (Norway, Sweden, Finland) with middle national income over 30.000 US$ per capita (Italy, UK) and those left behind wit low lewel of GDP under 15.000 US$ per capita. (Romania, Bulgaria, Poland)

Table 2: Innovation ranking, 2014

Innovation Top 10	
The Global Competitiveness Index 2014-2015	Global rank*
Finland	1
Switzerland	2
Israel	3
Japan	4
United States	5
Germany	6
Sweden	7
Netherlands	8
Singapore	9
Taiwan, China	10

Source: The Global Competitiveness Report 2014-2015
Note: * 2014-2015 rank out of 144 economies

Source: Word Economic Forum, Global Competitiveness Report, 2014, pp.45

Innovation can emerge from new technological and non- technological knowledge. In the long run, standards of living can be largely enhanced by technological innovation. Table 2. presents that five European countries are ranked among the top 10 most competitive innovative economies. This wide-ranging performance highlights the persistence of a competitiveness divide in Europe between a highly competitive Northern Europe and a less competitive Southern and Eastern Europe.

4. Discussion

Innovative approach can create jobs, and improve productivity and the quality of existing jobs. To produce those effects, however, innovation must penetrate the market and this cannot happen without policies to promote research and innovation that ensures fiscal incentives and public procurement. All these must be enabled by public authorities, both at EU level and Member State level.
In conclusion the presence of creative persons is needed for the development of entrepreneurship and economic development. Richard Florida makes a compelling argument that regional development depends on novel combinations of knowledge and innovative ideas, that certain occupations specialize in this task, that people in these occupations are drawn to areas providing a high quality of life, and thus the essential development strategy is to create an environment that attracts and retains these creative persons.
This progression requires an environment that is conducive to innovative activity and supported by both the public and the private sectors. It means sufficient investment in research and development (R&D), especially by the private sector; the presence of high-

quality scientific research institutions that can generate the basic knowledge needed to build the new technologies; extensive collaboration in research and technological developments between universities and industry; and the protection of intellectual property, in addition to high levels of competition and access to venture capital and financing that are analyzed in other pillars of the Index. In light of the recent sluggish recovery and rising fiscal pressures faced by advanced economies, it is important that public and private sectors resist pressures to cut back on the R&D spending that will be so critical for sustainable growth into the future. (Word Economic Forum, 2014: 48)

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ACCOMMODATION SERVICE QUALITY VS. ECONOMICAL PERFORMANCE OF ACCOMMODATION STRUCTURES

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Abstract: *The paper aims to link the two important aspects of tourism activity, of great interest to any professional in this field: the quality of accommodation services and the economic performance of accommodation. To assess the perceived quality of accommodation services I used the content analysis of the feedbacks present on the Booking.com website for 11 accommodation structures in Bihor County, and to highlight the economic performance, we used the same documents study lodging structures in order to know the performance indicators. At the end of the work I correlated the data on the quality of accommodation services with the economic performance of accommodation and I formulated conclusions and recommendations for the structures analyzed*.

Keywords: accommodation services, objective quality, perceived quality, economic performance

JEL classification: L 83, Z32, D12

Introduction

The study of services involves some difficulties arising of their characteristics that differentiate them in relation to the goods (Parasuraman, Zeithaml, Berry, 1985, p.42): intangibility (most of them cannot be counted, measured, checked), heterogeneity (different from one producer to another, from one client to another, from one day to another) and entanglement (production and consumption of services are inseparable, consumers and producers interact directly).

Many specialized studies reveal a direct relationship between the quality of products and services and economic performance of producers of goods and services. Kimes (2001) demonstrates that hotels with at least one quality defect obtain an income per available room per day with approximately $ 2.80 less than hotels that do not record any quality defect. Ivanov (2007) sees quality as a competitive advantage, and Meng, F., Tepanon, Y., Uysal, M. (2008) believes that on an increasingly competitive accommodation services' market, the satisfaction of the beneficiaries of these services is an objective which suppliers must stand out.

Sergeant and Frenkel (2000) examine the ability of employees to satisfy customers and conclude that the employee satisfaction and organizational commitment influence the employee behavior in customer contact and customer satisfaction. In turn, the staff satisfaction and the organizational commitment are influenced by a number of factors such as: the support of other departments, the technology teams' work, labor supervision, etc.

Research Methodology

The objectives of the paper were:

1. Highlighting the objective quality of accommodation services through the conditions and criteria for the legal classification.
2. Knowledge of the subjective/perceived quality of accommodation services through the prism of the customer reviews

3. Identifying relevant indicators of efficiency of accommodation units
4. Linking the quality of accommodation services with the economic performance of the accommodation
These objectives were followed for 11 randomly selected accommodation units in Bihor County, but taking into account criteria such as: types of structures, grading, attendance on the Booking.com website, and access to the economic efficiency indicators.
Linking the quality of accommodation with the economic performance of the accommodation structures was performed using several methods: content analysis, document analysis (of accommodation units) and statistics data and law studies (concerning the classification of accommodation units).
Thus, to analyze the quality of accommodation we used the study for classifying documents of accommodation structures (for highlighting quality objectives) and content analysis of comments and scores recorded on the website Booking.com (for highlighting the perceived quality). To analyze the performance of accommodation structures we used the statistical study of documents and structures from which we analyzed the relevant efficiency indicators. Linking the service quality with the economic performance was achieved by associating quality indicators with indicators of economic efficiency.

The quality of accommodation services
When we talk about the quality of accommodation services, we have in mind: the access infrastructure, facilities, cleanliness/hygiene, location/site, view (overlooking the sea, the lake, a stream, panorama of a city, etc.), the staff's courtesy, integrated services (accommodation, meals, conference...), leisure possibilities (bar, casino, trails, bicycle trails/bikes, shopping malls, spas), organizing or facilitating the participation in cultural events and sporting events, healthcare.
There are authors (Parasurman, Zeithaml, Berry, 1985) that define quality as the difference between customer expectations and the perceptions of the services received, actually.
To evaluate the quality defined so, it is necessary to distinguish between the objective and the perceived quality.
a) Objective quality, according to the classification standards of the accommodation structures.
The classification standards impose uniform conditions for the same type of accommodation structure, they being reflected in the prices charged, even if they are influenced by the relationship between the supply and demand in the tourist accommodation market.
These standards allow potential beneficiaries to choose tourist structures depending on the degree of comfort and financial possibilities, having prior information regarding the access of services.
The main aspects considered in setting these standards, aim the following:
- Environment (buildings and furniture, the surface of the rooms, design, the functionality of the organizational conditions)
- Equipment (devices and material)
- Personnel (staff)
- Additional services
Regarding the environment, the higher the classification level is higher, the overall look of the building must be better, the number of parking spaces and the surface of the rooms must be larger, the decor more sophisticated and the functional character stronger
The equipment, such the equipment and the materials, in turn, must be more and more diversified and the categories of staff, also, must be numerous, as the accommodation facilities are better classified, and those which are on higher levels of classification should offer a number of complementary services.
It can be seen that the differences between the types of accommodation units are some predominantly quantitative classifications. Undoubtedly, the quantitative aspects are

reflected in the quality of accommodations. For example, the number and diversity of equipments, materials, or categories of services and staff ensures a higher degree of comfort and respond in greater to the expectations. On the other hand, however, these quantitative aspects not guarantee a high quality of the accommodation services. For example, the daily cleaning or daily change of towels is not necessarily a perfect state of cleanliness; ensuring all staff categories required by standards do not ensure good staff relations and communication with customers.
Therefore, for a correct assessment of the quality of accommodation services is necessary to supplement the objective dimension with the subjective one, perceived by it.
b) Perceived quality, subjective, according to the appreciation of the beneficiaries of these services
The consumers of the accommodation services appreciate the quality in terms of cleanliness, staff courtesy, hygiene, leisure opportunities, environment, etc. It is important that the beneficiaries have a holistic perspective on the service they receive, sometimes deficient, even minor, which could influence radical attitude of a beneficiary (either leaving the accommodation or the decision not to return in the unit or influence other potential beneficiaries)
On the tourism services' market there are different categories of beneficiaries, regarded by tourists as marketing target groups, each group expressing specific requirements in relation to tourism and requiring a personalized offer from suppliers. So:
-The businessmen appreciate the location, comfort, amenities, especially if the business meetings are held in the premises of the accommodation and less the scenery and the friendliness of the staff.
- Leisure tourism has, in turn, several segments: nature lovers, who are interested in landscapes, trails, etc.; gamers/entertainment lovers, whose demands aimed at the multiplicity and diversity of participating in games, entertainment programs; the seniors are in search of peace and some easy ways of leisure.
- Cultural tourism followers want a broad and faster access to sights, information, guidance, etc.
- Sports tourism aims sporting activities in certain parts of the country and abroad, where they can follow or practice different sports.
- Health tourism in addition to spa cures, aims lately aims the quiet places away from the noise of large cities, which are increasingly sought and valued lately.
- Those with modest financial means will appreciate the lower prices, but also the transport infrastructure enabling them to arrive to the desired destination by public transport
- Families with children who want all-inclusive hotels in different areas, specially arranged for children and parents or adults, amenities, healthy food, staff courtesy, or the accommodation near amusement parks .
There is no doubt, what we might call the "medium" tourist, whose demands, although moderate in intensity, are targeting almost all the issues raised above.
Each of these categories will appreciate the quality of accommodations through the desires and expectations, which result from the feedback provided by Booking.com, a website for accommodation booking, quite appreciated if we consider the number of people who resort to this site for a reservation.

The presentation of the website Booking.com
Booking.com – is a website that allows tourists interested in any form of tourism to choose the desired accommodation structure and to find new deals every day during certain periods in different countries.
The Booking.com company was established in 1996, is headquartered in Amsterdam, The Netherlands and is supported by 173 offices in 69 countries. It aims to guarantee the lowest prices for any type of property ranging from small family guest houses, exclusive apartments and suites to luxurious 5-star hotels; it is available in over 40 languages [1].

The site promotes tourism accommodation facilities worldwide. More and more owners are choosing the tourist accommodation website booking.com to promote their accommodation structure, and their number is growing. Today (15.11.2015) is provided on site a total of 828.666 accommodation establishments in 220 countries and territories worldwide.
The website includes, besides the promotion of the accommodation structures all over the world, a non-stop service in 40 languages, free mobile applications, verified reviews of tourists which are numbered around 67.150 million (on 15.11.2015).
The website's customers receive discounts, and these are reaching to - 50% on some travels, and they benefit from the secure booking and the exemption of the booking fee. Tourists who choose this site to make a booking at some hotel in a certain period of time have the opportunity in the event of certain changes in the selected booking, to change it.
On the website are presented the first 103 countries that are considered most important among the 220 countries. The number of accommodation structures on the site y is changing daily, given the growing trend in most countries. In the table we can see that the country with most of accommodation is Italy with a total of 88438, representing 10.62% and with the fewest number of 22 accommodation structures is the country Monaco (0.003%). Our country, with a total of 5803 accommodation units, ranks 28 out of 103 countries listed. The percentage of accommodation in Romania, on the site, is representing 0.91% of the total 636369 accommodation units present among the 103 countries in the above table and the total of 832890 accommodation units worldwide advertised on booking.com is a percentage 0.70%. [1] http://www.booking.com/content/about.ro

Accomodation structures in Bihor County, present on the Booking.com website
On the Booking.com website thre are presented 174 properties, in Bihor County of which 53 hotels, 86 B&B and inns, 24 vacation homes and the rest are other accommodation units.
We aimed to analyze the feedback provided by customers who traveled to 11 units in Bihor County for which there are reservations on booking.com (accommodation in Bihor). Such an analysis, of even a small number of units is not easy, given that the number of comments is variable from one unit to another and they come from different clients. Therefore, we tried to systematize the information on the website and to correlate the type of accommodation, its classification, the number of comments and the issues for which they were given scores.
We followed the customers' reviews for 11 accommodation units in Bihor County, of which 6 benefits of a number of sub 250 comments, and 5 by more than 250 comments so as to capture and make a relevance of the number of reviews for the total score. We also took into account the accommodation units classified differently: 6 4-star hotels, 4 3-star hotels and one 4-star guesthouse.
On the site, only the real visitors can comment, those who had booked on booking.com and were staying at the property. In addition to impressions and scores, there are requested and information on the type of trip, type of tourist, room type and number of nights spent on the property, so comments are very relevant in terms of perceived quality of accommodation services.

Table no. 1 The assessment by the tourists of 11 accommodation units in Bihor County

Crt no.	Accomodation Structure type / name	Classification	Aspects from beneficiaries which have given feed-back							Total comments	Score
			Clean	Comfort	Location	Facilities	Staff	Quality/price	Free WiFi		
1.	Hotel President	4*	7,8	8,3	8,3	7,7	7,7	7	7,5	87	7,8
2.	Hotel Ami	3*	8,5	8,7	8,9	8,3	8,5	8,5	7,8	110	8,6
3.	Empire Guesthouse	4*	8,9	8,6	8,6	8,4	9,3	8,2	8,6	55	8,7
4	Hotel Atrium	3*	7,6	7,3	8,4	7,3	8	8	8	482	7,8
5	Hotel Ramada	4*	9,3	9,4	8,5	9	8,9	8,7	8,8	473	9
6	Hotel Nevis	4*	8,6	8,3	7,8	8,3	8,4	8,5	8,4	421	8,3
7	Hotel Maxim	4*	8,8	8,8	8,6	8,3	8,6	8,3	8,2	102	8,6
8	Hotel Perla	3*	7,9	7,5	7,8	8,2	8,4	7	7,4	36	7,8
9	Hotel Slavia	4*	9,6	8,9	8,9	9,2	9,1	9,1	8	42	9,1
10	Hotel Continental	4*	7,6	7,8	8,6	7,6	8	7,8	7,9	555	7,9
11	Hotel Impero	3*	8,4	8,3	8,1	8,1	8,6	8,4	8,4	389	8,3
	Score average		8,45	8.35	8,41	8,22	8,5	8,14	8,09		8,35

Source: www.booking.com (accesed on 19.11.2015)

The table shows the scores received by 11 units of existing accommodation on booking.com, from Bihor County, rated by their customers. Scores are from 1 to 10. On site, there are 7 categories of aspects for beneficiaries of accommodation which offered feed-Beek: cleanliness, comfort, location, facilities, staff, and value for money, free wifi.
Note that the highest score of the comments, of 9 and over 9, have the 4 star hotels, score recorded at the aspect of the facility, which is natural given that hotels classified with 4 stars are required to have certain facilities in addition to the hotels categorized with 3 or fewer stars. Lowest score of 7.8 comments were received by two 3-star hotels and one 4-star hotel.
Analyzing the average scores in each dimension, we see that a far higher average has: the "personal" appearance, the "cleanliness" and "location" with a value close to 8.5. The "personal" appearance has analyzed in the 11 structures a score higher than 9 in two of them: the Empire Guesthouse with 4 stars with a score of 9.3, and the 4-star hotel Slavia with a score of 9.1, the lowest score of 7.7 has the 4-star Hotel President. The other analyzed accommodation structures have scores of "personal" appearance between 8 and 8.9. It is possible that these scores are due to training courses in the field, held recently in Bihor County, by European programs, given that high scores are recorded at relatively new accommodation establishments, and lower scores on older hotels.
The appearance of "cleaning" has the highest score of 9 to two of them: the 4 star hotel Salvia with a score of 9.6 and the 4 star hotel Ramada with a score of 9.3. Lowest score with values above 7 we can find in three of the accommodations analyzed: Hotel Continental with 4 stars, hotel Atrimum with 3 stars with a score of 7,6, and Perla, a 3 stars hotel with a score of 7,9. Other analyzed accommodation structures, have values between 8.4 and 8.9, scores from the aspect of "cleaning". And in this aspect, the scores appear to correlate with the age of the unit, with higher scores in newer units, which can be explained if we consider that the old units' cleanliness is more difficult at higher rates.
The appearance of the "location" has a score between the values of 8,1 and 8,9 at 9 of the analyzed structures, the highest score of 8.9 being at the 3 stars hotel Arminda and at the 4 stars hotel Salvia due to the undoubtedly awareness by investors of the importance given by the clients of accommodation establishments surroundings.
The aspects "comfort" and "facilities" have a medium score slightly lower: 8.35, respectively 8.22, these aspects being directly related to the classification of accommodation establishments.
Regarding the "Price-quality ratio", the average score is 8.14%, which is among the lowest, which confirms that the opinions of specialists stating that Romanian hotel owners are not willing to improve the housing conditions, but in turn they align the prices according to the international ones (Coros, 2014).
Although all 11 accommodation units offer free WiFi, this aspect has the lowest score of 8.09, any of the hotels analyzed had not achieved a score of over 9, which can mean poor quality of this service.
By analyzing these aspects we can say that there are considerable differences between objective quality of accommodation services, reflected in their classification and subjective quality perceived, given the comments of the beneficiaries of these services. Of all the aspects evaluated by tourists, most relevant from this point of view seems to be the value for money, because tourists can accept the price increase if it is accompanied by increasing quality. Moreover, a study on consumer reaction to price increases show that this reaction is determined by two factors: "the magnitude of price increases" and "Perceived Fairness" (Homburg, Hoyer, KOSCH, 2005).
A conclusion that is released in this study is targeting the hoteliers who should know and value the feedback provided by tourists as comments on booking.com, especially since more and more tourists are opting for an accommodation unit after the consultation of such comments.

The economic performance of accommodation structures

Numerous studies capture a new strategic approach to reporting services companies to their customers, respectively the shift from orientation to transaction, and the orientation to relationships (Kumar, 1999). It shows that although long-term customer relationships companies improve their productivity services, these relationships bring, in time, more value to the services, enabling companies to resist the price pressure in relation to customers.

Staff behavior towards clients was analyzed in works such as: Murphy (1993), Harper (1990), Sergeant and Frenkel (2000), Harris and Ogbonna (2006), the findings released from these studies highlighting the serious impact of undesirable behavior on cost and performance of accommodation and even on economic growth.

Given that any tour operator in the accommodation aims, as well as any economic agent, obtaining satisfactory profit margins, the economic performance of such a structure will be evaluated primarily in terms of the profit. Of course, the profit is not the only indicator of profitability, by adding to it the productivity, profitability, employment (Abdullah, AA, Hamdan, MH, 2012), and the degree of recovery (customer loyalty).

Performance indicators presentation

The efficiency of accommodation structures can be highlighted by indicators on income or operating costs. The revenue derived from cash from tourists, is proportional to their number, the nights spent there, the tariff charged and the extra services offered. The costs include several categories: wage bill (about 40% of total expenditure), lease costs (10-15%), general expenses (10%), maintenance costs (5%), depreciation (5%) and sundries. It is estimated that "proper hotel activity (accommodation only) expenses represent 60-69% of the revenues, which translates into an interest rate (36-40%)" (Turcu, Weisz, 2008 p 103).

Getting profit or its growth thereof may be obtained traditionally either by reducing costs or increasing the price or the price increase due to increased quality of products or services, in the latter case the cost increase involved in increasing the quality should be less than the price increase. It seems that many Romanian tourism operators do not understand these goals. Perceiving Romanian tourists' expectations as modest, they are not concerned with increasing the quality of services, but increasing simultaneously and continuously the tariffs, a practice that causes "the Romanians' decreased interest for domestic destinations" (Coros, 2014, p.1100)

The literature shows that in order to survive, the units must achieve a minimum grade of 50% employment, for getting profit from the accommodation activity with occupancy rate that must exceed this level (Negruşa 2006, p.108). Kainthola (2009) believes that breakeven is achieved only at an occupancy rate of 60%.

For the accommodation structures in Bihor county, I have chosen to present and analyze several indicators that we consider most relevant in terms of efficiency of accommodation: the level of profit, the average occupancy degree (occupancy / total rooms), total costs, RevPAR (revenue per available room, calculated as: Total revenues of available rooms / Number of rooms available x number of days in the period measured or income of a room per night / occupancy degree), rate of return (profit / total costs), productivity (volume receipts / staff number or annual overnights number / staff number) and utilization rate of the accommodation capacity (CUC = number of overnights (number of tourist days) / number of vacancies x number unit operation days per year).

Table no. 2 Performance ratios of accommodation structures in Bihor County

Crt. No.	Accommodation structures /indicators	Absolute average profit Pr=V-CT			RevPAR (revenue per available room)			Fiscal value (without VAT)CA=CT+Pr			Return rate Rr=Pr/CT *100			Productivity W=V/L		
	den	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
1	Hotel Prezident	0	10148	49871	0	28860.22	32101.54	284482	2503673	2734249	0	0,38%	1,72%	-	204241.5	184583.9
2	Hotel Ami	551175	445411	448600	1670.227	1855.879	14953.33	477791	415618	435745	2,70%	0,66%	0	50106.82	55676.38	44860
3	Empire Guesthouse	22526	34907	28579	12613.05	12599.63	14339.68	226403	235957	272218	10,73 %	17,70 %	12,05 %	59912	47878.6	68113.5
4	Hotel Atrium	520	16874	0	7192.318	13144.05	7316.682	158208	289134	160938	0,33%	6,30%	0	17581.22	41309.86	40241.75
5	Hotel Ramada	0	0	0	1121.587	1268.104	68656.34	8484162	7347134	7199910	0%	0%	0%	135712	153440.6	125870
6	Hotel Nevis	0	252275	322137	86769.38	81681.57	91822.63	5209584	4888368	5513638	0	5,21%	5,97%	121477.1	109488.1	123081.4
7	Hotel Maxim	0	0	0	75636.49	61008.21	54258.92	2678536	2230952	1975492	0	0	0	62762.19	66092.22	62238.18
8	Hotel Perla	203394	147596	148169	12077.89	12565.13	12852.21	671890	698234	716946	46,89 %	27,92 %	25,92 %	-	1142.284	55363.38
9	Hotel Slavia	22137	5395	8817	113156.8	81532.67	84247.83	1205935	974516	1002376	1,66%	0,56%	0,82%	75437.89	46590.16	53209.16
10	Hotel Continental	0	0	0	-	-	-	87092733	89851815	93265197	0%	0%	0%	126565	129220.5	125452.6
11	Hotel Impero	137448	33447	0	15823.8	16411.08	19979.91	1263868	1311759	1596339	10,86 %	2,10%	0	15823.8	16411.08	19979.91

Sorce: data collected from www.booking.com; www.mfinante.ro; www.mdrt.ro; and processed by the authors (accesed on 19.11.2015 – 04.12.2015)

Analyzing the evolution of each indicator in the 11 accommodation units analyzed in 2014 compared to 2013, can be seen:
- In terms of profits, although small, in case of most units it increased, mainly due to revenue growth and, possibly, due to increase of employment; a higher profit is recorded by structures with larger accommodation capacity or newer units, in their case we could involve less expenditure (mainly maintenance and repair)
- As RevPAR, with few exceptions, it has increased; This is due to increased occupancy of the accommodation units particularly in the case of Felix resort, or in the Oradea, with a more popular and accessible location
- The turnover increased for structures that have expanded or diversified their offer (swimming pool, massage, transport, etc.) and decreased in those units that have maintained the same offer
- The rate of profit based on the turnover increased which is due to the profit increase, or the decrease in the turnover on account
- The productivity declined for most of the units surveyed, either as a result of low occupancy, either on account of the increase in number of employees.

As can be seen from the table, the efficiency indicators change from period to period for the same accommodation structures, but there are obvious relations between the different indicators that change the direction.

Thus, the RevPAR growth is associated naturally with an increase in turnover and profitability rate. Not always, however, the increase of the the indicators listed above is accompanied by increased productivity, which could be explained by hiring additional staff in the context of tourism recovery after the crisis of 2008-2012. The RevPAR decrease is in turn accompanied by subtracting all other indicators.

Conclusions and recommendations

The relationship between service quality and the economic performance of the accommodation

Service providers are interested in the economic performance of the company, while customers, service users are interested in the quality. Between the providers and recipients of services in general, so in the case of accommodations, there are gaps in knowledge of the subject transaction, knowing very well the characteristics of the provided services, while recipients face a "black box" (van't Haaff, 1989) when accessing the services. The orientation towards long-term relationships with customers, reduce their vulnerability, increases the ability of suppliers of identification of the customers' needs and enhances confidence in service providers, making the latter a competitive advantage through customer loyalty and attracting new customers (Kumar, 1999 p.7). If we consider the fact that establishing long-term relationships with clients means no extra costs for accommodation providers, means that it is a desirable method to increase the performance of these companies.

The accommodation facilities in Romania, Coros (2014) notes that "the accommodation offer continues to be dominated by establishments and places of lower classification or unclassified" and believes that "if this was acceptable at a time the social programs were at the forefront, today ... from the observed decline both in demand for accommodation and the occupancy of the accommodation establishments, results that the tourists reject the offer because of poor quality level "(p.1094).

Under these conditions, the company's investments in tourism infrastructure able to improve quality of the service provided, it would be not only necessary but also appropriate to at least as much as banks have cash for financing for profitable business for companies that are able to reduce risks and to generate grouth. (Badulescu D., Giurgiu A., Istudor N, Badulescu A. 2015, p 79).

Correlating the results obtained by analyzing the perceived quality targets and performance indicators from the analyzed accommodation structures, we found that:

- The relationship between the quality - subjective or perceived – of the accommodation services and the performance of accommodation is not obvious, there are situations where quality, especially perceived one is lacking, while performance indicators, particularly gross rate of return are the desirable
- There cannot be found within the accommodation structures analyzed the relationship between employment and the level of profit
- The first two conclusions substantiate the idea that performance is not the result of concerns for quality accommodation services; the same idea is also supported by the disinterest of the hoteliers to the feed-back offered by tourists over time, so some aspects valued by tourists remain constantly at low levels of assessment, a possible explanation for this lack of interest is that hoteliers do not follow the loyalty of the tourists, considering that they are generally experimenters, the degree of return to the same hotel is being relatively low; what is overlooked, however, it is that the views of service users influence the choice of other tourist accommodation for an accommodation or another
- The accommodation structures of high quality (both objective and perceived) of services offered (Slavia and Ramada) register growths in most indicators
- The accommodation structures of weaker perceived quality, but classified differently (Prezident Pearl and Atrium) register growths in almost all economic indicators (except productivity), the explanation may consist of relatively low prices, perceived, and the location in the stations for the first two of them.

Entrepreneurs in the area of accommodation must understand the need to correlate the objective and perceived quality of accommodation services with desirable economic outcomes. Our analysis reveals that the concerns to improve the quality of accommodation, especially the perceived one, lead to an increase in efficiency of the accommodation structures.

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