

University of Bucharest

The word "Manager" is written in a bold, cursive script. A thick, black horizontal line, resembling a pen stroke, is drawn over the top of the letters, starting from the 'M' and extending past the 'r'.

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## *The capital of relationships at the level of an organisation*

*If we make an analysis of the organisational dynamics, we cannot ignore the connection between the quality of the network of relationships and the modality of highlighting the same. The relationships with suppliers, beneficiaries, competitors, banks, public institutions, NGOs have an essential impact on the personal and organisational performance. As regards their customers, the companies are sometimes tempted to make exclusive use of impersonal relationships. The apparent time saving obtained by resorting to such relationships can endanger the achieving of the established purposes. It is ascertained that the interpersonal relationships have an important role in the evolution of partnerships. The optimum combination between the use of interpersonal and impersonal relationships can generate performance. The analysis of stakeholders, of environments and the SWOT analysis can provide the information necessary to define the alliances and to identify the nodes of a future relationship. The preoccupation for the development of networks of relationships led to researches in the network, networking and network management fields. Successful companies are sometimes involved in partnerships having as final result research, technological and marketing activities. Hence, they create their own networks of trust relationships able to generate synergic effects..*

*Prof. Ph.D. Paul Marinescu*



# The Management of the Joint Stock Companies

~ Ph. D. **Dan Cimpoeu** (*Faculty of Business and Administration, University of Bucharest, Romania*)

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**Abstract:** *In the joint stock company there are three types of bodies: deliberative and decision-making (general meeting of shareholders), executive and management (administrator, administrators, Administrative Board, Directorate or Supervisory Board) and management control (auditors). The shareholders may set by the constitutive act other organs of society than those provided for under company law. An important role in the organization of a company has the administrators who have responsibilities in the sphere of internal management acts and representation in relations with third parties. Under the Romanian legal provisions, the joint stock companies may be managed in two systems: unitary and dualist.*

**Key words:** unitary system, dualist system, administrative board, directorate, joint stock company

## Introduction

Within the different categories of companies, the joint stock companies occupies an important place with a special configuration. The joint stock companies are companies able to manage large capital business

(Turcu, 2008 Sandru, 2006). The advantage of this form of society is that shareholders can invest money without incurring a unlimited risk (Guyon, 2003). In the specialized literature, it has shown that this form of business organization is the most efficient from economic perspective: the liability of

shareholders is limited to the share capital of the company (Mestre, Pancrazi, 2006). In this type of society, the shareholder like a person shows a particular importance, what matters is the purpose of this association that attracts as many small capital but which together can provide business support large scale. The company shall be regarded as fitting the capitalist regime (Ripert, Roblot, 2002).

In the joint stock company there are three types of bodies: deliberative and decision-making (general meeting of shareholders), executive and management (administrator, administrators, Administrative Board, Directorate or Supervisory Board) and management control (auditors). The shareholders may set by the constitutive act other organs of society than those provided for under company law. An important role in the organization of a company has the administrators who have responsibilities in the sphere of internal management acts and representation in relations with third parties. The administrator has full power of decision for all management operations, except for acts which are assigned or reserved by law to other organs of society and those which are prohibited by the constitutive act (Cărpenaru, David, Predoiu, Piper, 1998). In doctrine, the administrator of a company shall mean a natural or legal person by its permanent representative, associated or not, who under the mandate of empowerment resulted and the specific rules of Law. 31/1990, transposes in practice the company will by exercising any operations required for the fulfillment of the object of activity and social will except restrictions prescribed by law or the Articles of Incorporation (E. Munteanu, 2000).

The management of the joint stock companies is regulated by articles 137 - 1551 of Law no.31/1990<sup>1</sup> of the companies as amended by Law no. 441/2006. Under these legal provisions, the joint stock companies may be managed in two systems: unitary and dualist. The law modification has made substantial changes in the way the management of the joint stock companies.

Through the new legislation it was implemented in Romania the principles of corporate governance as they are imposed by

<sup>1</sup> Law no. 31/1990 on companies was originally published in Official Gazette No. 126/17.11.1990. Over time it has undergone many changes and additions. Also, to date, Law no. 31/1990 on companies has been republished twice in the Official Gazette No. 33/29.01.1998, respectively, in the Official No. 1066/17.11.2004. After the second reprint has been modified and supplemented by the following laws: Law no. 302/2005 (OJ no. 953/27.10.2005), Law no. 85/2006 (OJ no. 359/21.04.2006), Law no. 164/2006 (OJ no. 430/18.05.2006), Law no. 441/2006 (OJ no. 955/21.11.2006), Government Emergency Ordinance no. 82/2007 (OJ no. 446/29.06.2007), Government Emergency Ordinance no. 52/2008 (OJ no. 333/30.04.2008), Law no. 284/2008 (OJ no. 778/20.11.2008), Law no. 88/2009 (OJ no. 246/14.04.2009), Government Emergency Ordinance no. 43/2010 (OJ no. 316/13.05.2010), Government Emergency Ordinance no. 54/2010 (OJ no. 421/23.06.2010), Government Emergency Ordinance no. 90/2010 (OJ no. 674/04.10.2010), Law no. 202/2010 (OJ no. 714/26.10.2010), Government Emergency Ordinance no. 37/2011 (OJ no. 285/22.04.2011), Law no. 71/2011 (OJ no. 409/10.06.2011), Government Emergency Ordinance no. 2/2012 (OJ no. 143/02.03.2012), Law no. 76/2012 (OJ no. 365/30.05.2012) - law that changes the name of the Law „on commercial companies” in the Law „on companies”, Government Emergency Ordinance no. 47/2012 (OJ no. 635/06.09.2012).



the EU *acquis* in the field of companies and standards of the Organisation for Economic Cooperation and Development in the field of the corporate governance.

To achieve these goals aimed to transpose more directives :

- Council Directive no. 68/151/EEC of 9 March 1968 on coordination of safeguards, companies are required by Member States<sup>2</sup> ;

- Council Directive no. 77/91/EEC of 13 December 1976 on coordination of safeguards, companies are required by Member States<sup>3</sup> ;

- Council Directive no. 78/855/EEC of 9 October 1978 concerning mergers of the joint stock companies <sup>4</sup>;

- Council Directive no. 82/891/EEC of 17 December 1982 concerning the division of the joint stock companies<sup>5</sup> ;

- Council Directive no. 89/666/EEC of 21 December 1989 concerning disclosure of branches opened in a Member State by certain types of company governed by the law

of another State <sup>6</sup>;

- Council Directive no. 89/667/EEC of 21 December 1982 concerning companies with sole partner<sup>7</sup> ;

- Principles of Corporate Governance adopted by the Organization for Economic Cooperation and Development in 1999, amended in 2004.

## I. The Unitary System

### A. Appointment of the Administrators

The joint stock company is managed by one or more administrators, their number is always odd. When there are multiple administrators, they constitute an Administrative Board. The joint stock companies whose financial statements are subject to a legal obligation audit are administered at least 3 administrators.

The administrators are appointed by the ordinary general meeting of shareholders, except the first administrators who are appointed by the constitutive act. Candidates for the position of administrator are nominated by current members of the Administrative Board or the shareholders.

While performing the mandate, the administrators may conclude an employment contract with the company. If the administrators have been appointed among the

<sup>2</sup> Council Directive no. 68/151/EEC of 9 March 1968 on coordination of safeguards, companies are required by Member States published in Official Journal of the European Union No. L65, 1968, p. 8-12.

<sup>3</sup> Council Directive no. 77/91/EEC of 13 December 1976 on coordination of safeguards, companies are required by Member States was published in Official Journal of the European Union No. L26, 1977, p. 1-13.

<sup>4</sup> Council Directive no. 78/855/EEC of 9 October 1978 concerning mergers of the joint stock companies was published in Official Journal of the European Union No L295, 1978, p. 36.

<sup>5</sup> Council Directive no. 82/891/EEC of 17 December 1982 concerning the division of the joint stock companies was published in Official Journal of the European Union No. L378, 1982, p. 47-54.

<sup>6</sup> Council Directive no. 89/666/EEC of 21 December 1989 concerning disclosure of branches opened in a Member State by certain types of company governed by the law of another State was published in Official Journal of the European Union no. L395, 1989, p. 36-39.

<sup>7</sup> Council Directive no. 89/667/EEC of 21 December 1982 concerning companies with sole partner was published in Official Journal of the European Union No. L395, 1989, p. 40-42.

company's employees, the individual employment contract is suspended during the mandate.

The administrators can be revoked at any time by the ordinary general meeting of shareholders. If the dismissal is unjust, the administrator is entitled to payment of damages.

In case of vacancy of one or more administrator posts if the constitutive act does not provide otherwise, the Administrative Board shall appoint interim administrators until the ordinary general meeting of shareholders.

If the administrators do not fulfill their obligation to convene a general meeting, any interested party may appeal to designate the person responsible for convening the ordinary general meeting of shareholders to make the necessary appointments.

In case of death or physical impossibility to exercise the function of Sole Administrator, the temporary appointment shall be made by the censors, but the ordinary general meeting will be convened urgently to final appointment of the administrator.

By the constitutive act or by decision of the general meeting of shareholders may provide that one or more members of the board should be independent.

When appointing an independent administrator, the general meeting of shareholders will consider the following criteria:

a) no director of the company or of a company controlled by it and have not fulfilled this function in the past five years;

b) not be an employee of the company or of a company controlled by it or have had such an employment relationship in the past five years;

c) not to receive or be received by the

company or by a company controlled by the additional remuneration or other benefits, other than those corresponding to his status as non-executive director;

d) not significant shareholder of the company;

e) not have or have had in the last year business relationship with the company or with a company controlled by it, either personally or as a partner, shareholder, director, officer or employee of a company that has such a relationship with the company, if, by their substantial, they are likely to affect the objectivity;

f) not be or have been in the last three years auditor or employee associated with the current auditor of the company or of a company controlled by it;

g) to be director in another company in which a director of the company's non-executive director;

h) was not the company's non-executive director for more than 3 terms;

i) have no family relationship with a person in one of the categories mentioned above. a) and d).

The Administrative Board elects from its members a Chairman of the Board. The constitutive act may stipulate that the chairman is appointed by the general meeting of shareholders appoints the Board.

The chairman is appointed for a term not exceeding its mandate administrator. He may be revoked at any time by the Board. If the chairman was appointed by the general meeting of shareholders will be revoked only by it.

The chairman coordinates the Board and reports on the the general meeting of shareholders. He shall ensure proper functioning of the organs of the company.

If the chairman is temporarily unable to exercise his duties, during a state of impossibility the respective Administrative Board may instruct another administrator serving as president.

The Administrative Board may create advisory committees composed of at least two members of the Board and responsible for conducting investigations and making recommendations to the Board in areas such as audit, remuneration of directors, managers, auditors and staff and nomination of candidates for various posts management. Committees will be referred to the Board regular reports on their activities.

### **B. The Activity of the Administrative Board**

The Administrative Board shall meet at least once every three months.

The Chairman shall convene the Board, sets the agenda, ensure adequate information on board members about items on the agenda and chair the meeting.

The Administrative Board is also called upon reasoned request of at least two of its members or the Director General. In this case, the agenda is set by the authors of the request. The President must act on such a request.

Convening of the meeting of the Board will be sent to of administrators sufficiently in advance of the meeting date, time may be established by decision of the Board. The convocation shall contain the date, the place will keep meeting and agenda. On items not listed on agenda decisions can be made only in cases of emergency. The constitutive act may impose more stringent conditions on the issues covered in this paragraph.

Each meeting will prepare a report, which will include the names of participants, the order of deliberations, decisions taken, the number of votes received separate opinions. The minutes shall be signed by the Chairman and by at least one other administrator.

The directors and auditors may be called at any meeting of the Board of Directors meeting at which they are required to attend. They have no right to vote, excluding directors who are also directors.

The Administrative Board is responsible for performance of all acts necessary and appropriate to achieve the objects of the company, except those reserved by law for the general meeting of shareholders.

The Administrative Board has the following basic competencies that can not be delegated to:

- a) determining the main directions of activity and the development of society;
- b) establish accounting policies and financial control systems and financial planning approval;
- c) appointment and removal of directors and determine their remuneration;
- d) supervision of directors;
- e) preparation of the annual general shareholders meeting organization and implementation of its decisions;
- f) the request for the opening of insolvency proceedings the company, according to Law. 85/2006 on insolvency proceedings.

### **C. The Directors**

The Administrative Board may delegate the management company of one or more directors, appointing one of their CEO.

The directors may be appointed by among administrators or outside the board.

If by the constitutive act or by a resolution of the general meeting of shareholders provided that, chairman of the board of a company may be appointed CEO.

The directors are responsible for taking all measures related to the management company within the scope of the company and with the exclusive powers reserved by law or the constitutive act board and the general meeting of shareholders.

The organization of the work of directors may be fixed by the memorandum or by decision of the Board.

Any administrator can request information on directors' management of the company. The directors will inform the Board, regularly and comprehensively on the operations undertaken and those involved.

The directors may be removed at any time by the Board. If the revocation occurs unjust the director concerned is entitled to payment of damages.

#### **D. Representing the Company**

The Administrative Board represents the company in relation to third parties and in court. In the absence of a stipulation to the contrary in the the constitutive act, the Administrative Board represents the company by its Chairman.

By the constitutive act, chairman and one or more directors may be authorized to represent the company acting jointly or separately. Such a clause is enforceable against third parties.

By unanimous agreement, the administrators, who represents the company only by acting together, can empower one of them to enter into certain transactions or types of transactions.

If the Administrative Board delegates management powers to directors, the power to represent the company belongs to the CEO. The Administrative Board, however, retains the duty of representing the company's relationships with the directors.

The Administrative Board recorded in the Trade Registry, the persons authorized to represent the company, indicating whether they act together or separately. They submitted to the Trade Registry specimen signatures.

The Board members will hold office with prudence and diligence of a good administrator. Business decision is any decision to take or not to take some action on the management of the company.

The Board members shall sit in their loyalty in the interest of society. The Board members shall not disclose confidential information and trade secrets of the society to which they have access in their capacity as administrator. This obligation remains even after leaving mandate.

#### **E. Liability of Directors**

The administrators are responsible for fulfilling all obligations .

The administrators are responsible to the company for damages caused by acts done by directors or staff employed, the damage would not have occurred if they had exercised their duties of supervision imposed .

The directors will notify the Board of any irregularities found during their duties. The administrators are jointly and severally liable with their immediate predecessors if, being aware of the irregularities committed by them, they do not communicate to auditors.

## F. The Conflict of Interests

The administrator who has a certain operation, directly or indirectly, interests contrary to the interests the company must give notice to the other administrators and the auditors or internal auditors and to refrain from part in any deliberation regarding this operation.

The administrator has the same obligation if, in a certain operation, known to be interested his/her husband or wife, relative or their affinity to the fourth degree inclusive.

If the provisions of the constitutive act do not provide otherwise, the prohibition on participation in deliberation and voting of administrators shall not apply where the vote is to:

a) offer for subscription by an administrator, the stock or debt securities of the company;

b) the provision by the administrator of a loan or a guarantee to the company.

It is prohibited lending by the company to its of administrators, through operations such as:

a) loans administrators;

b) financial incentives for of administrators during or after the conclusion of the company with their operations supplies, services or execution of works;

c) ensuring directly or indirectly, in whole or in part, of any loans granted to administrators, concomitant or after the loan;

d) direct or indirect guarantee, in whole or in part, of the execution by any other administrators of their personal obligations to third parties;

e) acquisition consideration or payment, in whole or in part, of a claim that has as a loan granted by a third party of administrators or other personal service them.

## II. The Dualist Sytem

The constitutive act may stipulate that the joint stock company is managed by a Directorate and a Supervisory Board. The constitutive act may be amended by decision of the company's existence extraordinary general meeting of shareholders, the introduction or elimination of such provisions.

### A. The Directorate

The company management belongs exclusively to the Directorate which fulfills the necessary and appropriate acts to achieve the object of activity of the company, except those reserved by law for the supervisory board and the general meeting of shareholders.

The Directorate shall exercise the powers of the supervisory control. The Directorate composed of one or more members, their number always odd. When one member, it is called single CEO. The appointment of members of the the Directorate is the responsibility of Supervisory Board, which also assigns one of them chairman of the Directorate.

The members of the Directorate may be revoked at any time by the Supervisory Board. The constitutive act may provide that they can be removed and the ordinary general meeting of shareholders. If their dismissal unjust arises, the members of the Directorate are entitled to the payment of damages.

In case of vacancy of the post of the member of the Directorate Board, The Supervisory Board shall proceed without delay to appoint a new member.

The Directorate represents the company in relation to third parties and in court.

In the absence of a stipulation to the contrary in the the constitutive act, the

members of the Directorate represents society working only together.

In case the members of the Directorate acting only together, by unanimous agreement, they they can empower one of them to enter certain transactions or types of transactions.

The Supervisory Board represents the company in its relations with the Directorate.

The Directorate records in the Trade Registry its members names, indicating whether they act together or separately. They will be submitted the specimen signatures to the Trade Registry.

At least every three months, the Directorate submits a written report to the Supervisory Board on the company management, on its activity and its possible evolution.

The Supervisory Board may require the Directorate any information it deems necessary to exercise its control and may conduct proper investigations.

The Directorate shall submit to the Supervisory Board the annual accounts and its annual report immediately after their preparation. Furthermore, the Directorate shall submit a detailed proposal on the distribution of profits resulting from the balance of the financial year.

## **B. The Supervisory Board**

The members of the Supervisory Board shall be appointed by the general meeting of shareholders, except the first members, who are appointed by the constitutive act.

The candidates for the member position are nominated by existing members of the Board or the shareholders.

The number of members of the Supervisory Board is determined by the

constitutive act. It may not be less than 3 nor more than 11.

The Supervisory Board members may be revoked at any general meeting of shareholders by a majority of at least two thirds of the votes of shareholders present.

The Supervisory Board elects from its members a chairman of the Board.

In case of vacancy of a member's seat on the Supervisory Board, the Board may proceed to appoint an interim member until the general meeting.

If the Directorate does not fulfill its obligation to convene a general meeting, any interested party may appeal to designate the person responsible for convening ordinary general meeting of shareholders to make the necessary appointments.

The Supervisory Board members may not be members of the Directorate. They also can not serve as an employee of the company.

By the constitutive act or by decision of the general meeting of shareholders it may establish specific conditions of professionalism and independence for the supervisory board members.

The Supervisory Board has the following main tasks:

a) exercise permanent control over the management of the company by the directorate;

b) appoint and dismiss members of the Executive Board;

c) verify compliance with the law, the the constitutive act and the decisions of the general meeting of the company's management operations;

d) report at least once a year the general meeting of shareholders on surveillance activities.

In exceptional cases where the interests of society requires the Supervisory



Board may convene a general meeting of shareholders.

The Supervisory Board can not company's management responsibilities. However, the constitutive act may provide that certain operations can not be performed without the consent of the Supervisory Board. If the Supervisory Board does not agree for the such an operation, the Directorate may require the consent of ordinary general meeting. The ordinary general meeting decision on such an agreement is given by a majority of three fourths of the votes of shareholders present. The constitutive act does not can establish another majority, or stipulate other conditions.

The Supervisory Board create advisory committees consisting of at least two members of the Board and responsible for conducting investigations and making recommendations to the Board in areas such as audit, remuneration of the Directorate and the Supervisory Board and staff, or the candidate nominations for the various positions. The committees will submit to the Supervisory Board regular reports on their activities.

The chairman of the Directorate may be appointed member of the nominating committee created by the Supervisory Board.

The Supervisory Board meets at least once every three months. The chairman shall convene and chair the Supervisory Board meeting.

The Supervisory Board shall be convened at any time at the request of least two members of Board or at the request among

the directorate. The Supervisory Board shall meet within 15 days of the call.

At each meeting it will be prepared a report, which will include the names of participants, agenda, policy deliberations, decisions taken, the number of votes received separate opinions. The minutes shall be signed by the chairman and by at least one other present Board member.

### **Conclusions**

The new conception of the management of the joint stock company had in view the materialization principles of corporate governance and ensuring harmonization with EU regulations.

According to the innovations introduced by the company management actions are carried out either by the Administrative Board and directores - the unitary system - by the Directorate and the Supervisory Board - the dual system.

The corporate governance involves not only a business concept but also has many implications for economic, social and political areas.

Implementing an effective system of corporate governance should lead to transparency and efficiency of markets, be consistent with the rule of law and clearly defined distribution of responsibilities among the competent courts in matters of survey, regulation and enforcement activities. Also, a corporate governance regime should protect and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including minority and foreign shareholders.

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# Business Storytelling and Leadership in the Insurance Companies from Romania

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**Abstract:** The research addresses a new concept introduced into the managerial practice of the insurance industry from Romania and it aims to test the hypothesis that success, performance and competitiveness of the organizations in the insurance industry depend also on the quality of the leadership and the leaders' ability to use storytelling, taking into account the intangibility of the insurance products. The main tool that this exploratory, qualitative research has used is the structured interview with three target groups, which we considered to be relevant: CEOs/managers of insurance companies and insurance brokerage firms, public relations specialists and economic journalists. The results of our research endeavours may be of interest for both the managers, employees and communication specialists in the insurance industry and the business world in general, for which the introduction of storytelling in the leadership practices might increase the attractiveness not only for employees, but also for stakeholders and customers.

**Key words:** Storytelling, leadership, insurance, communication, efficiency

## Introduction

Business storytelling is a leadership tool, which, as recent studies show, has a significant influence on the employees' performance and the competitiveness of the organizations. The American researchers in this field emphasize that a business cannot exist without a story – there's no business without story business. Thus, our research deals with a topical issue which has multiple implications in the business world from Romania. While on international level, the narrative is considered to be one of the main tools of organizational leadership and its usefulness is demonstrated by a series of theories and experiments developed in the last twenty years, in Romania, the concept of business storytelling, though well-known, is very little used.

This research includes a case study on the insurance industry, whose products are intangible, and the relationship with people is based primarily on trust, which can be gained through stories. While conducting the research, I enjoyed the experience in the field of Mrs. Dana Dobre, communication advisor at The National Union of Insurance Brokerage and Consultancy Societies from Romania (UNSICAR), editor in chief of the magazine *Jurnal de încredere*, edited by UNSICAR, journalist with 14 years' experience for publications such as *România liberă* and *Business Standard* and in *The Money Channel* television.

We considered that the insurance industry, by its nature of "vendor of promises", is a financial domain where the story should be one of the tools that the leaders use so that the messages they convey are influential, emotional and meaningful, because the specificity of the products offered by the insurance market makes it difficult to understand and assess their value.

The scientific approach required for writing this paper was based on the conviction that the success, performance and competitiveness of the organizations in the insurance industry are dependent not only on the quality of the leadership, but also on the leaders' ability to use the narrative.

## Literature review

The secret of persuasion, influence and motivation is found in the hidden depths of storytelling (Bennis, 2009, p. XV); therefore, we have decided to turn our attention to the leaders who should be able "to convey new and bold ideas and apply them without losing momentum" (Denning, 2010, p. 9).

The inspirational storyteller Annette Simmons, founder of Group Process Consulting and author of the paper *Who Ever Tells the Best Story Wins* shows that in the messages the people receive, they need "to taste a trace of humanity in either the individual or the collective sender of the message". The "high-tech" lifestyle today is the resource for the people's hunger for attention. The stories, Simmons says, help people feel acknowledged, connected and less lonely. All the more so because, nowadays, we all swim in an ocean of disconnected data and facts which overwhelm us with choices. Simmons quotes Barry Schwartz, the author of the book *The Paradox of Choice: Why More Is Less*, who considers that "there is a moment when all these choices become not only unproductive, but also counterproductive – source of pain, regret and concern regarding the missed opportunities and unreasonably high expectations"... "In this ocean of choices, the stories with enlightening meanings can be a real life buoy taking us to safe places" (Simmons, 2007, p. 5).

The linguist George Lakoff writes in his paper *Don't think of an elephant! Know your values and frame the debate* (Lakoff, 2004, p. 3) that the way people see and understand the reality surrounding them relates to events, while the decisions and the way they live their lives depend on the framing, namely on their thinking frames. In other words, when trying to convince people, it is important to frame the ideas presented so that they are accepted. Therefore, the American linguist states that it is useless to use logic arguments and data and it does not matter if the statements are true.

Thus, Simmons' ocean of disconnected data and facts might be synonymous with the hypocognitive phenomenon studied by the cognitive sciences. Lakoff describes hypocognition (Lakoff, 2004, p. 24) as a lack of ideas, the lack of a relatively simple frame which can be sketched in a few words. The role of storytelling, its power and scope have extended over time from the tribes' stories told around the fire or painted on the cave walls to every aspect of the human activity. Today, almost everyone has a story to tell and we are constantly bombed with positive or negative stories. Every year, the companies spend huge amounts of money on advertising, which they use to convey their stories to the consumers, in an attempt to influence them to buy their products. All mass media are a powerful environment for conveying stories and influencing people, since the invention of printing. Once the radio, television and video camera were invented, the power of influence of the stories transmitted through them has increased significantly.

The neurologist Olliver Sacks thinks that the normal man "is the one who proves to be able to tell his own story. He knows where

he is coming from (he has an origin, a background, a neat memory), knows where he is (he has an identity) and believes he knows where he is going (he makes plans, but at the end, death awaits). Therefore, he is part of a narrative thread; it is a story that can be told" (Carrière, 2008, p. 9). According to this opinion, if the link between the individual and the story breaks, for reasons of physiological or mental nature, the story crumbles, the narrative is lost, and the person is projected somewhere outside the flow of time. "He knows nothing, nor who he is, nor what to do. He clings to what seems to be life. Even though his body mechanisms work, he got lost on the way, he no longer exists" (Carrière, 2008, p. 9).

Mieke Bal, in his paper *Narratology. Introduction to the Theory of Narrative* (1985), explains that the narrative text is where a narrative instance tells a story. Ball defines the narrator as "the agent producing linguistic signs which become a text or the equivalent of this agent in other environments". The author talks about the "visible" narrator – an absolute necessity in storytelling, stating that he is a particular version of the narrator and one of its numerous forms (Bal, 2008, p. 37).

Nowadays, storytelling is considered to be an art form and, at the same time, a professional tool which requires the active presence of the artist, unlike other art forms where it is not a necessity. Doug Lipman, one of the most remarkable American "trainers" in the field of coaching in storytelling, said in his paper *Improving your storytelling: beyond the basics for all who tell stories in work or play* that a painting can take five minutes or a whole inspirational day, or months or years of creative work. But once the work is

finished, the presence of the author is no longer required (Lipman, 1999, p. 12). However, when telling a story, the presence of the storyteller who shapes it is fundamental. Even if a story has been told five hundred times, the storyteller must be present and combine the elements of the story with both his inner feelings and the expectations of the audience. The presence of the storyteller must be not only physical, but also intellectual, emotional and imaginative. Therefore, the storyteller must manage all the artistic and practical elements of storytelling. Doug Lipman states that the presence of the storyteller presupposes that we think in the present. The collocation "to think in the present" includes not only the conscious, analytical thoughts, but also the forms of unconscious, intuitive, nonlinear thinking. From Lipman's perspective, "to think in the present" describes a whole process starting with the presentation of the relevant information – about the story, the storyteller, the audience, the context where the story is told, and also the story as a whole, the way it is presented, the storyteller's observations and actions before and after the story (Lipman, 1999, p. 12). But the storyteller's thinking is much more complex, according to Lipman. As the storyteller tells the story, he continues to receive new information on the audience and even on his own story, which are integrated in the story. As he tells the story, he continues to think, to integrate the new information and, based on this information, to change his own responses to the new situation (Lipman, 1999, p. 13).

Jean-Claude Carrière provides a description of the storyteller, including references to the story itself, in his work *Le cercle des menteurs* (French edition, 2008). "The storyteller's only ambition is to be a necessity.

Like a peasant or a baker. No more, no less. Because the stories he tells reveal some spiritual aspects which would be otherwise indistinguishable." (Carrière, 2010, p. 16).

The authors Haven and Ducey have the same approach and state the following: "We believe that professional storytelling is only one end of the continuum of storytelling in a healthy community. There is a vital role to be filled at the community level for stories and storytelling... The richness of storytelling depends on each teller finding a style and delivery that feels comfortable and natural. The glory and attraction of storytelling comes from this range and variety." (Haven, Ducey, 2007, p. XII).

Leadership theories confirm that leaders must have a lot of qualities and some of the most important are vision, perseverance, idealism, energy, determination, commitment, enthusiasm and risk appetite. But a person can possess all these qualities and much more and not be a leader. Gavin Esler thinks that for any leader in any domain, the ability to create followers and communicate effectively with them is essential. Leaders must possess many different abilities, but without the ability to tell stories, they will not be able to impress, control and maintain the followers (Gavin Elser, 2012).

Leaders can be short or tall, neat or untidy, young or old, but they all seem to possess some, if not all of the following qualities (Bennis, 2009, pp 33-35): vision, passion, integrity, trust, curiosity and boldness.

The definition of the leader within groups shows that he "is the person who exerts the greatest influence in the group, who directs and stimulates the activities within the group" (Chelcea, 2010, p. 199).

However, in recent years, new theories

on leadership talk about leadership based on emotional intelligence. Daniel Goleman analyzes the influence of emotional intelligence on leadership in his work *Primal Leadership: Learning to lead with Emotional Intelligence* (2002). "True leaders impress us. They arouse passions and bring out the best in us. If we try to explain their efficiency, we talk about strategy, vision and bright ideas. Actually, the reality is at another fundamental level: true leaders appeal to emotion" (Goleman, Boyatzis, McKee, 2007, p. 19), in which the leaders' success depends on their actions.

According to Goleman, emotional intelligence would include four main areas: self-knowledge, self-control, social conscience and relationship management. These, together with a basic set of abilities (professional competences) contribute to a resounding leadership where the leader's own feelings are in tune with people's feelings. Moreover, the "resounding" leader manages to channel the feelings of the people he leads into a positive emotional direction (Goleman, Boyatzis, McKee, 2007, p.41).

As for the narrative, the authors of the studies on leadership and storytelling think that its place is particularly in leadership, especially the one with emotional intelligence, and much less in management. The researchers make quite a clear distinction between the two concepts: management is connected more to processes, while leadership deals rather with results. Moreover, the theories show that the mission of leadership is to convince, to win people's minds, and therefore, the story is implicitly part of the leadership goal (Denning, 2011, pp 23-24).

"The use of the narrative offers leadership opportunities which are not available to the leader who acts strictly in a traditional

way – the Napoleon command, control, adjustment and optimization", as Stephen Denning shows in his paper *Arta povestirii în afaceri – un ghid pentru lideri* (Denning, 2011, p 389), published in 2005 under the title *The Leader's Guide to Storytelling: mastering the Art and Discipline*. Based on the theory developed by the physicist and mathematician Freeman Dyson, Denning says that there are two main leadership models – Napoleon and Tolstoyan. According to the two professors, "the Napoleon approach on management is based entirely on analytical thinking". In other words, this approach is based on research systems, quality improvement, simplification of procedures, rearrangement and standardization of the organizational structure, things being analyzed in terms of tables and graphs, development plans where individuals are programmed to be 100% obedient and decision making is rational, based on numbers (Denning, 2011, p 379). This type of leadership does not describe the transformational and innovative leaders.

There are major differences between the two models because the Tolstoyan approach is based on the leader's ability to "endanger his invulnerability". "The natural language of the Tolstoyan approach is narrative. The narrative helps us discover another view of what we are. The narrative helps us imagine a new future scenario in which we can passionately believe. The narrative helps us overcome our fear which animates the adventure into the new and unknown. While listening to the narrative, we learn to adapt to the innovations and evolution of the market. The narrative also helps us convince the others to believe and act according to our vision" (Denning, 2011, p 380).

According to Denning, the narrative should be a tool used in leadership, because

only the narrative can help leaders offer attractive and succinct images; it can help people find meaning in their work – they can express their identity and values, share knowledge, diminish rumours and present their vision (Denning, 2011, p 420).

Having as starting point the great financial crisis of 2008, Bennis says that there are three main reasons supporting the idea of leadership (Bennis, 2009, p. 5): leaders are responsible for the efficiency of the organizations; leaders inspire and restore the people's hope; leaders' central preoccupation with the integrity of the organizations. Bennis draws a parallel between the poem *Şase peisaje semnificative* written by the modernist poet Wallace Stevens (*Rationalists, wearing square hats, / Think, in square rooms, / Looking at the floor, / Looking at the ceiling. / They confine themselves / To right-angled triangles. / If they tried rhomboids, / Cones, waving lines, ellipses - / As, for example, the ellipse of the half-moon - / Rationalists would wear sombreros*) and leadership, stating that American leadership should replace the square hat it is wearing with a sombrero or a beret, as the new economic context requires (Bennis, 2009, p. 19).

The American author thinks that leaders today have unlimited opportunities, but the challenges they must face are also unlimited. The current generation of leaders is as intelligent, innovative and capable as the previous generations, but the road to the top is steeper, more complicated and more slippery than it has ever been (Bennis, 2009, p. 19).

The financial crisis has shown the world that the organizations have been led by CEOs who acted as mere managers and not in the least as leaders. They are the product of the economic context and the living proof that,

in this context, they have led, they have been led and they went nowhere (Bennis, 2009, p. 20).

Placing the art of storytelling next to the pragmatic world of business may seem far-fetched. But, the latest studies show that leadership, including business leadership, is an art show, like the story, and the best way for leaders to relate to the people they lead or try to lead is often through a story.

Denning identifies eight main types of stories that the leaders can use, each of them being used for specific purposes, from stories that "incite to action" to stories that "lead people into the future".

If leadership is essentially about "making people change", then, in order to achieve this goal, the complexity of the required changes must be revealed, "and the often sceptical organization must be motivated to make these changes enthusiastically (Denning, 2011, p. 46). The Australian professor thinks that "transformation on a large scale" can be obtained through "springboard stories based on a real event which is preferably quite recent in order to seem relevant; they have only one protagonist that the members of the target audience can identify themselves with, and an authentic happy-end, where the change has been successfully implemented, or at least partially" (Denning, 2011, p. 46). "The stories that the leaders create in order to disclose their identity are usually based on an event that emphasizes either strength of character or vulnerability, and they show what the speaker learned from this experience" (Denning, 2011, pp. 46-47). As leaders need the trust of the people around them in order to lead, the companies also "need trust for their products and services to be imposed on the market. In order



to understand a company and its products, the consumers need to know the type of company they are dealing with, the values it represents and how its employees meet the customers' needs. The powerful brands are based on a narrative, a promise that the company makes to the customer, a promise that it must honour through the story that each product or service tells or through what the customers say" (Denning, 2011, pp. 47-48).

Denning says that "the stories are effective tools for imposing values within an organization". According to Denning, the stories belonging to this pattern would guarantee that the target-audience understands the actions of the company. But, "the stories alone cannot set values within an organization. The leaders of the organization must embody these values every day" (Denning, 2011, p. 48).

The stories whose purpose is to share knowledge include "the description of the problem, the circumstances, the solution and the explanation" (Denning, 2011, p. 50). Denning says that this type of story, about both success and failure, suffers from a drawback, namely, "in a corporate environment, the stories about problems do not circulate easily, not only because people are afraid of the consequences if they admit their mistakes, but also because they tend to forget the lessons learned on the way as they are swept away by success" (Denning, 2011, p. 51). "An important aspect of a leader's task is to prepare people for what comes next, either concretely through a real scenario, or conceptually through a vision. A story can lead the listeners from the place where they are to the place they must reach, by making them imagine a familiar and comforting future" (Denning, 2011, p. 51).

Gavin Esler (2012), one of the four main BBC broadcasters, shows that successful stories in leadership include three fundamental steps. First of all, the leader must explain who he is as a person. Second of all, he must emphasize the organization he leads or the group of followers or potential followers he would like to lead. And, finally, the leader must tell people where they would get together under his leadership, what the common goals are.

In the paper *First, Break All the Rules* (2005), the authors Buckingham and Coffman present two elaborate studies conducted by the consultancy firm Gallup Organization in the last 25 years, in which over a million employees and over 80 thousand managers were interviewed, from a wide variety of companies, domains and countries. The study shows that the leaders' revolutionary approach is far from the managers' conventional practice, which is considered to be "comfortable and seductively easy" (Buckingham, Coffman, 2007, p. 12).

## Research presentation

Our research supports the hypothesis that the success, performance and competitiveness of the organizations in the insurance industry depend on the leadership quality and the leaders' ability to use the narrative, given the intangibility of the insurance products. The value of the insurance products can be evaluated only after the purchase, when the consumers really use the services and enjoy their benefits. Consequently, trust is the fundamental concept in the insurance business.

Having as starting point the leadership features, the research aims to identify the

differences between the perception of company leaders, that of the public relations specialists and the perception of the journalists regarding the use of storytelling as a leadership tool in the insurance industry.

The Romanian insurance market includes 41 insurance companies and almost 500 insurance brokers. 10% of the insurers generate almost 85% of the total turnover of the insurance market. As for the brokerage field, 20 companies generate 90% of the turnover of the insurance brokerage market. Leaving aside the numbers and the statistics, this market is based on a large sales force, whose managers have succeeded, in over twenty years of industry liberalization, in developing a single idea in the consciousness of the employees and consumers – that the insurance must be bought. Thus, the word “must” has replaced the story and its effects on the market were devastating. According to the statistics, the turnover of the insurance market is mostly generated from compulsory insurance – the auto insurance and the home insurance; however, the proportion of the latter is overwhelmingly lower than the auto insurance. The compulsory character of some insurance lines has somehow simplified the general story of the insurance market, but it became more complicated in terms of results. In their pursuit of raises, the insurance companies have focused their attention on compulsory products which almost sell themselves, making compromises with the price of the risks taken. In order to sell more and faster, some companies “have sold trust” at very low prices. The cost of these strategies would soon appear: the clients became dissatisfied with the quality of the services, they lost their trust not only in these companies, but also in the entire market, and, every year,

stakeholders are forced to cover the financial losses caused by this type of decisions. But the price that is the most important and most difficult to quantify is the price that the entire market pays when the consumers lose their trust in the product called insurance. In this respect, by appealing to emotion and using persuasion, storytelling could contribute to the image improvement of Romanian insurance companies.

The concept of storytelling in business is relatively new in Romania and some of the “leaders” in the insurance market have received information on the art of oral storytelling in business or coaching meetings. However, storytelling, as a communication tool, is little-known to many of them.

The following research questions are the starting point of our research:

- 1: Do leaders of the companies in the insurance market use the art of storytelling as a leadership tool?
- 2: Is there a significant correlation between storytelling and the way companies convey their identity?
- 3: Do leaders in the insurance industry use the leadership tools?
- 4: Is there a direct link between the image and reputation of the insurance companies and the stories they convey to the public?

**Sample selection.** In order to achieve the goals of our research, we used the structured interview as a qualitative research tool, based on an interview guide for each interviewee of the three target groups: managers, public relations specialists and journalists, so that we can compare or correlate their answers. We have interviewed **seven managers** (CEOs and managers), of both insurance companies and insurance brokerage firms. All the managers we have interviewed



represent leading companies with more than ten years' experience in the insurance industry. The characteristics defining this study refer to the top position of the companies whose managers we have interviewed. In order to obtain an unbiased research, we considered it necessary to interview public relations specialists from these companies or from PR agencies, who work with the respective insurers/brokers. Therefore, we have interviewed **eight public relations specialists**, but only one of them represents a PR agency. For the same reasons of objectivity, we have interviewed **eight journalists** who work as following: one for a news agency, two in television, three for print publications and two for online publications. We must mention that the journalists who were interviewed are accredited and they cover, as area of concern, the insurance industry. In order to define the characteristics, we considered it necessary for the present paper to take into account both the journalists' experience in insurance and the position on the media market of the publications/TV channels that they work for. We must note that the journalists' interview guide was filled in by those representing well-known economic publications produced in both print and online versions. As for the TV channels, the interview guide was delivered to two journalists – one from a financial news channel and the other from a mainstream television experienced in covering topics from the insurance market.

## Findings

Based on the theoretical aspects we have presented, our objective is to translate some of the concepts into directly observable and measurable indicators which are defined

on two levels: effects regarding the leaders' performance, in terms of performance motivation and increase of the efficiency in the activity with the clients, and effects regarding the competitiveness of the company, which will enhance transparency, reputation and trust in the company.

The research was preceded by eight interviews conducted by Dana Dobre with the representatives of the main print and online publications and a TV channel, which were published in the 9th issue of the magazine *Jurnal de încredere*, edited by UNSICAR. The main theme of these interviews was related to the way the insurance industry communicates with mass media. The journalists' answers to these interviews have been corroborated with the answers in the main research, where the journalists were one of the three target groups.

The main conclusion of the preliminary research shows that the Romanian journalists are disappointed about the communication with the insurers and the insurance brokers. The eight journalists that we have interviewed are constantly dealing with the insurance industry at HotNews, Ziarul Financiar, Capital, Finanțistii, wall-street.ro, dailybusiness.ro, Mediafax news agency and Digi24 TV channel. Basically, the journalists' answers are quite alike and show „the reticence of the insurance companies and insurance brokerage firms in providing the information requested by mass media or in commenting various phenomena or issues in this industry”, as Ciprian Botea stated for Ziarul Financiar. The lack of transparency of the insurance companies is the main factor in generating „the credibility problems that the companies encounter in their relationship with the clients” (Cătălin Bălan, Digi24 TV

channel). The asymmetric bilateral communication pattern that most of the Romanian insurers use, has made it difficult for the companies' mission, values and history to enter the public consciousness. The journalists' answers to the question dealing with this matter show that there are few companies whose stories can be told without prior documentation and their number is almost insignificant in relation to the market size.

According to the journalists, the lack of educative communication in the insurance industry – that could be successfully achieved through storytelling – supports the lack of the Romanians' insurance culture, becoming thus the „Achilles” heel” of the local market.

In the research itself, the goal of the interviews with the research subjects was to identify:

- Acquaintance with the concept of storytelling
- The use of the narrative as a leadership tool
- The methods used to change the peoples' attitudes/convictions
- Acquaintance with the differences between the managerial duties and the qualities of a leader.

In order to gather this information, the interview guide included open questions and opinion questions that can generate more complex answers. As for the validity of the research tools, given that the number of respondents does not cover the field we investigated in terms of percentage, it is difficult to extend the results to the entire insurance market. However, with the aim of operationalizing the main topics included in the interview guide, we tried to cover a wide variety of subtopics and issues that can be

incorporated into the main topics.

In order to identify the awareness of the target groups about the concept of storytelling, we have addressed a closed question. Most of the interviewees have given affirmative answers, but they admitted to apply it only to a small extent in their current activity. One of the public relations specialists thinks that “the business environment uses too much the corporate, wooden language, with exclusively business terms and the managers do not have the know-how to draw attention and use storytelling” and “there are few managers on the insurance market who use/apply this technique successfully”. A sales manager expresses the same opinion: the interventions are usually limited to dry facts, leaving the interlocutor to interpret and draw conclusions. From what I could notice, the why and the how are quite little emphasized. Another answer stated that most leaders in the business environment do not use methods of public speaking to persuade or attract the audience.

The answers of the public relations specialists to this question are in tune with the managers' answers, showing that the story is only rarely used by the leaders in the business environment and even less by the leaders on the insurance market.

The journalists' more optimistic perspective on the use of storytelling by the managers of the companies in the insurance market could be motivated not by the leaders' talent for storytelling, but rather by the journalists' ability to stimulate them to tell stories.

All the public relations specialists think that the organizations need to tell their own story because the history of a company is essential for its success, because it can thus

communicate with its audience on an emotional level as well, because the stories are a pretext for the message and strategy of the company to be much more credible when conveyed to both the clients, the business partners and the employees.

Four journalists think that defining a company through a story is not necessarily the easiest way, but it is likely to be one of the most effective ways, especially if the history of the organization is long enough. The story either brings something extra to an already created image or describes a successful path or makes it easier to understand a fact. An interesting opinion is that of a journalist who states that the stories of people belonging to the target audience are important because this is how those concerned would feel that particular organization closer to their concerns and objectives.

As for persuasion, all the managers interviewed say that they use examples from either their own experience or the surrounding reality. Such techniques are required in the insurance domain because "selling trust" is a promise to be close to people in difficult times of their lives. And trust cannot be gained only by presenting some numbers and facts. As for the necessity of the story to generate a persuasive impact, all the interviewees agree that the story should exist, regardless of its size, because people react to emotion and they need stories in which they can truly believe.

The managers' answer to the question on the tools used in order to generate enthusiasm among people was that leadership is necessary. We quote one of the answers which emphasizes the qualities that any leader should have – the enthusiasm sources come from leadership, from the

ability to draw the target picture, to give meaning to the jobs, to respect the values that must be lived; otherwise, any management tool is useless. The journalists that we interviewed think that there are few leaders in the Romanian insurance industry. Some of the leaders' qualities that the journalists have mentioned are communication, charisma, results of the companies they represent, self-confidence, perseverance, ability to build sales networks from scratch and to penetrate the market with products which do not sell by law. Either way, all the research participants have shown the importance of persuasion in the insurance industry through the appeal to emotion.

## Conclusions

Having as starting point the research questions, the answers of the interviewees can be synthesized in the following conclusions: the respondents are aware of the concept of storytelling. Nonetheless, although all the categories of respondents define the concept correctly and agree it should be included in the managerial practice, storytelling is very little used in the insurance industry. The technical language – sometimes, English terms are used, and the abundance of numbers – presented as mere statistics without many explanations or examples, have made the insurance market seem a very difficult to understand domain.

Most managers we have interviewed and the public relations specialists state that storytelling is an ability that is taught and built in time, while journalists rather associate it with talent. The research has proven that the managers' habit of "talking in numbers" can be changed, even if it is not

happening quickly. We think that the public relations specialists working in a quite large number of insurance companies should try to change the managers' corporate language and also the language used when communicating with journalists or in various tools of internal communication.

Regarding the public speeches of the representatives of the insurance companies and insurance brokerage firms, they are, with very few exceptions, monotonous and their objective seems to be informing rather than communicating. The public speeches are usually accompanied by slides with numbers, with no element that could humanize the presentation. The predilection of the companies in the insurance market to inform and less to communicate has reduced the transparency of the industry and the journalists' opinions reflect this fact.

This type of speeches, whose objective is to incite to action, lack the transmission of the set of values based on individual and organizational success, that could take people into the virtual scenario created by the manager. And this set of values can be transmitted only through a credible story which can stimulate the listeners' mind to see the world the storyteller imagines.

As for the insurance companies, they need to change the language used in promoting their own stories, both for the internal and the external audience. There might be problems regarding the sales ethics if we take into consideration that the respondents have given a negative connotation to the attempt to influence through the appeal to emotion, although this is what the insurance sales domain implies. Even though the respondents

from the insurance companies have presented the mission and the vision of the companies they represented and they considered themselves to be managers and leaders at the same time, the journalists state that leadership in the insurance industry is very rare.

Regarding the leadership area, we could conclude that the managers of the insurance companies and the insurance brokerage firms are interested in methods for stimulating and improving the performance of the organizations and the employees they represent by using other tools than those of classical management. One of these tools is related to identifying the need for leadership through storytelling, which could support the efficiency of both employees and insurance companies and insurance brokerage firms.

Storytelling as a tool of leadership should be approached as a strategic variable because it exerts great influence on the employees' performance and, by inference, on the performance of the organization. The leader's quality of narrator can be improved, enhanced, because there is a direct link not only between his personality and the employees' performance, but also between the type of behaviour adopted and the competitiveness of the organization.

The research topic of the present paper is very little discussed and developed in Romania and we think that the issue addressed is of interest for both the managers and the communication specialists in the insurance industry, as well as for the people interested in business leadership through storytelling.

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# Dynamics of Qualifications in Romanian Higher Education, 1968-2010

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**Abstract:** The study analyzes the evolution of study programs in the Romanian higher education in two very different institutional settings: during the communist regime, when the state controlled centrally the structure and contents of higher education, and during the post-communist liberalization and expansion of the number of institutions, students and study programs. The analysis investigates the legal foundations of establishing new qualifications, as well as the number and share of the various types of study programs. It allows to identify different phases during the two main historical periods. For example, during the last two decades of the communist rule, the number of study programs and qualifications increased significantly during the 1960s and most of the 1970s, and then contracted the late 1970s to 1989. After the demise of communism, there was a massive expansion in the number of qualifications and study programs, especially in the context of establishing new institutions of higher education and liberalizing to a certain extent the procedures for proposing and implementing new study programs. This expansion was reversed after 2001, and the number of study programs fluctuated considerably up to the enforcement of the National Education Law 1/2011.

**Key words:** qualification; higher education; Romania; communism; post-communism; Bologna process.



The communist take-over had significant consequences on the Romanian public education. Because of the tight political control on education, higher education followed closely the evolution pattern of the general political system of communist Romania: Soviet-inspired restructuration from the late 1940s to the late 1950s, development and expansion based on a relative opening and partial retrieval of pre-communist national traditions during the 1960s and part of the 1970s, and a relative closing of the system in the late 1970s and in the 1980s, closely connected with the economic constraints and the hardening of national-communist policies (Murgescu, p. 385-386). Due to this multifaceted legacy of communism, after 1989 most people did not consider that the system needed a radical change, and, besides removing the communist political control, focused mostly to restore the patterns of the 1960s and 1970s. Simultaneously, the Romanian higher education capitalized on the expansion opportunities supplied by the gradual liberalization of the market and by the huge social demand for higher education, as well as on the freedom to connect with international academic networks.

During communism, education was regulated by the laws of 1948 (Decree 175 of the Presidium of the Great National Assembly - adopted on 2 August 1948 and published a day later), 1968 (Law 11/1968) and 1978 (Law 28/1978), by decrees issued by the State Council (until 1975) or by the President of the Socialist Republic of Romania (after 1975), by decisions of the Council of Ministers, and by the Ministry of Education. In the 1968 and 1978 laws the normative principles of education were modern and democratic – the right to education for all people without

discrimination based on nationality, sex, race or religion; secular character of the education system; compulsory 10 years education (1968); state-funded scholarships; state-provided jobs for graduates; free education for all levels (after 1961, when the last tuition fees for higher education were removed); permanent (lifelong) education.

The relative opening of the Romanian society in the 1960s and early 1970s included the partial recovery of intellectual traditions and people representing the pre-communist elites or their descendants, who had been excluded and/or repressed during the first phase of the communist rule, as well as the establishment of connections with the West and in general a diversification and a quantitative expansion of international relations. The Romanian higher education participated to these trends, experiencing at the same time a significant institutional expansion – the government planned an increasing number of students (see Perț, p. 337; *Anuarul Statistic al României*, 1999, p. 261), hired more teaching staff, founded new institutions of higher education and ordered or allowed a diversification of the study programs and specializations.

According to the 1968 law (Bunescu et al., p. 346-368), institutions of higher education could be universities, institutes, academies and conservatories (art.119), which had juridical personality (art.120). Yet, the autonomy of these institutions was limited. The 1968 law also re-established the higher education programs for sub-engineers (sub-ingineri) and ‘sub-architects’ (conductorii arhitecți), which had been ended in the late 1940s, and integrated them as short-term higher education (art.122). Candidates who had earned their baccalaureate (bacalaureat

– secondary-school-leaving-certificate) were admitted to higher education only on the basis of a competition (admission exam). For the evening courses (*forma la seral*) of higher education it was stipulated that would-be students had to work already in the field of the specialty they wanted to study (art.151); extending this provision, the 1978 law specified that candidates for the part-time courses (*forma la fără frecvență*) also had to be employed in a socialist enterprise (art.70). Normal studies were scheduled for 3-6 years, while the evening and correspondence courses lasted one year more. Post-university education functioned in Romania since 1958/1959 (Decision of the Council of Ministers 325/1958), and according to the 1968 law it could be organized as full-time and part-time study (evening and part-time courses) with a duration of 12 months at most (art. 195).

The notion of qualification emerged in the late 1940s under the term *specialitate* (specialty) and from 1974 *specializare* (specialization). These two terms had been mentioned also previously in the higher education laws of 1932, 1938 and 1942, but without covering all aspects of the concept of qualification and without being used consistently. In the first post-war years, the number of specializations increased significantly, but the trend was reversed starting with the academic year 1953/1954. These fluctuations were caused by the unstable education policies and by the practice of copying Soviet models without adjusting them to the Romanian needs and traditions; additional factors were the demands for the industrialization process, as well as due the relative easiness to create new study lines and to remove them. The ideological and political mission of the higher

education system in communist Romania lead to the creation of the evening courses in 1949/1950 university year and of the part-time courses a year later (Sadlak, 1990, p. 30).

In the 1960s and 1970s the communist government paid an increased attention to the structure of higher education specialization, to curricula and the link between teaching and economic needs, and even commanded comparative analyses and studies regarding higher education in other countries, as for example France, (West) Germany, the United States of America or Italy, besides the Soviet Union and the communist-ruled countries of East-Central Europe. The struggle to modernize Romanian higher education and to better answer to the needs of economic development lead to the establishment of new specializations and new faculties. Inside the Academy of Economic Studies there was founded a Faculty of Economic-Mathematical Calculations and Cybernetics (1967), while in the Polytechnic Institute there were created sections for Electronic Calculators and for Nuclear Plants (1967), as well as a Faculty of Aeronautical Constructions (1971). We mention that in Romania, the term faculty (Romanian *Facultate*) is used not as a collective designation of the teaching staff (as the English faculty), but – similarly to the German *Fakultät* – for an administrative (and academic) subdivision of a university (or another institution of higher education).

In comparison with the previous academic year, the list of higher education specializations for the year 1968/1969, approved by the Decision of the Council of Ministers 1487/1968, which applied the new provisions of the Education Law of 1968, included some noteworthy changes. Short-term specializations reappeared, but from the 20 initial



specializations for sub-engineers and 'sub-architects' 9 existed under the same name also as long-term programs. Besides, there were changes of the names and of the curricula of several specializations, other specializations were unified, one was moved to short-term higher education (Mining Topography) and there were introduced new specializations, such as Administrative Sciences and Animal Science.

The next major change in the list of specializations occurred in 1974 (Decree 147/1974 of the State Council), when the number was slightly reduced. For the first time, specializations were grouped according to domains (Propuneri, f. 178 r). The enforcement of the specialization nomenclature for the year 1977/1978 (Decree 209/1977 of the State Council) marked a pattern which lasted until the demise of the communist rule, i.e. the excessive 'politechnization' of higher education to the disadvantage of social sciences and the humanities, fields which experienced also a severe fall of allocated study places and the closing down of several study programs. Starting with the academic year 1977/1978, the long-term specializations Sociology (which had been reestablished only in 1966), Psychology, Pedagogy, Art and Methodology of Performance, and International Economic Relations received no more study places and were gradually liquidated. Philosophy (which encompassed also Sociology and Pedagogy) was united with History, forming a new combined specialization, which was considered to be better suited for the ideological needs of the regime.

While after 1977 the nomenclature of specializations remained almost the same, illustrating the lack of innovative spirit which dominated late communism, the number

and type of higher education institutions changed. Until the mid-1970s the communist authorities had created several such institutions in various parts of the country, reflecting the more general policies of a balanced regional development of Romania (Sadlak, 1988, p. 193); starting with the late 1970s, some of these institutions were closed down, unified or downgraded, so we can notice a certain concentration in major cities, although it is difficult to speak of a coherent planning for the normal functioning of higher education.

The economic crisis of the 1980s and the flawed policies of the Ceaușescu regime which allocated resources mainly to heavy and chemical industries, generated „the apparition and the escalation of imbalances on the labor market, with some sectors, professions and/or areas benefitting from excess and others experiencing shortages, while the labor force was employed in excess of needs and thus underused” (Perț, p. 333). After spectacular growth till 1975, investments in education also decreased (Perț, p. 331).

The communist regime had developed rules of strict distribution of higher education graduates to be employed “into production” in various enterprises and institutions for stages of 2-3 years, according to specialization (Decree 54/1975 of the State Council, art. 6). This system, which often shaped the whole career and existence of the graduates and their families, became more rigid after 1975 and culminated in the 1980s with the closing of the most important 14 cities for the graduates of most higher education specializations.

After the demise of communism, the new authorities started by removing some of the regulations which had hampered

the development of higher education in the 1980s. Already on January 13, 1990, the Government Decision 41/1990 stipulated that university autonomy was a main principle in the functioning of Romanian higher education (art.1). The compulsory distribution into production was removed, and the obligation of would-be students to perform the compulsory military service was shortened from 9 to 6 months and transferred after the completion of university studies (art.8). For the academic year 1990/1991 there were allocated no study places for short-term higher education studies, but in 1991 this decision was reversed through the creation of higher education colleges (Government Decision 461/1991). The policies of late communism were reversed also through the founding of new state universities, as well as by the growth of the numbers of students and graduates. The first private universities were founded also in 1990 under the umbrella of various foundations and associations which were theoretically non-profit, but which in fact proved to be some of the most effective forms of early post-communist capitalist accumulation.

After some years of deficient central guidance and a multitude of autonomous initiatives of the higher education institutions, the Government Decision 283/1993 attempted to bring some order into the system and included in its appendices also the first post-communist nomenclature of higher education specializations. The same decision (283/1993) allowed to the state-owned higher education institution to register paying students (art.46), and also regulated the graduation procedures (art.43). In December 1993, the law 88/1993 regulated the accreditation of higher education institutions and the recognition of diplomas, trying, without lasting

success, to limit the expansion of private higher education and to enforce some quality standards in the system. A comprehensive education law had been put on the agenda already in January 1990 (Government Decision 41/1990, art. 9; Government Decision 41 bis/1990, art. 11), but had been delayed until it was finally voted and promulgated in July 1995 (Law 84/1995). The 1995 Education Law (84/1995) regulated not only 'normal' higher education, but also private and military higher education, defining the latter as being "state-run education, integral part of the national education system" (art. 97). During the same month, a Government Decision enforced a new specialization nomenclature and the norms of granting provisional authorization for new study programs and/or institutions of higher education.

Already in the academic year 1990/1991 the list and contents of higher education specializations changed significantly. New specializations were established, while others were ended (especially those which had been taught previously at the 'Ștefan Gheorghiu' Academy of the Romanian Communist Party). Most new specializations (or those resumed after being closed during late communism) were in the fields of humanities and social sciences, including economics and administration. Changes were made also in the technical, agricultural and petro-chemical fields, where specializations diversified and tried to better connect with the economic evolutions in Romania and abroad. The deficits accumulated under late communism, as well as the opportunities opened by the transition to democracy and market economy and the social prestige of higher education diplomas enhanced the demand for university studies in post-communist Romania. This

demand was highest for law studies and for a variety of economic specializations, many of them created in the academic year 1990/1991, such as Marketing, International Economic Relations, Tourism and Services, of Finances and Credit. Subsequently, there emerged and diversified a multitude of specializations focusing on various aspects of management, which functioned not only in the field of economic studies, but also in connection with engineering. There appeared also various study programs in international foreign languages, while some of the short-term specializations were restructured as long-term studies.

The dynamic of the 1990s often lacked coherence and/or consistency. Sometimes the official regulations included specializations differing in name (and field of studies), but which were almost identical in their goals, curricula and practical teaching. Such an example is the specialization Journalism. From 1995 to 2001 there co-existed 3 specializations – Journalism (1990-2001 with the name Journalistic), Newspaper Studies (Romanian *Ziaristică*, name used also under communism; resumed 1995) and Written Press (1995-2001), to which one should add also the double specializations Journalism & Foreign Language and Journalism & Philosophy.

The somehow chaotic multiplication of specializations and study programs determined the reaction of the authorities, which tried again to bring some order into the system. The Government Decision 1336/2001, which was enforced starting with the academic year 2002/2003 allowed to the higher education institutions to propose new specializations (art.4) and to organize various directions of study inside each specialization (art.3), but at the same time reduced to about half the number of specializations included

in the new nomenclature (art. 5). Higher education institutions were allowed also to organize double specializations, but only if in the curricula the quantitative proportion between the groups of disciplines representing the two specializations was in the margin of 1-1,25 (art.5).

Gradually, the short-term higher education (university colleges) became less attractive. This situation was determined by the increase of the numbers of students and graduates of 'normal' higher education, either in state-run or in private institutions, as well as by the decline of labor market demand for graduates of short-term higher education. Legislation also favoured this trend, by facilitating the transfer from short-term higher education to long-term programs. In 1994 it was estimated that short-term higher education would encompass about 30% of the total number of students (Korka, p. 33), but this target was never achieved in post-communist Romania. In the academic year 2000/2001 short-term higher education included only 9.2% of the total number of registered students (Korka, figure 2, p. 32). In 2005, in the context of the transition to the Bologna system of structuring university studies in 3 cycles – B.A., M.A, and doctorate – the short-term programs received no more study places and were gradually ended.

The next phase of major change occurred in 2004-2006. First, the law 288/2004 consecrated the implementation of the Bologna system, i.e. the organization of university studies in 3 cycles starting with the academic year 2005/2006 (law 288/2004, art. 19). The first cycle of B.A. studies was reduced to 3 or 4 years, according to the field of studies, and the double specializations were allowed only in the qualifications based on study programs

of 4 years, as well as (by exception) in the field of philological studies. Starting with the academic year 2005/2006, universities issue for each graduate a Diploma Supplement, both in Romanian and in English, with content in conformity with European norms.

The Government Decision 88/2005 enforced massive changes in the nomenclature of study domains and program studies. Some specializations were removed and/or renamed, but even more were (re-)established (65 in 2005, about 40 in the next years), but most of the new ones were in fact transformations of previously short-term specializations into B.A. qualifications. In absolute numbers, the number of first cycle qualifications was smaller with about one third in comparison with the academic year 2003/2004 (if we consider for the latter year both short-term and long-term higher education).

After 2006 the changes of the nomenclature of study fields and programs were less numerous, being limited also by the effort to connect the system better to the qualifications existing in the European Union. The Government Decision 635/2008 (re-)established 10 study programs, among which Ecological Reconstruction (in the field of Environment Engineering), Engineering and Management in the Tourism Industry (field Engineering and Management), Engineering and Forest Management (field Engineering and Management), Security and Defense (field Military Sciences and Informations), Nutrition and Dietetics (field Health Studies). In 2009 there were added 9 new B.A. study programs, such as Public Health Services and Policies (field Administrative Sciences), Air Navigation (field Aerospace Engineering), Industrial Logistics (field Industrial Engineering). The Government

Decision 749/2009 introduced also a national codification system, each fundamental field of sciences, each field of studies and each study program receiving a 3-digit code.

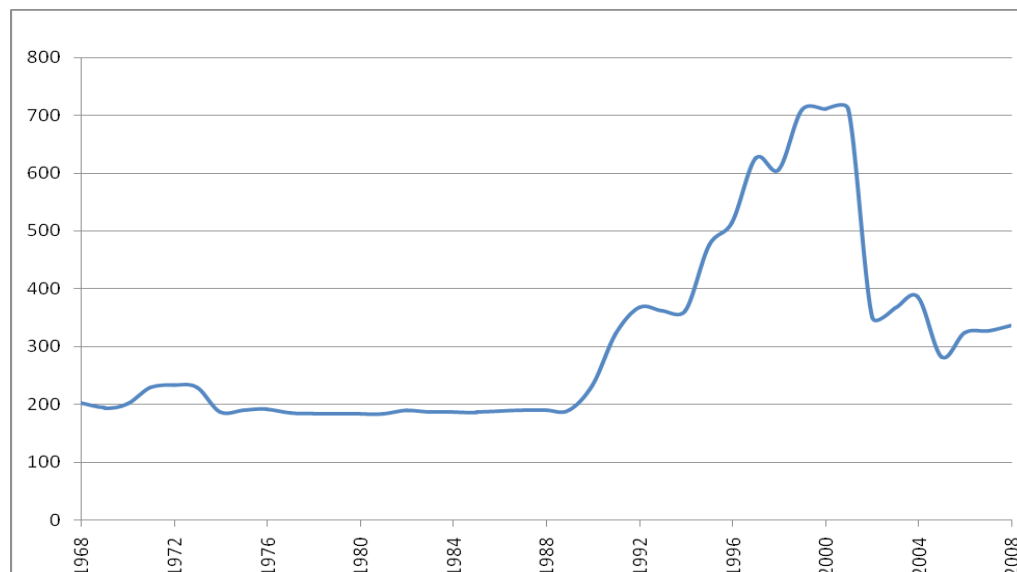
In 2005 it was decided that the National Agency for Qualifications in Higher Education and Partnership with the Economic and Social Environment – ACPART had the task to develop and implement a National Qualifications Framework for Higher Education (NQFHE) in conformity with the European Qualifications Framework (EQF). The Methodology was elaborated in 2007-2008 with international assistance, and in 2009 the Order of the Education Minister 4430/2009 enforced this Methodology. The EU-funded DOCIS project (Development of an Operational System of the Higher Education Qualifications in Romania) allowed to implement the NQFHE by describing a number of 500 qualifications in terms of learning outputs, and by making them public in the National Register for Qualifications in Higher Education ([www.rncis.ro](http://www.rncis.ro)). In the framework of this project there was undertaken a correlation of 'historic' qualifications with the current Bologna-system qualifications included in the NQFHE. According to this correlation, most higher education specializations of the period before 2004 match with the first cycle of the Bologna process or with the level 6 of the EQF, while others, because of longer duration of studies, complex curricula and level of knowledge, skills and competences obtained by their graduates, can be equated with a combination of both the first and the second cycle of the Bologna process, or with both levels 6 and 7 of EQF. The correlation is published online on [www.rncis.ro](http://www.rncis.ro).

The National Education Law 1/2011 builds upon a set of principles, which

combine university autonomy an academic freedom with public accountability of higher education institutions. Stipulating that the mission of higher education in Romania includes generation and transfer of knowledge towards society through university initial and continuing training, in order to foster the individual's personal development and employability and to meet the labor market competence needs, it also states explicitly that all study programs provided by higher education institutions must be consistent with a qualification profile defined by the National Qualifications Framework. At the same time, the National Education Law set up the National Authority for Qualifications, which has the task to implement a comprehensive integrated National Qualifications Framework, which should also be consistent with the emphasis on the principle of lifelong learning (art. 1).

The current National Qualification Framework capitalizes on the various changes which occurred in post-communist Romania. Higher education institutions have large rights, both in the definition of qualifications, in proposing new qualifications, and in concretely shaping their study programs. At the same time, the whole system is bound by social accountability and by rules of transparency, which increase the possibilities of stakeholders to have a voice and to participate in the process of defining each qualification. Thus, the qualifications provided by the Romanian higher education can be better connected to the needs of the economy and of the society as a whole, while the conformity towards the European Qualifications Framework allows for a better integration of the graduates into the European labor market and of the Romanian higher education institutions into the European Area of Higher Education.

*Quantitative dynamics of qualifications in Romanian higher education, 1968-2008*



| Qualifications   | 1968/1969 | 1978/1979 | 1988/1989 | 1998/1999 | 2008/2009 |
|--|-----------|-----------|-----------|-----------|-----------|
|  | %         | %         | %         | %         | %         |
| Engineering and Architecture   | 58        | 69,6      | 69,8      | 52,8      | 45,6      |
| Medical and Pharmaceutical Sciences  | 3,8       | 3,7       | 3,6       | 1,3       | 4,2       |
| Economics  | 3,3       | 3,1       | 3,1       | 10,6      | 7,4       |
| Law  | 0,5       | 1         | 1         | 0,7       | 0,9       |
| University qualifications and Teacher training                                 | 22,5      | 12,6      | 12,3      | 23,3      | 29,1      |
| Fine Arts  | 8,6       | 5,8       | 6,1       | 6,2       | 10,7      |
| Others (qualifications from military service not included in other categories) | 3,3       | 4,2       | 4,1       | 5,1       | 2,1       |
| Total  | 100       | 100       | 100       | 100       | 100       |

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# Innovation, Vector of the Knowledge-based Society

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**Abstract:** *The innovative potential of a nation is determined by its members' creative capacity, as well as by the design and implementation of strategies and policies that are meant to support the devise, experimentation and application of new ideas, respectively the transformation thereof both into tangible goods (products and services) and intangible ones (knowledge). The present paper approaches innovation as a vector of the new knowledge-based society, which consists of the main actions undertaken by the EU within the context of the "European Year of Creativity and Innovation", as well as of the actions promoted through the Initiative known as "A Union of Innovation", comprised by the Europe Strategy 2020. The final part of the paper illustrates the essential role of universities in developing knowledge-based and innovation-based society.*

**Key words:** innovation, knowledge-based society, intelligent growth, community actions, university.

## 1. Introduction

Knowledge-based society implies putting to good account knowledge – which is a key component of national intellectual capital – at a higher level. In such a society,

knowledge – the result of all knowledge processes – is the main competitive advantage at national, organizational and individual level. The increasing complexity of activities, the information-based society, as well as the



accelerated rhythm with which technical and technological innovations are created require new competences, which result subsequent to the aggregation of the new knowledge that society members acquire through a continuous learning process. Consequently, in the knowledge-based society and economy, human resources are permanently included in the learning processes both at institutional level (in schools, high schools, colleges, universities, academies etc.) and at an organizational one (in private, non-profit and public organizations).

From this point of view, the European Union launched a long-term strategy which aims to promote a knowledge-based society that requires life-long learning in order to ensure the European citizens' sustainable prosperity and welfare.

Innovation plays a fundamental role in enhancing organizational competitiveness and, implicitly, the economic, social and cultural development of a nation. Within the context of the new society and, respectively, of a potentially new economy, the importance and significance of scientific and technological knowledge for economic activities has radically modified; the opinions according to which it is necessary for the innovation concept to be redefined theoretically are more and more insisting and convincing; according to these theories, the very concept of innovation must be included in a systemic model that is more complex than the traditional one, and that is also appropriate for contemporary realities; from a practical point of view, such a model would bring modifications in the innovation policy according to the new requirements [2].

The American Professor Peter F. Drucker considered that "knowledge-based

society will inevitably become more competitive than any existing human society, simply because the more accessible information, the less excuses for lack of performance. There will be no "poor" countries, merely ignorant countries. The same principle will be applied to companies, industries and organizations of any kind. In fact this principle will be applied to human beings, too".

Knowledge-based society relies on innovation, the on-going training of its members, as well as on a large number of researchers, university teaching staff, and engineers, all of whom are part of a university and research centre network, as well as of innovating companies that provide high technological products and services which use information and put it to good account [8].

Knowledge-based society ensures – through its technological and functional vectors – human development while creating and maintaining balance between the economic, social and ecological dimensions. These vectors represent instruments that transform information into knowledge; thus, they transform informational society into a knowledge-based society. Knowledge-based society requires a converging action of these technological and functional vectors [1].

Innovation is a defining coordinate of the knowledge-based society. The innovative potential of a nation is determined by its members' capacity, as well as by the design and implementation of strategies and policies that support the creation, experimentation and application of new ideas, respectively the transformation thereof into tangible goods (products and services) and intangible ones (knowledge).

In a knowledge-based society, creative-innovative processes, respectively

production of ideas and the transformation thereof into competitive products and services, are fundamental, whereas intangible resources become more important than the tangible ones.

## 2. Community-run actions within the innovation sphere

The EU developed states have adopted strategies and policies that stimulate innovation and that ensure transition from the new economic, social and institutional structures that are specific to knowledge-based society.

Since 2009 an eloquent proof of the concerns manifested by the EU in the sphere of innovation has been represented by the European Commission, which initiated the campaign: „Imagine. Create. Innovate“. This Campaign mainly aimed at promoting creativity and innovation in different sectors of human activity, as well as at drawing attention at the importance of creativity and innovation for personal, social and economic development. A key-factor for the future economic growth is the full development of the EU citizens' innovation and creativity potential, which relies on European culture and scientific excellences [4].

Today's world relies on fast innovation. Creative thinking is the key of success in a global economy, a fact which was admitted by the EU a long time ago. Creativity can be considered the supreme innovation source that transforms creative ideas into products and services. Creativity and innovation cannot create sustainable economies outside the observance of cultural diversity, which is a source of creativity and innovation itself [7]. Innovation is an integrating part both of the European Commission as regards climate

change, and also of the plan for re-boosting EU economy.

Danuta Hübner, former commissioner for regional policy, stated that “due to an ever increasing competition and to the serious global challenges, innovative practices and creative solutions represent an opportunity towards ensuring economic growth and welfare within our regions and countries. Abilities, ideas, and processes – all combine in order to help us gain a competitive advantage. Europe must not react to the present crisis while reducing investments in abilities and innovation. We must be trustful and rely on the quality of our ideas, as well as on our adaptation capacity.”

The projects performed by the European Commission within the campaign run in 2009 basically aimed at [6]:

- Cooperation between member states in domains such as education, culture, enterprises and workforce occupation;
- Creation of closer links between art, business, schools and universities;
- Encouraging young people to be entrepreneurs;
- Developing innovative abilities within public and private organizations.

Results of the Campaign run by the European Commission in 2009 were summarized in “The Manifest for Creativity and Innovation in Europe”, which comprises seven major directions of activity and represents a support community strategy for creativity and innovation for the period of 2010-2020.

Consequently, the European Union supports through active policies creative-innovative processes, a fact illustrated by the Programme of the Cohesion Policy for 2007-2013, in which creativity and innovation are appreciated as sources of

sustainable development. Thus, over 86 billion of Euro, representing 25% of the total structural funds, have been allotted to the Agenda for Innovation, which includes research and innovation, ICT (Information and Communication Technologies) exploitation, measures for enhancing the entrepreneurial spirit, as well as innovation at the workplace.

### 3. A Union of Innovation

In 2010, the European Commission adopted the Europe 2020 Strategy, which is structured on three major coordinates [5]:

- Intelligent growth – the development of a knowledge and innovation-based economy;

- Sustainable growth – promotion of a more efficient economy ensured through an ecological and highly competitive resource usage;

- Favourable increase of inclusion – promoting an economy which has a higher rate of workforce occupation and can ensure economic, social and territorial cohesion.

These three important axes of development support each other and offer an overview of social market economy during the 21st century Europe.

Intelligent growth implies consolidation of knowledge and innovation, which are essential vectors for the knowledge-based society and economy. In order to achieve this goal, one must:

- Enhance the quality of learning systems;

- Enhance research performances;

- Promote innovation and knowledge transfer within the community by using informational and communication technologies;

- Cultivate the entrepreneurial spirit, which is market and consumers' needs-oriented.

One of the seven initiatives comprised in the Europe 2020 Strategy is the Initiative "A Union of Innovation". The objective of this initiative is the orientation of politics within the research-development and innovation sphere towards the challenges of a contemporary knowledge-based society: climate changes, energy and the efficient use of resources, health and demographic modifications. Each piece of the immense innovation chain should be reinforced as regards fundamental demand and commercialization. The European Commission will act in the following three directions:

- Accomplishing a European Space for Research, devising a strategic research agenda in compliance with a set of priorities, of which we mention: energy security, transports, climate changes, the efficient use of resources, health and aging, as well as ecological methods of production and land management;

- Improvement of the innovation-frame conditions for the business environment, creation of the Single European Patent, of a sole Court of law specialised in matters of patents, modernization of the design frame of copyright and trademarks, improvement of SMEs access in order to ensure intellectual property protection, enhanced creation of inter-operational standards, improvement of capital access and full use of secondary demand policies, e.g. through public acquisitions and intelligent regulations;

- Conclusion of European partnerships in the area of innovation between the European Union and member states in order to accelerate the development and usage of

technologies that are necessary for answering potential challenges;

- Consolidation and further development of the community instruments that support innovation (e.g. structural funds, rural development funds, Research - Development Frame - Programme, Frame – Programme for Competitiveness and Innovation, SET Plan) and a closer collaboration with the European Bank for Investments through the simplification of administrative procedures in order to

*Figure 1 – BlackBerry 850 – the first product of the company. Laying keys under the shape of a berry led to the new name of the company.*

facilitate access to finances, particularly for SMEs;

- Promotion of partnership in matters of knowledge and consolidation of links between education, enterprises, research and innovation, including through the European Institute of Innovation and Technology (EIT), as well as the promotion of the entrepreneurial spirit by supporting young innovative enterprises.

#### **4. University, a pillar of the knowledge & innovation-based society**

Development of knowledge and innovation-based society fundamentally depends on universities, that is on the quality of processes and activities which are performed within them. Human resources are trained by universities and are going to be hired in private organizations, institutions and public authorities, NGOs, research centres, international organizations etc.

The activity performed within universities comprises:

- Acquisition of competences;
- Scientific research;

- Contribution to the development of the knowledge and innovation-based society.

Universities play an essential role in the new knowledge-based society:

- Scientific research processes produce, develop, store and disseminate knowledge;
- Didactical processes basically ensure knowledge transfer towards students, master's degree and PhD students;
- Knowledge that was assimilated and competences that were acquired during the three university study cycles (Bachelor's degree, Master's degree and PhD degree) will help potential students integrate into the labour market.

University, as a knowledge-based organization must produce three categories of intangible values:

- Concepts (ideas and technologies that result subsequent to the performed processes and activities);
- Competences (that help potential graduates adapt to the requirements on the labour market);
- Connections (creating partnerships with a view to extending the sphere of influence, and putting to good account opportunities).

The conclusion of partnerships between universities and research institutions, as well as private and public organizations, and NGOs, is essential for the knowledge and innovation-based society. If universities, innovative organizations and research institutions conclude partnerships, they have the chance to win grants and projects competitions, and also to obtain finance from national and international bodies.

Similarly, these partnerships facilitate the accomplishment of interdisciplinary studies and research projects through the

participation of universities, institutes, technical, economic, and healthcare research centres. The involvement of private organization in these projects confers these studies and research projects an applicative dimension.

Dissemination of scientific research activities, which is in fact ensured through grants and projects, is accomplished through the organization of conferences, symposiums and workshops, through the publication of scientific studies and articles in journals with an outstanding indexation etc.

Another important aspect is, in our opinion, the development of the entrepreneurial spirit within the university and post-university system by creating competences that rely on the entrepreneurial, innovative spirit, respectively on the individual's capacity to identify and put to good account potential business opportunities. The enhancement of the entrepreneurial spirit within the university curricula is a *sine qua non* condition at present especially because, on average, over two thirds of the active population performs its activity in SMEs.

In knowledge and innovation-based society it is important for university management to create and apply adequate development policies and strategies in order to improve performed activities and processes. We consider that the main goal of universities, as pillars of the new knowledge and innovation-based society, is to offer students, including master's degree and PhD students, who are potential actors on the labour market, relevant information and knowledge which, if understood and acquired, would later on become competences. In this context, we would like to include a comment. Academician Solomon Marcus underlined, in several conferences, the fact that knowledge

is often received / memorised and repeated without being understood and, thus, knowledge is not transformed into competences for graduates. In our opinion, didactical academic activities should be reconsidered in order to ensure the acquisition of knowledge through modern and interactive methods, which rely on case studies, simulations, role plays, projects etc.

## 5. Conclusions

Knowledge-based society is based on innovation and the on-going training of its members, and it relies on a large number of researchers, academic teaching staff, engineers, all of whom are reunited in a network made up of universities, research centres and innovating firms that offer high technology products and services and that use information and put it to good account.

The EU supports through active policies creative and innovative processes, a fact which is illustrated by the Cohesion Policy Programme adopted for 2007-2013, in which creativity and innovation are seen as sources of sustainable development. Thus, a sum of over 86 billion Euros, representing 25% of the total structural funds, was allotted to the Agenda for Innovation, which comprises research and innovation, ICT (Information and Communication Technologies) exploitation, measures for the entrepreneurial spirit, as well as innovation at the workplace.

Intelligent growth, a coordinate of Europe Strategy 2020, implies the consolidation of knowledge and innovation, as essential vectors of the knowledge-based society and economy. In order to achieve this objective, the European Commission performs its activity in the following areas: improving the

quality of the learning systems; increasing performance in research activity; promoting innovation and transfer of knowledge within the community space, by using informational and communication technologies; cultivating the entrepreneurial spirit, which is market and users' needs-oriented.

The development of the knowledge and innovation-based society basically depends on universities, respectively the quality of processes and activities performed by them. Universities train human resources that are going to work in private organizations,

institutions and public authorities, non-profit organizations, research centres, international organizations etc. The university, as a pillar of the knowledge and innovation-based society, must produce three categories of intangible values: concepts (ideas and technologies resulted subsequent to the performed activities); competences (that will help prospective graduates adapt to the requirements imposed by the labour market) and connections (creation of partnerships with a view to extending the sphere of influence and putting to good account new opportunities).

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# The Importance of Education in Economic Growth

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**Abstract:** *The main purpose of this paper is to examine the relationship between education and the economic growth of a country. Education is one of the most important factors for the economic and social developments of a society; and it is also the main component of the construction of human capital. It is very difficult for a country to accomplish a successful economic progress if it does not invest sufficiently and judiciously in education. Therefore, investment in education is seen as the vital part of a country's economic development. It is clear that educational investments are expensive and long-term projects and must be more important than other possible development projects in order to ensure the welfare and prosperity of societies. Unfortunately, this idea falls especially focusing on most under-developed countries. For this reason, the importance of education in a country's economic development and growth must be stated and asserted overtly and unambiguously.*

**Key words:** education, economic growth, developing country, educational investment.



## Introduction

"If you plan for a year, plant a seed,  
If for ten years, plant a tree,  
If for a hundred years, teach the people."  
- Kuang Tse 551-479 B.C.

Education preserves and transforms the important components of societies such as culture, tradition, or customs which are thus perpetuated and transmitted to the next generations. Education also designs the motivations of the actions of human beings. For this reason, the role of education in society is essential and inherent and this is why society and education are considered as intertwined entities.

Moreover, education contributes to the improvement of one's personality causing thereby the individual to be more connected to the society which has its own laws, rules, regulations and customs. In time the individual becomes a more active citizen who knows his/her rights and responsibilities and also he/she can be aware of the policies of the government. Education introduces the individual into the legal, moral and political area of public life. It supports the respect of the law, justness, public order, and democracy and also encourages the thriving of society.

The purpose of education resides not only in providing the normal curricula and school subjects to students, but also in preparing them to live effectively and responsibly as adults of the future local, national and international society. Moreover, schools, regardless of their form or kind, are the only place where the leaders and intellectuals of the future can be educated and they are also the place where the high technological levels

are reached, as well as the improvement required by economic growth is developed.

## Theories About The Relationship Between Education And Economic Growth

In today's world, the importance of education in economic growth is obvious and indisputable. If a country wants to have a sustainable economic growth, there should be an extensive investment in education or human capital. In the past, this opinion was not so self-evident due to the fact that the authorities and scholars had difficulties in explaining the relationship between education and economic growth. The main reason for this difficulty is that the relationship between education and economic growth is a conceptual one. This relation can change depending on each country and its educational strategies. Today, no one questions any more the straightforward importance played by education or human capital in the economic growth of any country, in our modern societies.

However, the educational systems of many countries were formed according to the post-World War II conditions which were not applicable in terms of many aspects to the economic, political and technological changes of modern world. It means that in many countries the educational system could not be adapted to today's conditions, needs and changes. This relationship between education and economic growth shows undeniably that these new conditions can affect the achievement of the accomplishment and accumulation of human capital.

The improvement of the educational process has been an important part of

economic growth programs for decades, as a result of the observational data recorded for many years (Denison, 1985; Mowery and Rosenberg, 1989). According to the economic theories developed after World War II, all capital and labour were one and the same thing, which means that any changes in the labour process as a result of education, technology and other reasons were ignored (Solow, 1956). According to this theory, population of the society should be kept in a low-level and the savings amounts should be maximum level. As it is observed, education was not mentioned in this theory.

There is no need for this theory to analyse the effect of education on a country's economic growth, because the role of education in its economic development was excluded in this 'homogeneous labour' theory. The effect of education was not considered in the economic theories until 1980s. In 1983, Findlay and Kierzkowski, and in 1986, Romer introduced the effects of human capital in terms of 'endogeneous' skills in the economic development. However, it was neither very clearly specified how it did it, nor to what extent education might affect the economic development.

In the following years, the importance of education in economic growth was formulated and elaborated in different models and theories. According to all these models and theories, the effect of the human capital on society's economic growth can be classified into three groups:

- Education is considered as a separate component of the production process: This model was developed by Romer (1986) and Lucas (1988). They introduced the idea that the human capital can be considered as a production

input. However, there was no mention of the relative investments in primary, secondary, or higher education.

- Human capital learns when they do: Originators of this model such as Young (1991) and Stokey (1988) indicated that 'learning by doing' obtains very good results in production. This approach can be more useful when a minimal foundation of education is established.
- There should be mutual cooperation of human capital, economic conditions and technology: This model was introduced by Bartel and Lichtenberg (1987), Davis and Haltiwanger (1991) and Mincer (1991). According to this model, skilled human capital is believed to have a "comparative advantage" for inventing and using new technologies.

At the beginning of 2000s, empirical evidence showed that there is a weak relationship between education and economic growth in the developed countries (Demeulemeester & Diebolt, 2009). Moreover, Vandenbussche, Aghion and Meghir (2006) have indicated that higher education in developing countries will play a more important role in the economic growth of those countries than lower levels of education, because innovation is the main factor of development for those countries. In other words, it means that imitating or counterfeiting someone else's technology is not a solution to achieve economic growth.

### **Why Is Education Requisite To Economic Growth?**

Since the beginning of the twentieth century onward, education, schooling,

science, technology, knowledge and training have become important elements as regards the productivity of individuals and states. The human capital of a state has been considered as an important element for the economic growth and development of that country. Education is known as the pivotal factor for improving the quality of the human capital. For this reason, education plays a vital role in the social and economic development of a country. No nation can succeed in achieving a sustainable economic growth without providing a better education to its human capital (Ozturk, 2001). Such an educational system promotes an on-going economic growth, an increase in the total production, ensures an ever larger per capita income, and improves the quality of family life.

The relationship between education and economic growth was based on the idea that the main advantage of more schooling is that a better educated human capital means and entails an increased level of labour productivity. The reason for this opinion is that individuals possessing a higher level of education are more literate and numerate, and furthermore these people will be better trained and more competent in their future jobs. Moreover, better educated workers can learn more quickly and will adapt themselves more rapidly to complicated jobs and tasks. Several countries' authorities have discussed this issue and have concluded that insufficient education among the human capital in the production process is the main problem which jeopardises the economic growth of any country.

It is clear that a limited number of educated people may affect the economic growth negatively. However, it is not crystal clear what kind of education should be given in

schools in order to promote the economic growth – general schooling, vocational education, or on the job training. Another problem to be faced regards the decision to be made as to which level of education plays a more important role on the economic growth – elementary education, or secondary education, or higher education.

One of the main indicators that education plays an important role on the economic growth is that developed countries with high economic growth have good human capital with higher standards of schooling strategies. This fact became a model for new developing countries. These countries will possess better conditions tending to approach the levels of developed countries if they have enough educated human capitals with required capacities to improve their own technologies or to assimilate and modify the existing technologies of developed countries.

The 2011 UNESCO Education for All (EFA) Global Monitoring Report indicates that many low-income countries have made good investments for their educational systems since 1999 (EFA, 2011). The economic growth of a country depends mainly on three factors:

- Human capital,
- Physical capital, and
- Financial capital.

The physical capital refers to all the natural resources that a country possesses. The financial capital refers to the power of investment that is required to transform the physical capital into valuable goods. Finally, the total human resources needed to supervise this overall process are called human capital.

In this approach of new developing countries, there are two methods for raising the productivity with better educated human capital:

- Human capital gains new skills and

accomplishments which encourages the working capacity to increase the productivity.

- Human capital will have enough capacity to improve new approaches by using the technology to increase the productivity of other labours.

In order to put into practice the first method, the human capital needs more education. It means that more education develops the capacity and quality of human capital in terms of increasing the productivity and adapting the new technological changes. As regards the second method, human capital is the centre of the economic development, because while the productivity of the human capital increases, it creates new ways to improve the productivities of other workers.

### **Better Education And Job Opportunities**

Individuals tend to continue their higher education because they think that they can find better jobs and earn more as compared to other individuals with average schooling. Moreover, this tendency to acquire more education can also be a reason of social movement. As a result of social movement of individuals who want to continue their higher education, some countries or regions are interested in increasing the population of this kind of people in their society, because this increase in the population can affect positively the productivity, and better the quality of jobs in the economy, and finally, it improves the economic growth of the region.

When employers have two candidates for a position in their companies, they will most probably choose the candidate with the highest qualification in terms of education and other skills. The main reason for choosing more qualified candidates is that a better educated individual does not need money or time or training investment on behalf of the employer. In other words, the company does not need to show to the employee the details of the job, or the different ways of doing the same tasks in the working place. On the other hand, the employers will have to explain and teach to a less educated employee every detail of the job. Most of the employers are not willing to put up with this situation.

Moreover, it is obvious that individuals with more education have higher incomes as compared to less educated individuals. This shows the importance played by better education on individuals' incomes. In fact, the main reason why a better educated individual earns more is that higher qualification means more productivity, hence a larger production. In a healthy economic system, it is only natural that employees who really produce more than others should earn more. This was one of the main reasons why the socialist systems in Eastern Europe could not continue their economic development. Individuals were being rewarded according to their political positions not to their economical productivities. It means that higher education offers the opportunity to get better jobs. This can be considered as a microeconomic approach for the importance of education in economic development.

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# Education and Socioeconomic Status of Parents - Factors of Influence For Income Inequality

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**Abstract:** Analysis of income inequality is a general and constant concern of both the public and researchers and politicians. This subject, though, and has been widely debated, never becomes obsolete and does not lose its importance or valence mobilizing the more as he becomes more present with the onset of the recent economic crisis. This interest framework, on the one hand and the difficult context generated by the economic crisis, on the other hand, bring forward decisions and policy choices implemented or required to restore economic balance and well-being of citizens. Causes (factors of influence) of income inequality differ from country to country, there is dispute among economists on the preponderance of cases compared to the others. However in this paper I will analyze two of these factors: education and socioeconomic status of their parents.

**Keywords:** education, level of education, skills, abilities, opportunities, social mobility.

## Education and income inequality

There are three ways by which education affects income inequality. The first would be that there are differences between individuals involved in working with various

levels of training. The second way by which the inequality has to do with different levels of payments corresponding to a level of education. The third way is the influence of changes in the curricula of schools that may contribute to income inequality.



Literature primarily uses three types of measures to observe different aspects of human capital accumulation<sup>1</sup>: the duration of schooling measured in years of schooling (the main advantage of this indicator is that it provides easy data comparability between countries does not take into account the effectiveness these years of training is only a quantitative indicator), the second indicator is based on the level of education attained, capturing the highest level of formal education by an individual<sup>2</sup> (eg. secondary school to vocational education), a third measure used literature is to measure cognitive abilities of people<sup>3</sup> through programs or international tests designed to measure the skills of children and adults in various areas, such as reading and comprehension, math, problem solving etc.

<sup>1</sup> Salverda W., editor (2011). Inequalities' Impacts. GINI State of the Art Review 1, pag.23 - available at [http://www.gini-research.org/system/uploads/253/original/GINI\\_State-of-the-Art\\_review\\_1.pdf?1308916502](http://www.gini-research.org/system/uploads/253/original/GINI_State-of-the-Art_review_1.pdf?1308916502) accessed at 28.10.2013

<sup>2</sup> disadvantage of using such an indicator in the analysis of the country is that the levels, types and duration of specific educational programs depends on the institutional structure of education systems and, given the high degree of differentiation of the educational systems of countries over time, it is difficult building a classification of educational qualification, which is valid and internationally comparable

<sup>3</sup> In their paper, Hanushek, E.A. and Woessmann, L. (2008). The Role of Cognitive Skills in Economic Development. *Journal of Economic Literature*, vol. 46(3), pag. 607-668, argue that cognitive skills are a more relevant indicator than the level of education attained and that there is a close connection between them and the individual earnings, income distribution and growth.

Barro and Lee's research<sup>4</sup> provides arguments that the percentage of people who achieve all three levels of education (primary, secondary and tertiary) were recorded over the last decade, an increasing trend in all developed countries.

Economic causes of rising education levels take particular account of the human capital theory, which regards education as a pure investment: if the expected gain of education are large so worth the effort being made to complete a higher level education, when individuals choose to invest more in education, that if they allow.

One of the economy in the last 50 years has been driven by increasing income differences between workers with a higher level of education compared to those with a poor level of training.

There is an opinion that the level of education can lead to greater income disparities. Analyzing the current situation of increasing inequality in most developed societies, there is a high level of education, with schools that are funded by public funds, we can conclude that a young educated workforce will be associated with an increase in inequality income, so education does not reduce social inequality, to reduce inequality the level of education of the working population is high but standardized<sup>5</sup>.

<sup>4</sup>, R.J. and Lee, J.W. (2010). A New Data Set of Educational Attainment in the World, 1950-2010. NBER

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<sup>5</sup> Pedro, Telhado, Pereira; Pedro, Silva, Martins, Does Education Reduce Wage Inequality? Quantile Regressions Evidence from Fifteen European Countries, 2002 - available at <http://fesrvsd.fe.unl.pt/WPFEUNL/WP2000/wp379.pdf>, accessed at 29.10.2013



There is a close link between skills and education: the higher the education level of the skills will be stronger impact on revenue because the skills they learn more easily through education. Raising skills is a consequence of a high level of education.

Statistics show that parents with low education levels do not invest too much money in the education of their children, especially their higher studies this phenomenon with the result that there is a distinction between children who do not receive proper education potential of some of them.

The income level is transmitted from generation to generation by parents investment in human capital of children.

Inequality in education is a relatively new form of inequality is clearly interacting with income inequality at both the start and completion / finalization stages of skills training. There is an extensive literature on intergenerational mobility, which reveals a strong link between educational attainment and persistent parents and the children. However, it is unclear whether the education of children affected by parental social conditions through financial resources, cultural resources, or a combination of both. How parents influence the average level of schooling, education levels and target dispersion level of education he wants to touch an individual varies according to country and over time<sup>6</sup>.

Gaps in educational performance tends to persist across generations and is widely known in the literature that socioeconomic

<sup>6</sup> Ballarino, G., Bogliacino, F., Braga, M., Bratti, M., Checchi, D., Filippin, A., Maestri, V., Meschi, E., Scervini, F. (2012). Drivers of Growing Inequality. AIAS, GINI Intermediate Work Package 3 Report, pag. 20 – available at [http://www.gini-research.org/system/uploads/414/original/Intermediate\\_Work\\_Package\\_3\\_Report.pdf?1364644619](http://www.gini-research.org/system/uploads/414/original/Intermediate_Work_Package_3_Report.pdf?1364644619)

status of the parents is usually a very good preacher of the results of their children. Channels that can occur such persistence can be either a genetic or related to socio-economic context. Although evidence on the causality of such links are often weak, several features of the family environment were shown to correlate systematically with educational attainment of the family (income, family integrity, number of children, juvenile pregnancy, etc.).

### **Inequality and intergenerational transmission of poverty and benefits (socio-economic status of parents)**

Usually it is assumed that an increase in income inequality will inevitably be associated with less mobility between generations, but both theory and empirical analyzes suggest that the relationship is not so simple.

Intergenerational social mobility refers to the relationship between socio-economic status of parents and their children attained the status when they reach adults. In other words, mobility reflects the extent to which individuals move up (or down) the social scale in relation to their parents. A company may be considered more or less mobile, depending on how tight or loose the link between social status of parents and children as adults. In a relatively immobile society, an individual's salary, education or occupation it tends to be closely related to those of the parents. Intergenerational mobility depends on a number of factors that determine individual economic success, some related to inheritance of traits (such as innate abilities), others related to family and social environment in which individuals develops.

Among environmental factors, some are only loosely tied to public policies (such

as social norms, work ethic, attitude toward risk and social networks), while others may be strongly affected by these policies. Typical examples are the policies that support access to human capital formation, such as public support for primary, secondary and tertiary, and redistributive policies that could reduce or raise financial and other barriers to accessing higher education. In an economic sense, social mobility between generations is generally defined as an individual's ability to move up (or down) the scale of wages or income with respect to his parents. This mobility is closely linked to educational outcomes, given the direct link between human capital and labor productivity.

An OECD report<sup>7</sup> concludes after an analysis comparing data from several OECD countries the evidence is suggestive of a link between low social mobility between generations and increased wage inequality. Policies that facilitate access to education for people from disadvantaged families promote inter-generational wage mobility, and are also likely to positively influence growth. Examples include inter-school practices that group students begin only later in their education so as to encourage social mix in schools, student finance or loans or scholarships that reduce dependence on government supported students' families to finance studies them.

The mechanisms underlying the inequality-mobility relationship are many and varied, and some have received more attention in theoretical and empirical research

than others. The model of Solon<sup>8</sup>, for example, points out that a more unequal distribution of income and higher yields of education offers parents a greater incentive to invest in the human capital of their children.

Other theoretical models suggest quite different mechanisms, and directions for inequality-mobility relationship. Higher incomes and income inequality may have an impact on the economies and the accumulation of financial assets and wealth, and the ability to invest in their children and to transfer assets. An unequal distribution of wealth can be strengthened and perpetuated through generations by positive assortative mating<sup>9</sup> (where couples meet and match based on education, income or wealth).

In analyzing the relationship between inequality and social mobility, it is difficult to know whether a lower degree of inequality in itself helps promote mobility, or if the same institutions and policies underlying the reduction of inequality also influence and mobility so that inequality low and high mobility are the result of their common. Policies on education, labor market, taxation and social protection affects inequality may also have a direct effect on mobility.

Equalization of opportunities is central to inequality reduction policies pursued primarily through access to education, and this was and is the subject of an extensive

<sup>8</sup> Solon, G. (2004), "A Model of Intergenerational Mobility Variation over Time and Place", in *Generational Income Mobility in North America and Europe*, M. Corak (ed.), pp. 38-47, Cambridge University Press, Cambridge, England.

<sup>9</sup> John Knowles, Raquel Fernández, Nezih Guner, Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality, *Quarterly Journal of Economics* Vol. 120, Issue 1 - February 2005. pp. 273 - 344

<sup>7</sup> OECD (2010). *A Family Affair: Intergenerational Social Mobility across OECD Countries*, available at: <http://www.oecd.org/centrodemexico/medios/44582910.pdf>

literature research. This suggests, for example, the elimination of early and comprehensive introduction to school systems helped promote intergenerational mobility in Sweden, Finland and Norway, primarily by increasing the level of education among the less privileged, Blanden et al argue that education reform in the UK which delayed early orientation also produced a substantial increase intergenerational mobility, primarily for the benefit of children from low-income families.

The rich tend to provide a better education for children and thus increase their chances of getting a high income. Aside from education, most often the rich, give children a legacy consistent, since the concentration of wealth to the next generation. However, it was argued by many sociologists such as Charles Murray that this has little effect on long-term outcome and that innate ability is by far the best determinant for the outcome of one's life.

Focusing on social spending, in a comparison between U.S. states, Mayer and Lopoo<sup>10</sup> believes that states spend more money records greater mobility between

generations than spending less, but insofar as it is a causal relationship remains unclear. Regarding the design of social protection systems, an empirical comparison of financial support schemes in the United States and Sweden performed Čorak et al.<sup>11</sup> suggested that passive programs are more likely to promote transmission of welfare dependency than active.

### Conclusions

Gaps in educational performance tends to persist across generations and is widely known in the literature that socioeconomic status of the parents is usually a very good preacher of the results of their children. Channels that can occur such persistence can be either a genetic or related to socioeconomic context. Although evidence on the causality of such links are often weak, several features of the family environment were shown to correlate systematically with educational attainment of the family (income, family integrity, number of children, juvenile pregnancy, etc.).

<sup>11</sup> Corak, M., Lietz, C. and Sutherland H. (2005). The Impact Of Tax And Transfer Systems On Children In The European Union. EUROMOD Working Papers EM4/05, EUROMOD at the Institute for Social and Economic Research.

<sup>10</sup> Mayer, S.E and L.M. Lopoo (2008), "Government Spending and Intergenerational Mobility", Journal of Public Economics, Vol. 92., p. 139–158

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# The Evolution Of Romanian Advertising Agencies Seen By Professional

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**Abstract:** This paper aims to present the opinions of Romanian advertisers on the local industry from two viewpoints: the evolution of advertising after 1990 with regards to brand development, and the attempt of advertising agencies to balance change and stability during the economic crisis. Regarding the first aspect, the study emphasizes the way the Romanian market has developed in terms of local and global brands, revealing the most successful brands and campaigns delivered by the local industry and the significance of local brands to advertising professionals. On the ex-communist and new-democratic background, this paper seeks to reveal the way the Romanian identity has been conveyed in advertising in the last 20 years, based on professionals' experience. In this respect, this article focuses on Romanian brands history after 1990, considering that local economy and capitalism changed consumers' mentality and needs. It was a time of transition, but the best moment for developing old brands and branding local products, whose image did not even exist before. In terms of strategy, this research shows great interest for this process of surviving and saving domestic brands, not only by adjusting their values to the new-democratic world. The evolution of Romanian advertising is also deeply connected to its identity on the European market, especially to being recognized as a re-born industry after the Communist Era. Regarding the second issue of the present research, the study attempts to uncover whether the internal organization of advertising agencies progressively changed in order to more effectively cater to client needs.

**Key words:** advertising agency, consumer, communism, democracy, identity

## 1. Introduction

The evolution of Romanian advertising is also deeply connected to its identity on the European market, especially to being recognized as a re-born industry after the Communist Era. From another viewpoint, the present study attempts to reveal whether the departmental organization of advertising agencies visibly changed in order to more effectively meet clients' demands. We will analyze the extent to which market mobility and communication tools influence the factors involved in creating each campaign, i.e., clients, agencies, advertisers, brands, and products. Therefore, working in an advertising agency involves having a different perspective on brands and consumers compared to the external, non-professional one.

Analyzing both perspectives of this study, which deals with the internal development and the integration into the European family of consumers, on the one hand, and advertising agency evolution, on the other, this paper intends to reveal the way the gap between communism and democracy was recovered in only 24 years. We really believe that the Romanian advertising passed through similar stages as other East-European countries, given not only the common historical and political background, but also the synchronization of market changes. Additionally, most global brands still develop similar creative strategies, their campaigns being only adapted to the market, and this process of localization has just started for the past few years, along with the economic crisis, relying on professionals' maturity and consumers' demands.

The main questions in this study refer to the evolution of the Romanian advertising in Europe after 1990 as reflected both by brands

and by the professionals' perspective on their advertising agencies. In the first part of this study, the findings present the way Romania expresses its identity at European level through promoting local aspects and reviving old-surviving brands after 1990, all this information being described from the professionals' viewpoint. Furthermore, the concept of "local brand" is very important, considering that many local brands were managed or even bought by international companies. This is why it became more and more difficult to distinguish between local and global brands, especially at the moment when commercials' localization was replaced by standardized campaigns. The second part of this paper illustrates the organization of Romanian advertising agency and the relationships within it, in order to better explain the differences between European and local industry that could justify the heterogeneity or homogeneity of this type of work, despite the country's historical and political background. We chose to analyze both perspectives, the global one, regarding brands development in Europe and the local one, regarding work specificity within an agency, to highlight the professionals' awareness of their, otherwise, complex activity. In that respect, advertisers' view on Romanian campaigns includes the entire process of identifying a very good strategy to meet client's demand, on the one hand, and to be appreciated at the European level for their creative spirit, on the other.

## 2. Literature review on professional communication in the advertising industry

Brands always put the power of their message into the hands of people working in



advertising agencies based on their professionalism in communicating persuasively. Obviously, clients know what they want, and selling is the main purpose, but they do not have the ability to properly appeal to customers, especially because they do not make the right connection between the product/service and buyers' wishes. According to Percy, "advertising 'works' when the desired communication effect is achieved and this must always include creating brand awareness and a positive brand attitude".<sup>1</sup>

As for professionalism in communication, many voices raised the problem of its quality, given that the clients do not only have specific requests, but also clear-cut budget, which imposes the directions on advertisers. Besides, it is almost impossible to control the success of their work, except for marketing results, and, sometimes, campaigns awarded at international advertising competitions or festivals. The conclusion, which arose from other scientific studies (Slater, 1989; Alvesson, 1994), points out the difficulty to assess the level of qualification in this field of communication. Therefore, according to Alvesson "advertising professionals often have difficulties in convincing customers about their 'know-how'".<sup>2</sup>

Each industry regardless of the country or cultural issues depends on what Wilson and Amine (2009) called RBV

(resource-based-view)<sup>3</sup>, which refers to three categories of capital, acquired and developed over time. These categories are the human, physical and organizational capital, each of them with a specific role in sustaining performance in terms of profitability, communication success, and market share. The human and organizational capitals are extremely important in terms of communication within an advertising agency. Certainly, the talent of individual employees and their marketing skills raise always the good name and standards of a profitable agency. In keeping with this view, agencies have been perceived for years as a nest for creativity, responsible for any campaign success, whereas nowadays, strategic analysis became more important. The same perspective was encouraged by Moriarty et al. by characterizing the involvement of an agency in the entire process of a well-conducted campaign in terms of creativity: "Ad agencies are hubs of creativity, buzzing with deadlines, excitement, new media, and new creative ideas".<sup>4</sup> A deep understanding of local market conditions and history help professional be more specific and creative. Similarly, the organizational capital defines nothing more than an agency's personnel structure, undergoing outstanding changes, at least when it comes to global or local companies. The way people from different departments work together was called "chemistry", given that they invest their

<sup>1</sup> Percy, L. and R. H. Rosenbaum-Elliott, *Strategic Advertising Management*, Oxford: Oxford University Press, 2012, p.3.

<sup>2</sup> Alvesson, M., *Management of Knowledge-Intensive Companies*, Berlin/New York: de Gruyter, 1994, p. 543.

<sup>3</sup> Wilson, R. and L. S. Amine, "Resource Endowments, Market Positioning, and Competition in Transitional Economies. Global and Local Advertising Agencies in Hungary", *International Marketing Review*, vol. 26, issue 1, 2009, p.65.

<sup>4</sup> Moriarty, S., Mitchell, N. and Wells, W., *Advertising Principles & Practice*. 8th edition. New Jersey: Prentice Hall, 2009, p.348.



personal resources in reliability and quality work, as Waller states (2004).

Even if advertising agencies are based on professionals' competence and personal skills and talents, the context of their work has a strong impact on their success, and it is this, which makes the very difference from a society to another one. Alvesson calls this context *habitus*<sup>5</sup> and creates a profile of the best advertising professional, mostly defined by freedom, style, good taste, and sensitivity. In our opinion, this *habitus* represents the level of advertising development in a country, the advertisers' experience, political and economical background, everything that could explain specific creative directions or strategies in an industry. In this respect, localized campaigns speak for themselves and convey brand message in a very particular way, according to consumers' mentality and expectations. Therefore, nowadays even global brands are concerned to be properly perceived by local consumers, whose experience and backdrop request familiar appeal. According to Mazarella "the global is constructed locally just as much as the local is constructed globally."<sup>6</sup> Furthermore, a brand cannot identically transmit a "big idea", ignoring the cultural background, especially when it comes to Europe, where pan-continental campaigns are less successful, due to the countries' diversity that "makes it difficult

for the same message to remain efficient."<sup>7</sup> Consequently, creativity broadly nourishes from developing ancient myths, fairy-tales, legends or historical scenes in order to give authenticity to each advertisement and to respect national identity.

Politics and history could be easily included in this *habitus*, as long as consumers are very attached to them or, on the contrary, detached from the past. In comparison with other European and post-Communist countries, Romania has rejected its national heritage in the last two decades and, yet, recently recovering its culture and tradition. As a result, the industry focused on building a false European identity, whose goal was to develop another choice of aspiring to globalization, instead of localization. Advertising was in the position to take the risk of denying national identity for the sake of consumerism. Kaneva and Popescu state in their study that Bulgaria and Romania lived almost the same experience in terms of associating the economic profit with a particular aspiration to capitalism, as commercials conveyed in a very standardized and artificial way: "What distinguishes the branding efforts of Romania, Bulgaria and other post-Communist nations from those of other countries, is the presence of an ontological aspiration beyond the profit motive."<sup>8</sup> Therefore, the Romanian advertising can be divided into three categories after anti-Communist Revolution: the

<sup>5</sup> Alvesson, M., *Management of Knowledge-Intensive Companies*, Berlin/New York: de Gruyter, 1994, p. 544.

<sup>6</sup> Mazarella, W., *Shoveling Smoke*, Durham: Duke University Press, 2003, p.17.

<sup>7</sup> Chalaby, J.K., "Advertising in the Global Age: Transnational Campaigns and pan-European Television Channels", *Global Media and Communications*, vol. 4, issue 2, 2008, p.148.

<sup>8</sup> Kaneva, N., D. Popescu, "Nation Brand Identity Lite. Nation Branding in post-Communist Romania and Bulgaria", *International Journal of Cultural Studies*, vol. 14, issue 2, 2011, p. 195.

first one promoted very standardized campaigns till 2002, the second one recovered the traditional image from 2002 to 2009, and the last one has been using the Communism and national pride as a sign of identity. In 2010, Rom chocolate<sup>9</sup> won the Golden Prix at Cannes International Festival of Creativity and this was the time of national redefinition, as Baker (2008) and Volcic (2008) noticed. In other words, Romania apparently gave up its ideological past identity, at the same time, trying to make the connection with the European one, which represented its aspirational world. Without completely supporting Verdery's opinion, who believed that it was "perpetuated a Romanian national ideology within an order claiming to be socialist"<sup>10</sup>, we have to admit that advertising preserved and developed several ideological aspects in commercials, by using parody, funny characters and local humour. On the one hand, this strategy aims to revive old-surviving brands and appealing to middle-aged consumers' experience; on the other, it helps Romanians accept their past and legitimates them in Europe.

As for advertising development in a particular national space, we strongly believe that the balance between social and professional background of people working in an agency exercises a strong influence on their success, to the same extent as the economic evolution of a country amplifies a campaign. Flexibility and team-collaboration vary from a national context to another one, and,

definitely, we may assert that there are different advertising cultures built up within national agencies. To get a picture of what this means, McLeod et al. conveys a few observations inspired by British advertising culture: "Finally, diversity-or the lack of it-within advertising agencies is likely to affect agency-client relationships and agency-consumer communications, but such issues have yet to be explored."<sup>11</sup>

### 3. Methodology and research questions

The research method is a semi-structured interview applied to 15 professionals from prestigious advertising agencies, both global and local, having various responsibilities in a campaign. The interview questions were aimed at discovering Romanian advertising evolution in post-Communist Era, expressing its identity in Europe, finding proper definitions of the local brand, and understanding transformations requested in agencies to meet new demands. Professionals provided useful information during face-to-face interviews and data were collected between 2012 and 2013. Although interviews were semi-structured and focused on many items, several aspects stand out and deserve to be discussed extensively in this paper.

The 15 interviewees work in the biggest advertising agencies in Bucharest as agency directors, account managers, senior account managers, client services directors, account planners, head of planning department, copywriters, communication directors, creative directors, and Integrated Communication Director. One

<sup>9</sup> <http://www.youtube.com/watch?v=Tt9NBtW4s-bA>, consulted on 1st February, 2013, 11.38.p.m.

<sup>10</sup> Verdery, K., *National Ideology under Socialism: Identity and Cultural Politics in Ceaușescu's Romania*, Berkeley, CA: University of California Press, 1991, p.3.

<sup>11</sup> McLeod, C., S. O'Donohoe and B. Townley, "The Elephant in the Room? Class and Creative Careers in British Advertising Agencies", *Human Relations*, vol.62, issue 7, June 2009, p.1036.

of the respondents is the Executive Director of IAA Romania (International Advertising Association), with a comprehensive view on the entire advertising activity of the country. They belong to agencies such as: Leo Burnett, Graffiti BBDO, McCann Erickson, Arsenoaie & Mătășel, Loco Branding and Communication, Tempo Advertising, Propaganda, D&D Research, Draft FCB Romania. Respondents' names are not revealed because they are well-known in this highly dynamic industry and some information is related to clients and, therefore, confidential. The most important aspect is that all respondents have been working in campaigns for local brands, attempting to make them successful. Interviews were digitally recorded and transcribed verbatim. Each transcript was analyzed using content analysis and an iterative, part-to-whole reading strategy.

The first part of our research focused on professionals' view on Romanian advertising development based on its history and identity at the European level. The questions deal with analyzing campaigns history of both types of Romanian brands: the ones surviving the Communist Era, as well as the new-born ones, which have recently built their history through interesting approaches. As for the second part of this study, interviewees offered substantial information about the way advertising agency underwent transformations in Romania, regarding organization and communication strategy. At the same time, agencies tried to adapt to local consumers who became European citizens, and, yet, more aware of their national pride. At the end of collecting both categories of results, we aim at comparing them in order to understand how specific Romanian advertising

agencies communicate from the professionals' view. Therefore, we will strive for answering two essential research questions to reach some conclusions of this paper:

- Does the backdrop of Romanian advertising influence the identity of local industry, in professionals' view?
- Does the structure of advertising agency justify the level of professionalism in Romanian industry?

## 4. Findings

### 4.1. Development of Romanian advertising after Communism Era

Analyzing professionals' perspective on the way Romanian advertising revived and developed after 1990, this paper is very interested in communicating local values, finding the national identity in European context and establishing a relationship between global and domestic brands. Advertisers described in interviews how brands communicate on a traditional market, by adjusting their message to a very inexperienced target. Therefore, this section of our research displays the qualitative analysis of the answers to the next questions, individually applied to our respondents.

### How is the Romanian specificity conveyed in advertising?

The answers to this question were various and all of them were based on well-known campaigns and experience in advertising field. Respondents organized their opinions with regards to local context of campaign, industry evolution and, also, by comparing the global ads with the domestic ones. Consequently, we can display findings of this topic in the next chart:

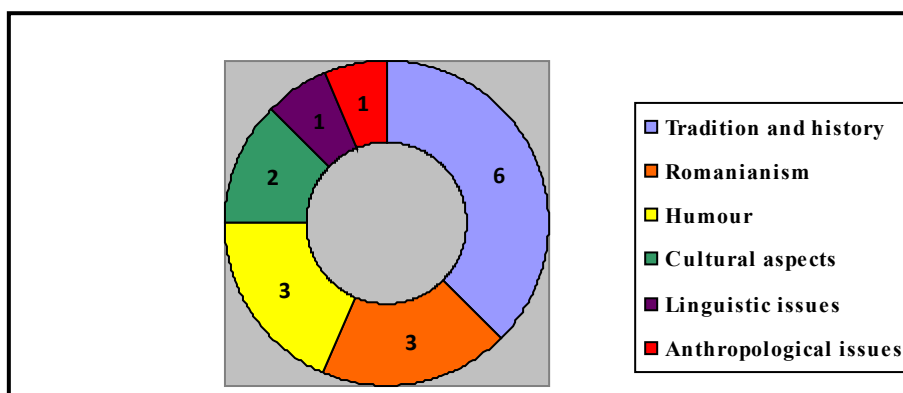


Fig.1. Specific aspects of Romanian advertising

The numbers specified within the chart above indicate how many advertising professionals underline one of the topics developed by Romanian commercials to better appeal to the local target. There is no wonder that interviewees identified tradition, past and history as the main strategic direction to highlight the specific features of the local advertising. Definitely, old brands rely on their past, while new brands use traditional image to come closer to day-to-day customs (i.e. bakery, dairy, beer, wine). Local brands cannot be aspirational yet, because they need to build their own history, whereas global brands are already successful. Humour and "Romanianism" (the national pride) are equally represented in our chart, because three respondents pointed them out individually. What is highly relevant is that they specified how important it is for the product category to have either humour or patriotism as "the big idea." For instance, humour properly corresponds to alcoholic drinks and electronics. For some reasons, both Romanianism and humour are very well connected, because topics like Communism and local rituals are described in a funny way.

Cultural references, however, do not represent a priority among the other features

of Romanian advertising, considering the small number of commercials of this type. One of the advertisers, from D&D Research considered that art and music are most representative for local consumers and can be easily related to mobile phone brands, wines, banks and chocolate. Sometimes, aspirational brands, which are global brands, localized their campaign by means of cultural issues.

As for the last two aspects, linguistic and anthropological issues, interviewees believe that they justified through the language richness and features of popular culture, referring to proverbs and local expressions. Legends and stories deserve more attention on the anthropological level, as long as they reveal the mythological roots of Romanian culture. This aspect could be often associated with tradition and religious behavior, especially around Christmas and Eastern.

Finally, respondents briefly summarize all commercial creative directions, based on the advertising evolution after 1990, and referring both to their personal activity, but to the market influences as well.

### **Do the Romanian brands create a history after 1990 based on their campaigns?**

To our surprise, all respondents positively answered this question and differently motivated their answers, relying on their experience in advertising over the years. Certainly, they found various reasons to justify their choice and understood the concept of brand history with regards to the communication tools and the relationship between brand, consumer and market. Based on discussions around this topic, we came to the conclusion that brands built their history observing some criteria as follows: product category, communication channels, positioning and survival on the market. As for the first aspect, 3 of 15 advertisers mentioned how relevant products are to keep on consistently conveying the message, because, for instance, some consumers are very interested in alcoholic drinks (specifically beer, i.e. Timișoreana, Bergenbier). Campaigns are quite intense and frequent on the market, and, as long as products are often associated with events, consumers are engaged in. Bergenbier offers the best example in this case by creating Man's Day and Organization of Romanian Men, which yearly initiates celebrations and special experiential marketing. Communication channel represents another issue that could help build a brand history, as long as it is interested in diversifying the message for a better appeal to customers. Choosing a good slogan and preserving the same positioning and strategy historically individualize brands during their campaigns. In this way, brands coherently communicate and do not have to change the strategy from one campaign to another, even if market could change.

Last but not least, Romanian brands succeeded to create their post-Communist history in advertising while relying on their power to survive on the market and defend their image over the years. We face with two kinds of brands: the old and still surviving ones and the new-born local brands. In the first case, brands like Napolact, Eugenia, Dero, Murfatlar, Timișoreana, Rom, Romtelecom survived, first by referring to their past and history (that give them credibility) or, second, under the umbrella of international brands (that gives them authority). For new brands, the situation is a bit different, because they did not have enough time to build their own history or were directly overtaken by the global ones.

### **Which way did the local surviving brands develop after 1990?**

This aspect keeps debating the former problem on the surviving brands, but it refers to the ways they saved them against global or new-born brands, in terms of finding solution to recover or preserve their identity. Almost all respondents, except for one, really believe in an evolution of local brands after 1990 when international ones practically invaded the market and consumers were very excited about them after so many years of prohibition. Organizing the respondents' answers, we conclude that local surviving brands used different strategies to stay on the market. Thus, four respondents stated that completely reinventing the brand, which means sometimes rebranding it, saved its image. The best example belongs to the Rom chocolate, which few years ago was just a chocolate with rum, with no special name. After the 1989 Revolution, the main ingredient



became the very name of the product, which so did not give up its heritage, by using old Communist memories in campaigns. In terms of communication, 6 respondents confirmed the fact that professionalism and consumers' modernization determined positive brands' evolution. Clients invest lots of money in communication, being very much preoccupied by consumer's needs and transformations. Therefore, some brands adjusted their message to a young target, and, sometimes, needed to change even the product to improve it, or, at least to work on packaging, as was the case of Eugenia sandwich-biscuits, a very old and traditional brand. Eugenia's message conveys an idea connecting the past with the present: Eugenia: sweet yesterday, delicious today. Three respondents were firmly convinced that foreign influences and multinational authority cause the development of local surviving brands, and they rely on the fact that they were rapidly overtaken and received a proper budget to invest in their communication.

One of the professionals persuasively stated that the most important thing is not only the product improvement, but the change of thinking from a producer mentality to a business one. This means giving up any connection with the past and giving the brand a new life.

### **What is a local brand according to Romanian advertisers?**

Regarding this question, the professionals debated around defining the context in which a brand could locally manifest or communicate, as long as its history and connections with consumers are very strong. Therefore, they admitted that, often, some

brands generate confusion in consumers' mind due to their names or message. Interviews started by clarifying the concept of "local brand" from a professional perspective, as many campaigns erroneously display global sub-brands especially created for this market as genuinely Romanian. In the following lines, we summarize their perspectives on the concept, organized on three levels:

- Local brands are those which were born in Romania and built a history here. Meanwhile, they only communicate within the country's boundaries. Old and new brands alike belong to this category; however, they usually have a Romanian name and are strongly connected to national events or develop the idea of "Romanianism". For instance, one interviewee explained that premium beers such as Timișoreana (bearing the name of a very well-known Transylvanian city), Ursus (related to the biggest wild animal, i.e. the bear, called "urs" in Romanian language), and Bucegi (bearing the name of the highest mountains chains) convey patriotism and a feeling of belongingness to Romanian consumers. Nevertheless, most respondents agreed that local brands should not only have Romanian names, but be strategically positioned according to authenticity and time endurance.

- The second approach refers to production place and local technical support. Brands become "locally provided" if they are produced in a certain national space, even if they are later exported worldwide. Most renowned brands share this characteristic, as most were originally local (such as Coca-Cola) and only later became global. Murfatlar wine and Dacia cars have already crossed the borders, being regionalized and globalized, but merely extended the market as did other

local brands. What is more important is that they did not have to give up their roots.

- The last perspective belongs to only one advertiser, who considers that the concept of “brand” relies on properly appealing to the audience. In his opinion, a local brand is one required by Romanians’ market needs, which involves developing a communication platform according to consumer insight.

All former answers help us reach a simple conclusion that gather professionals’ ideas into one definition: a local brand is deeply rooted into the local context, bears a name connected to the national language, and creates its own history based on cultural and traditional specificity. Besides, the relationship between global and local aspect is part of a complex equation that should unify producers, brands, companies, and consumers. Sometimes, consumers get confused when they purchase something produced in Romania for a global brand. Given its ingredients and name, they wonder whether the brand was a local or a global one. Advertising professionals raised this question as well while working on a campaign; consequently, the most effective conclusion was to distinguish between their aforementioned opinions. In terms of strategic communication, surviving old brands remind consumers of their former values, while young brands carefully build capital based on the relationship between history and contemporary landmarks. Finally, understanding the way a local brand is perceived over the years helps advertisers better convey its message and anticipate consumers’ behaviour on domestic market.

### **Does Romanian advertising create an identity in Europe?**

Discussing the way Romanian advertising and implicitly agencies communicate on European level reveal the local identity, on the one hand, and the professionals’ view on campaigns’ quality, on the other. The majority of interviewees (10) strongly believe that Romanian advertising found its own and stable place in the European industry, while four firmly rejected this idea; one opinion supports neither.

This first category of opinions points out the relevance of getting involved in advertising competitions on European and international levels. All professionals consider that Romanian advertising is a relevant example in Eastern Europe, even more so since Cannes 2011, when the McCann-Erickson agency was awarded with

nine trophies: Integrated Gold, Titanium, Grand Prix and Gold in „Promo & Activation,” Grand Prix and Gold in „Direct,” Silver in “Media” and two Bronze Lions in “PR.” The awarded brand was the same local chocolate bearing the name Rom, whose creative strategy relies on historical heritage. We often brought this brand under discussion in the present paper, because its creative strategy reflects the way the consumers’ attitude towards Communism and patriotism was changed. To be more explicit, we identified several of respondents’ keywords on local advertising that describe the Romanian identity: “effervescent spirit,” “creativity,” “competition,” and “ambition.” Mainly, the core idea of the award-winning campaign focused again on communist memories; actually, these represent just a small part of Romanian identity, and one that does not exactly render patriotic feelings. Two of ten optimistic



respondents consider that, in fact, the popularity of Romanian advertising was possible thanks to the professionals who were highly creative and developed strategic ideas greatly appreciated on the international level.

The idea of non-identity relies on the fact that the Romanian advertising does not bring something unique, nor does it create personalized commercials, even if some of them are really spectacular. Some professionals noticed a lack of traditional perspective and, additionally, distinguished similarities between the Romanian advertising and that of other Eastern and post-communist countries.

The undecided respondent believed local advertising is still in transition, looking for its identity, which seems quite reasonable on a young democratic market. To sum up, identity in Romanian advertising can be divided in two directions: the stage before Cannes 2011 and the one after Cannes, when local advertising finally emerged from anonymity.

#### **4.2. Departmental Communication in an Advertising Agency**

As for the second part of this paper, we investigated several aspects of an advertising agency that explain the transformations, which interfered in organizing an integrated communication campaign. The questions refer to departmental organization, relationship between agency divisions, job mobility or flexibility, and relationship between strategy and creativity within a campaign. The 15 respondents answer from their own different kind of experiences in advertising field, considering they work in different positions, and some of them have even a managerial

responsibility. Basically, we tried to find out whether the agency suffered major transformations because of economic crisis.

In the following lines, this research aims to present briefly advertisers' view on this topic, by following each question:

##### **What is the typical departmental structure in an advertising agency nowadays?**

According to the majority, a full-service agency still preserves the classic structure in departments supplemented with digital and online production. The departments are client-services, strategy, creation, media, production, traffic, BTL, marketing, and digital. There is a general opinion about the idea related to a very well divided work in an agency, on the one hand, but properly connected, on the other, considering that a campaign is usually integrated, when it comes to multinational companies and brands. One single opinion considered that digital created "a real chaos" first, and then it was perceived as another channel of disseminating the message. In case of small and local agencies, their structure cannot miss departments of client-services, creation and strategy, whereas media and production are externalized. Briefly, agency structure essentially depends on its clients and communication tools. Obviously, crisis compromised both small agencies and businesses (clients), therefore some brands partially convey the brand message, by using one single media channel, or promotions, instead of an integrated campaign.

From some other viewpoints, 3 of 15 advertisers shared a different opinion about the typical structure of an advertising agency, while explaining some transformations.

The creative director from DRAFT FCB noticed a “hybridization” phenomenon even in the organization of the advertising agency aforementioned. The director stated that creation division diversified, because digital and social media have become much important lately. The Director of Integrated Communication from Graffiti BBDO sincerely admitted that “agencies have been in a perpetual and wriggling reinvention”. One of the most well-known account planners of Romania, who owns and runs his planning agency, considers that adapting to our time pressure is the best solution to survive successfully on the nowadays market. Therefore, he deeply believes that “full-service is an old-fashioned discussion”, ideas being considered more important than media and production. Additionally, the triangle strategy-copy-art stands for the best equation to develop a campaign.

### **How do the intradepartmental and interdepartmental relationships develop in an advertising agency in Romania?**

In terms of intradepartmental relationships, there are not so many words to describe them, as long as they have the same purpose. Basically, we have two kinds of relationship: the first refers to mentorship between juniors and seniors, and, the second describes the partnership within the teams of copywriter and art director, for instance.

As for interdepartmental relationships, all respondents agreed that a team working for too long time on the same account may not have always fresh ideas or interesting approach, which is quite dangerous in a very competitive world. Therefore, most advertisers recommended changing the brands

and campaigns to avoid limiting their communication. Half of professionals admitted the importance of client-services department in the relationship with the client and in coordinating the entire campaign. The director of Loco Branding agency pointed out a very unexpected issue, the fact that there is always a traditional war between client-services and creation, because of the different language used in both departments. The Communication Director from Graffiti BBDO Romania occurred the huge transformation that happened during a campaign development: earlier creation was the king, now client-services department has the last word. The relationship and partnership between strategy and creation deserve a special attention in our study, considering all respondents brought under discussion this matter in a very subjective way. The general opinion is that strategic work can be much difficult individualized in comparison with creation, but best campaigns definitely rely on it. The Head of Planning Department of Leo Burnett agency metaphorically appreciated that the best meaning of the relationship between strategy and creation is the “fight of good against good”.

As for the interdepartmental relationships, this aspect refers to the work flexibility, to the possibility of changing the position within the same company, based on new skills and experiences accumulated in time. 9 of 15 respondents believe in possibility of migration from the client services department to account planning, but rarely from creation to strategy. For the other 6 respondents, this mobility does not seem to be the easiest way to get performance, unless advertiser is still at the beginning of its work and needs to know him/herself better.

In the light of discussions with our respondents, it is very clear that responsibilities and job specificity are better described than few years ago. By contrast with Romanian professionals' opinions, Kawashima's study on Japan advertising agencies revealed that, for example, creative people and account planners do similar work in the Asian context and could always switch direction, while asserting: "While some of these people may well be equivalent to so-called account planners, sparking the creative to find an approach or perspective to come up with the big idea, many go further and undertake the core work of creative development."

One of interviewees explains that is quite possible to migrate from one agency to another, or even between industries and clients. All in all, advertising is a very competitive field, and there are two perspectives on mobility: first it means refreshing and developing the company, second it refers to the managerial and organizational culture inside the agency.

### **What are the differences between on-line and offline agencies while working on a specific account?**

According to the respondents, there are a few aspects describing this relationship, based on their experiences, age, and position in the agency as follows:

- 5 of professionals believe in a distinction between digital and traditional agency, for different reasons. From the strategic view, online focuses more on the product, than offline strategy. As for the creative work, offline channel develops products quickly and more easily. Besides, online is quite dynamic and, sometimes, the effort is really consistent depending on campaign maintenance.

- 8 advertisers do not consider online department/agency so different from offline, due to the integrated communication. The majority analyzed digital only as another media channel that supposes to obey the same rules and steps to deliver a campaign, regardless of its specificity. Therefore, each of 8 interviewees evaluates an online product as a part of the campaign-mother with the same message, but different tools to be broadcast.

- One respondent completely disagreed with the digital independence and authority on the Romanian market, because people who are very keen on online, do not usually have experience in offline and the brand needs to be understood professionally.

- One single professional was very excited about digital future development, considering Romania is still a TV market now, but it makes progresses daily, so that there are clients who invest more in online than in offline. The New Business Director of a very important and creative agency stated, however, that creativity in online develops brand capital as much as the offline. This agency "bakes a site" for Boromir company, with products (Christmas cake, pretzel, croissants). Vodafone is another important brand which trusts online campaigns a lot, considering that these accomplish the offline messages and appeal to a different kind of consumer.

To conclude, the overall opinion regarding the digital revolution points out the campaign development on another channel, which is more dynamic and accessible, involving the consumer more in brand evolution.

## 5. Discussions

Former debates over the Romanian agencies do not reveal a specific structure of it, but a kind of flexibility determined by the number of clients or even by its online or off-line profile, on the one hand, and by global or local management, on the other. Most interviewees do not consider that digital revolution does really change the specificity of their work, but it better differentiates channels and tools. In terms of professional quality and relevance, the relationship between planner-copywriter and art director, indeed, represents the key to a successful campaign.

As for the Romanian habitus in our industry according to Alvesson's opinion, professionals are quite aware of its implications in communicating an adequate message to the nowadays target. If at the very beginning of the 90's, local advertising was very preoccupied to come closer to global perspective, in the last few years commercials have been more concerned about specificity and authenticity in order to find its own place in the European landscape. Therefore, interviewees were excited to share their impressions on local brands history, perceiving them quite relevant for our identity. This word-play yesterday-today surely encourages consumers to trust domestic products and not to ignore them. Debating on the way old-surviving brands have recently gained power revealed the background of advertisers involved in this research, as well as the level of their implication. Most of them (7 of 15) are over 33 years old and have some memories as consumers in Communism, 5 of them over 45 and can easily compare old and new Romanian market, while only 3 interviewees indirectly collected their information. This means they have a strong knowledge about local mentality

and consumers' needs, as long as the majority passed through similar experience. We can advance the idea that their professional development progressively grew up with consumer's experience. Additionally, working in this area of communication, they have the chance to deal with different challenges and understand the main strategic directions at the international levels. Almost everybody confirmed the popularity of Romanian advertising at European level thanks to successful campaigns, but two of respondents highlighted the relevance of human capital, individually appreciated. There is no doubt that bold approaches of Romanian history and reality filled the campaigns with interests towards an authentic life-style in a small, but full of surprises country. Who else deserves to be mentioned and awarded in this case? Obviously, creative brains and committed professionals.

Considering this concern meant to recover the gap between international advertising and the Romanian industry, on the one hand, and rediscover or, sometimes, recreate the national identity, on the other, the second part of this study tried to find a connection between the human and the organizational capital. This could justify the advertising evolution after 1990 in Romania. At the first glance, the advertising structure is the same, at least when it comes to full-service agencies. From the viewpoint of interdepartmental and intradepartmental relationships in an agency, professionals firmly encourage flexibility and yet establish limits of it, in terms of specific skills. In that respect, they explain the relevance of understanding an entire campaign process by each and everyone engaged. The last issue under discussion refers to what extent the online and

offline campaigns share similar features, or, on the contrary, involve another view. Most interviewees do not consider digital advertising the highest level of success, but a very productive channel, which externalize local brands a lot.

## 6. Conclusion

To get the whole picture of this research, we should answer the research questions we raised at the beginning of this paper, taking into account both findings and their qualitative interpretation. In the first case, regarding the way the Romanian backdrop of advertising influences the identity of local industry, the answer is positive for many reasons. One of the most important arguments consists in consumers' attitude towards their own country, perceived for a while as space of prohibition with no support for national pride. Industry did not rely on specific features in the beginning of its new post-Communist history and had to re-build everything as it had never existed. Besides, local producers were not at all encouraged on the market in the early 90's and they have to be taught about branding their goods and having trust in advertising. Last but not least, professionals applied for jobs in advertising coming from different fields and overcoming their lack of experience through personal development and trainings in order to achieve the standards of international agencies. We could

say that Romanian advertising and its professionals grew up together in a very short time and achieved a high level of performance by personal creative and communication skills.

In terms of organizational capital, interviewees revealed a homogeneous structure of agencies, according to the requests of an integrated campaign. It is certain that the classic model of full-service agency still works in Romania, but small agencies found their own place in this professional landscape. Definitely, organizing the work within local agencies in a similar way to the global ones helps professionals improve their level of experience and knowledge by offering the chance of doing different kinds of jobs.

To conclude, this study presents the inside perception of Romanian professionals regarding local advertising in a specific context (*habitus*) that reveal the strengths and weaknesses of the industry. Further research should keep on analyzing the market and the industry to highlight changes and the complete process of recovering the national identity. Besides, a comparison with other industries relying on the same research questions would be most welcomed. Up to now, the perfect words to describe the contemporary advertising landscape in Romania are hybridization and creativity, but maybe, this profile could be more accurate in the future depending on the new generation of professionals and the local evolution of industry.

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# Globalization and the financialization of the economy

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**Abstract:** The defining with profound implications on the economy and society is represented by the globalization. In this context, we have noticed the increasing influence of the financial markets on the economy, the tendency to remove the finances from the real economy requirements, the growing role of external financing using more volatile capital goods, increased competition regarding the access to financing, the significant increase of power of the international capital markets whose characteristic is represented by the increased instability, the implications of the investors' obsession with an excessive profitableness of their own funds and the expansion of using sophisticated financial products. Realities of today's financial markets, which are the subject of numerous studies and analysis, have contributed to the association of the arguments that are contesting the thesis on the virtues of self-regulation markets and promoting a new paradigm, within which finances should subordinate the requirements of a balanced and sustained economic growth.

**Key words:** cognitive capitalism, the financialization of the economy, financial innovations, volatile capital, institutional investors, derivative products.

## Introduction

The end of the twentieth century had as main feature the financial globalization and characterized an unstable, unpredictable and fragile world. The outset of the financial

globalization in the modern era occurred within a particular ideological climate. The liberal revolution of the late 70s had as an essential discourse the withdrawal of the state, privatization, deregulation and liberalization.



The ideological tenets and the liberal prophecies have dominated for a quarter of the century. The myth of financial globalization is accompanied by archaic beliefs claiming that financial markets are self-regulating entities that are stable, solid and secure. The assumption that financial markets are stable in a natural way, automatically moving towards equilibrium and predisposed to boom-crash cycles are prevailing.

The hypothesis of perfect competition and the belief in rationality were deeply rooted in economics. Also, the laissez-faire ideology has promoted magic words like rational (rational expectations), perfect (perfect competition) and efficient. The global financial system has been built based on false premises. The idea that the financial markets are self-regulating and tend towards equilibrium represents the dominant paradigm on which different systematic instruments and models for evaluation are based on. Financial globalization has a logic whose impact exceeds the rigorous defined field of finance.

Within the neoliberal phase of capitalism, the place of finance within the world economy has changed radically. The financial industry outruns the economy, we are witnessing a dramatic increase of the speculative finances which develop independently from the funding needs of the economy, the relationship between productive capital and financial capital is changing profoundly, the embryo of an autonomous movement of capital is occurring, and more sophisticated products and the revolution of the risk management are launched. The liberalization policies have emphasized the instability of financial markets and have highlighted their deeply destabilizing character, helping to accelerate the financial crises and their spreading throughout most state

Thus, the global economy has been affected by over 10 financial crises of the early '80s. Recent financial crises have taken different forms: stock exchange crisis, housing crisis, banking crisis and / or exchange crisis. This apparent crisis diversity must not omit the fact that they have a common cause: the application of neoliberal policies after the '80s with the liberalization of national financial systems and international capital movements. The existence of a direct relationship between financial liberalization policies and the acceleration of the crisis is recognized by most economists. After the euphoria of the '90s, the new capitalism is entering a phase of severe turbulence. Most financial crises that hit the emerging countries in the '90s are conjugated crisis which had significant economic and social costs, estimated up to 15% of GDP.

Their increased frequency and virulence requires a new reading of these crises, the application of the destabilizing forces from within the system, as well as appropriate responses to new theoretical problems: recurrence of business cycles, to what extent the crises are specific to the current period of financial globalization, the distinction between crises within capitalism and those of capitalism, the possibility the globalization could open up much deeper crisis, etc.

The western economic prosperity, characterized as the Great Moderation, has led to the accreditation of the continuously economic growth idea, freed from the spectrum of crises. The quasi-unanimous accepted economic theory has either ignored the crisis, or it has considered them a symptom of emerging countries.

The reconsideration required by the devastating effects of the crisis triggered in the U.S. in 2007, has led to the establishment

of a new research field called crisis economics (Roubini N., 2010, p. 267).

The global and systematic nature of the current economic and financial crisis, whose multiple dimensions are combined and mutually reinforcing, emphasizes the illegalization of the neoliberal ideology and the unsustainable nature of current globalization.

### **Globalization and the financialization of the economy**

The genesis and evolution of "the global finance" have considerably marked the defining processes of capital accumulation, economic growth, economic and financial stability, etc. The edifying aspects are highlighted by the problem of the "historic" role of finance in the contemporary capitalism.

During the "thirty glorious years" (1945-1975), the economy and finances were organized on national basis, with an increase interventionism from the state. This is the so-called period of "Fordism".

Subsequently, the politics considerably intervenes in favor for finances. Starting with 1979, a radical change of the direction occurs in the monetary policy in the U.S.A. and other industrialized countries. The fight against inflation, exacerbated by oil shocks, becomes the primary purpose. This results in a spectacular increase in interest rates in the U.S. and global economy, leading to the appreciable modification of the balance of forces between creditors and debtors. Thus, the first victory of the financial capital holders occurs.

During the 80's, it is applied a new financial system where capital markets acquire priority over bank financing. The rapid increase of the international finance is also due to financing the public debt, which was the

engine of financial modernization performed by the public powers. As the debt was increasing, the national public treasuries could not rely anymore solely on domestic investors. Hence, the state resorts more and more frequent to international investors, especially institutional investors to purchase national public bonds. Thus, in the 80's, states have become active players of the institutional financial markets.

Deregulation of the banking and financial sector, relocation of the business and deposit banks, not intermediating bank credits by shifting to market finance represent defining features for the development of international financial activities under the influence of globalization.

The place of the finance in the global economy has changed radically. Financial markets extend their influence on economy having an important role both in financing the market and in risk assessment and redistribution. However, the external financing of the economy is made using more volatile capital, which has led to the emergence and development of industry volatility. Also it should be noted the engagement of the private finance in developing emerging economies, which may represent a major risk factor for the recipient countries. Abrupt withdrawal of private investors is always a crisis accelerator.

Financial globalization has tightened competition for access to finance. International financial players - pension funds, mutual funds and banks - which offer equity focus, have the means to impose on the states. The liberalization of financial markets, considered an important dimension of financial globalization is a phenomenon characteristic to the last quarter of the

last century. Financial markets, which for some analysts represent a new form of governmentality, are in the process of fully globalization of their components based on the increasing worldwide integration.

These markets become interdependent on the planetary level as their main variables (interest rate, exchange rate and stock exchange) interact with each other (phenomenon of markets correlation). In an equal extent, stock markets, money markets and hedging markets are subjected to the globalization process. After mid 90's, these markets have seen significant developments that can be compared to the entrance into a new paradigm. The reference point may be represented by the formation of financial bubbles, starting with 1995, as a result of the very rapid increase of the financial assets' price.

As the financial liberalization is intensifying, interest rates are beginning to emancipate themselves from the tutelage of the states; under these circumstances, private powers, represented by big international banking groups, have the possibility and can fix in the most part, the evolution of these rates. With this considerable power of banks, financial market capitalism dominates today the real economy through exorbitant levies that occur within it. The significant increase in power of international capital markets is accompanied by the development of some "off - shore" or "parallel" markets dominated by large banking groups.

The process of financial liberalization has a twofold dimension: the booming market or financial assets and institutionalization of population's savings. The profound instability of these markets, the speculative aspect of the operations that aim at different currencies and financial instruments, have made

some analysts to link the financial liberalization to the recurrence of business cycles (Aglietta, 2001, p. 92).

Financial globalization had great implications on the international mobility of capital and opened new horizons to investors. Movements of financial capital met considerable values in the last decades and there were abundant savings. The formation of savings massively oriented to the stock market is undoubtedly a feature of the new capitalism. The opening of the borders permitted the rapid transfer of the savings from the areas where they were made (Asia and Europe) to those where the savings were used (especially U.S.A.). The result was the very rapid growth of global liquidity and the low level of the long-term interest rates, favorable to credit growth. Then, the rapid growth of credit has been closely linked to the price of assets (the shares, the late 90's and 2005-2007, and the real estate sector between 2002 and 2006).

The contemporary development of finance can be explained by the emergence of a new stage of capitalism, characterized by a new regime of growth and new forms of accumulation. Under these conditions, cyclical fluctuations are strongly influenced by the prices of financial assets.

The prospect of a new "patrimonial" growth regime resettles the relations between the financial form of organizing the capital and the economic structures of the productive activities. There are close relations of dependency, even domination, between these. Some analysts prefer the thesis of a finance power over the real sphere, while others acknowledge the existence of two distinct spheres.

Within the recent mutation of the capitalism, finance and the perspective of a new

“patrimonial” growth regime have an important role. The progress of finance can be explained by the emergence of a new period of capitalism, characterized by new forms of “real” accumulation. Regarding the current orientation of capital accumulation two analytical perspectives were outlined: on one hand, the analysis is focused on the central actors of capitalism. From this point of view, the capitalist firm is the subject of numerous reconsiderations; on the other hand, the importance of global financial markets is revealed. The objective is not only to highlight the current “exuberance” of these markets, but also to illustrate the mechanisms by which finances actually put a strong pressure on the real economy, with particular implications on the direction of capital accumulation.

Without doubt, globalization has inspired and emphasized the trends of financialization of economies, a notion associated with the concept of financial capitalism. If the signs of financialization are evident (the increase of the bond portfolio held by households, increasing the ratio of funds held between mutual funds and pension and equity capitals of unfinancial corporations, the ratio between financial assets of households and their available income, etc.), there is no consensus yet on the definition of this process. For some authors, financialization means increased importance of financial markets, players and financial institutions in the functioning of national and international economy (Paulre, 2008, p. 187). The theoretical contributions, which explain the crucial role of finance in the current capitalism, as well as the importance of financial accumulation, plead to a comprehensive vision of finances and point out the role of the financial system in managing risk.

When the financial logic comes first compared to the economic logic, the financialization highlights “the patrimonialisation” of behaviors. On macroeconomic plan, financialization expresses itself through the emergence of the asset economy. Accumulation is financializing under the effect of the current functioning of financial markets.

Firms’ financialization represents a process resulting from the new “governance”, which was imposed in the 90’s. The concepts of financialization and corporate governance capture the realities within companies, directly related to the new shareholders represented by institutional investors. A large part of the investors’ activities was dedicated to the risk transfer regarding their sale to other players: employees, savings, pensioners, emerging countries.

In this context, financialization translates into the uncoupling between risk bearers (shareholders) and the bearers of investment decisions. Thus, it is created a new image of capitalism in which financial markets become, in fact, privileged places of action and expression of the ownership relation.

The new players of capitalism (international banks, institutional investors which act to delegate administration) have the ability to participate and influence the firms’ strategy.

Transformations that have aimed at the functioning of financial markets and financial form of organizing the capital are characteristic to the shift from the industrial capitalism to cognitive capitalism, represented by another system of accumulation, in which the central role belongs to knowledge and creativity. In its essence, the cognitive capitalism is a financialized capitalism.

The last quarter of the twentieth century expresses a profound transformation of the

developed capitalist economy and the emergence of a new capitalism under the influence of new technologies and financial globalization. Such period corresponds to a transition to a new form of capitalism, marked by the domination of finance and knowledge. The new stage, the financial capitalism, is identified by assessing the changes at companies' level, as well as from a macroeconomic perspective (L. Batsch, 2002, p.3).

Sometimes, financial capitalism is associated with the financialization of economies and it marks the emergence of a new period of capitalism, characterized by new forms of "real" accumulation.

There is no consensus regarding the concept of financialization. In some views, financialization represents the increased importance of financial markets, actors and financial institutions in the functioning of national and international economy (Colletis G., B. Paulre, 2008, p. 187).

On the macroeconomic level, this process stands out by the emergence of an asset economy and the provision of the priority of financial logic in relation to economic logic, which confers a new image of a reshuffled capitalism, where financial markets become privileged sites of action. A different perspective of financialization is related to the emergence of a management concept, which argues that the concept of "shareholder value" has redirected companies towards financial markets and emphasizes the tendency to produce profits through financial channels rather than as a result of productive activity. Starting from the increased significance of the financial activity as a source of profit, financialization is designed as a model of economic development and a new phase of capitalist development. (G. Krippner, 2011, p.

51). Arguments that support the reality of financialization are considering the role of the state in creating a proper macroeconomic environment, as well as the regime of the macroeconomic policies used in the '80s and '90s, that have provided a fertile ground for the rise of finance and represented the prelude of financialization.

### Conclusions

The current realities in the world economy have led to the reopening of the financial *laissez-faire* myth, and of the thesis regarding the tremendous benefits arising from the free capitals movement. While the international financial system is becoming more and more integrated, the risk of a financial accident to propagate from one area to another, from one entity to another, is increasing. The domino effect and the system risk are mentioned. Financial globalization is the one generating the germs of a systemic and unavoidable risk of financial instability, considering that it has speeded up the interconnection of the financial markets.

During the last decays we have witnessed a significant increase in the speculative financing, which has been carried out independently from the financing needs of the real area. The spectacular increase of the portfolio investments is a reflection of such tendency, whereas speculative financing meets short term profitability logic. Therefore, external financing of the economies is made with increasingly volatile capitals.

The possibility for financial crises to occur and develop shifts the interest to the issue of global finances governed by self-regulating market mechanisms and the need for the international institutions to get involved.

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# Institutional Communication and Organizational Culture In Romanian Public Administration. A Case Study.

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**Abstract:** *The present study aims to emphasize the extent to which modern management principles are known and applied in the Romanian public institutions. We also aim to identify a system of values that set a pattern of the organizational culture in the system of public institutions. The investigation technique we used is the questionnaire and the method we chose is the sociological survey. According to the standards of research methodology and in order to obtain accurate results, we have pre-tested the research tools in conditions similar to those of the study itself. In this respect, the present study will test the validity of the questionnaire on a group of 41 subjects, master's students in a specialized program at the University of Bucharest, with the purpose of undertaking the sociological survey. The pilot study conclusions will allow the methodological framework of the sociological survey to refine and adapt the models of international analysis to the actual Romanian context.*

**Key words:** effective communication, public discourse, emotional intelligence, participative management.

## **1. The general context of the research: opportunities and relevance**

### **1.1. Hypotheses**

The main hypothesis of the experiment is that the pressure of the public and academic discourse generates an organizational context in the public institutions [PI] in Romania, which allows the strategies of participative management [PM] to be valued. In the same socio-discursive context, we find the assumption of the concepts of effective communication [EC] and emotional intelligence [EI], and also the components of the leadership participative management in [PI]. Another hypothesis is that a new system of values of the organizational culture is created when the participative management principles are applied; these values are assumed to the extent to which the leadership implements the [PM] strategies and all that it entails.

### **1.2. Objectives, premises**

The study aims to emphasize the extent to which modern management principles are known and applied in the Romanian public institutions. We also aim to identify a system of values that set a pattern of the organizational culture in the system of public institutions. The research is conducted on two directions: a. The extent to which the management principles are known, especially the participative management principles and the values of the organizational culture, and b. The extent to which they are applied. The public discourse related to the subject of the investigation approach has been considered to be relevant.

The premises of the research include an empirical component which derives from

the observation of the Romanian communicational space and the public discourses defining the local public sphere in the past 20 years.

In relation to the premises, we have found that in the public debate in Romania, the recurrent topics of analysis and critique are included in the complex issue of the public administration institutions and the values around which their activity revolves. After Romania's accession to the European Union, there was an increasingly higher interest for management professionalization in public institutions and the transfer of know-how from the EU to Romania, and also from the private to the public institutions.

Moreover, the public discourse underlines the importance of communication, communication practices and it is based on the assumption that communication is an important resource for the development of society.

### **1.3. Scientific literature**

The theoretical framework of the present research is included in the theories on participative management with emphasis on effective communication, which is considered to be a priority in the implementation of strategies for making the activity of the organizations more efficient. [PM] is also considered to be an important engine of change within the organization by setting in motion creativity and innovation, qualities which are more and more valued nowadays. Participative management is most often related to the management of change, and the key-words in their strategies are: employee involvement in decision making, client satisfaction, collaboration, creativity, operational, tactical and

strategic decisions (Pardo-del-Val, Martinez Fuentes and Roig-Dobon, 2012). The participative management is considered to be effective in systems where educated workforce can be combined with employee participation and individual needs and the objectives of competitiveness and efficiency of the organization. The [PM] philosophy is also based on the fact that responsibility and accountability go down to the lowest levels where decisions can be made. We start with the premise that in public institutions, [PM] is the most adequate type of management because the purpose of the activities in these institutions is to serve the public interest; therefore, all the employees are supposed to be responsible for achieving this objective, thus, they should be involved in decision making. Numerous authors think that [PM] is the main tool for increasing the competitiveness and the quality of the services and products in a globalized world (Neila Anchieta Holland, 1995). The topic of employees being involved in leadership/decision making is old in the history of management. For instance, in the French space, it dates from 1930 and it is found in the discourse of Christian trade unionism, where the principles of Taylorism and dehumanization of work are studied thoroughly and criticized, by underlining critiques of Marxist inspiration, based on the concepts of alienation and class struggle (Olivesi, 2005, pp.29-33). The participation is found again, even more powerful, in theory and in practice in the 1970s. This time, it is assumed by the employer as a way to eliminate the negative effects of Taylorian economic logic. The participative management has generated the institutionalization of the organizational communication and a certain decrease in the role of the unions in the relation between the

employees-employer and society. The perspective we adopt on [PM] takes into account the role of [EI] in developing leadership strategies and communication strategies as an important resource in achieving efficiency and implementing and cultivating the values of an organization.

The most important component of participative management is the leadership. The modern leadership theories favor, among others, the concept of emotional intelligence, starting with the work of Salovey and Meyer (1990) who imposed the concept for the first time, described and instrumentalized it: „ . . . relevant to the accurate appraisal and expression of emotion in oneself and in others, the effective regulation of emotion in self and others, and the use of feeling to motivate, plan, and achieve in one's life" (Salovey and Mayer, 1990, p. 185).

The concept of [EI] enriches and influences the theories on leadership regarding the mix of all skills, behaviors and features of the human personality, not only the cognitive ones (Kerr, Garvin, Heaton and Boyle, 2006). The theories on [EI] have been naturally absorbed by leadership theories. Given that the leadership activity is intrinsically an emotional activity, the leaders create the group solidarity by sharing emotions (as well), and their ability to influence the work climate emotionally can influence performance (Humphrey, 2002, Pescosolido 2002, Kerr, Garvin, Heaton and Boyle, 2006).

We cannot imagine the contemporary world in the absence of communication: it is the core of individuals' emancipation in society and democratization of modern societies. Communication is the condition of mass democracy and it requires free human beings, whose freedom of speech is the core of their

existence; it must manage both the individual freedom and everyone's equality within the mass individualist society (Wolton, 2012, pp. 10-11). If we refer to effective communication [EC], the argumentation focuses on the idea that it is part of any strategy of organization or administration of some social entities which are more or less complex. In certain situations, [EC] becomes strategic communication with the following components: identifying and describing the audience, choosing the support, building the message and anticipating the possible reactions of the target, identifying the sources and meaning of the message. Sometimes, words mean action, and action transforms the meaning of the messages (Austin, 1962). This dynamic must be understood and taken into account in any type of management, even more in the participative management whose stake is the efficiency or transformation through the participation of the actors. The strategic communication, which includes media as principal actor, is the most refined version of effective communication. Halloran (2007), an important name in American journalism today, has identified seven basic principles of strategic communication: to express a professional and civic attitude, to assume the features of each media institution, to know the professional and ethical rules of media, not to lie to media, to provide a pertinent opinion on your topics and not to answer to hypothetical questions, to anticipate the effect of the messages you convey, not to allow errors to circulate in public communication without correcting them repeatedly.

The emphasis on communication in the management of an organization means to achieve some objectives of power, influence, action and transformation, relationships and

exchange, and, as Dagenais (2003) puts it, the communication plan is similar to „a military campaign“.

## 2. The research methodology

The present study is a work in progress pilot study whose aim is to test the validity of a questionnaire for a future sociological survey; its objectives are to emphasize the extent to which the public institutions managers know and implement the participative management principles and the degree to which the Romanian public servants are acquainted with the efficiency parameters of the organizational culture. Our goal is to emphasize the values that circumscribe the organizational culture in Romanian public institutions as they are highlighted by the knowledge universe attached to the sample.

### 2.1. Investigation techniques

The investigation technique we used is the questionnaire, a tool for gathering information used in sociological surveys or fieldwork. The questionnaire administered in the present research was designed after having studied the specialized literature on management in public institutions, organizational culture and the role of communication practices in modern management. The subjects we interviewed are part of the group of respondents we selected. The data collection has been conducted online during a week, in January 2013; the questionnaire includes five factual closed questions, which shape the socio-demographic universe of the respondents, and ten questions which differentiate various aspects of the respondents' axiological system regarding the organizational culture in the public institutions. Eight of the ten

questions are closed questions with three options (yes, no, don't know/n/a) and five options for the affirmative answers (to a greater extent, to a great extent, to a small extent, to a lesser extent, don't know/n/a); the other two questions are semi-open questions with answer choices.

The questionnaire contains verification questions, too: Q7 for Q4 and Q8 for Q5. The semi-open questions are also verification questions, as we will demonstrate in the analysis in Chapter 3.

## 2.2. The corpus

The corpus was compiled from the answers of the 41 master's students in the field

*The socio-demographic profile of the subjects:*

*Age and sex distribution*

| Women | Men | Age group<br>23-29 | Age group<br>31-37 | Age group<br>41-43 | Age group<br>52-55 | N/A |
|-------|-----|--------------------|--------------------|--------------------|--------------------|-----|
| 28    | 13  | 26                 | 3                  | 7                  | 2                  | 3   |

*Job distribution*

| Students | Public servants | Activity in the private<br>sector | N/A |
|----------|-----------------|-----------------------------------|-----|
| 22       | 13              | 1                                 | 5   |

The socio-demographic characteristics of the respondents are as follows: the majority of respondents are women (28 out of 41); young: 26 aged 23-29 years and 29 aged 23-27 years; a third of respondents have experience in public administration and they are all postgraduate students, which gives them a common referential system and horizon of expectations regarding the activity in the public administration, the normative-academic

of public administration who completed the online questionnaire.

The subjects of the research form a homogeneous group in terms of the referential system (theoretical knowledge, expectations, age) regarding their education. The main critique that the experimental design could receive is related to whether the results can be generalized to the level of a representative sample. However, there is proof that the differences between a sample consisting of students and the total population are not that significant (Nelson et al. 1997 apud Botan, 2013) in order to prevent the extrapolation of the results.

discourses and the public discourses. All 41 respondents have already undertaken or are currently undertaking specialized studies; three of the 13 public servants have more than five years' experience, seven of them have less than five years' experience, two of them have less than one year's experience. Therefore, the profile is described as female, young, with academic reference in the field, but less and even irrelevant experience.

### 2.3. Data interpretation

The data collected using the questionnaire completed by the chosen sample have been interpreted using the strategies of quantitative evaluation. The questionnaire includes topics and subtopics that define principles of management, organizational culture and leadership. The ten questions in the questionnaire aim to explore the knowledge and the knowledge level of the management principles, and especially the participative management principles, and of the issue regarding the organizational culture in the public institutions of the 41 interviewees.

The questions are based on the subjects' knowledge or experience, requiring their opinions only to a very small extent. The questionnaire has been designed in order to be administered to a homogeneous group in terms of references, education and, partially, professional experience. We estimate that the analysis will reflect the representations of the axiological universe of the public servants in Romania.

### 3. Directions of analysis

The analysis focuses on two major topics which I consider to be relevant to the present study: the [PM] principles and the extent to which they are known and implemented (the organizational dimension, [EC] and [EI]), and shaping the axiological universe of the public servants in Romania. I have structured the analysis of the quantitative and qualitative results on relevant topics and subtopics and not in the order they were inserted in the questionnaire.

### 3.1. The [PM] topic

#### 3.1.1. The organizational dimension

(Q1: In your experience, have you noticed whether the public administration managers know their beneficiaries?)

Less than half of respondents have indicated very good and good knowledge, more than a third of respondents indicated little knowledge or no knowledge at all, and less than a third were irresolute. Therefore, more than half of respondents think that the management shows no concern for genuine knowledge of beneficiaries. Thus, the fundamental principle of any type of management, even more of participative management, finds poor validation in the subjects' answers.

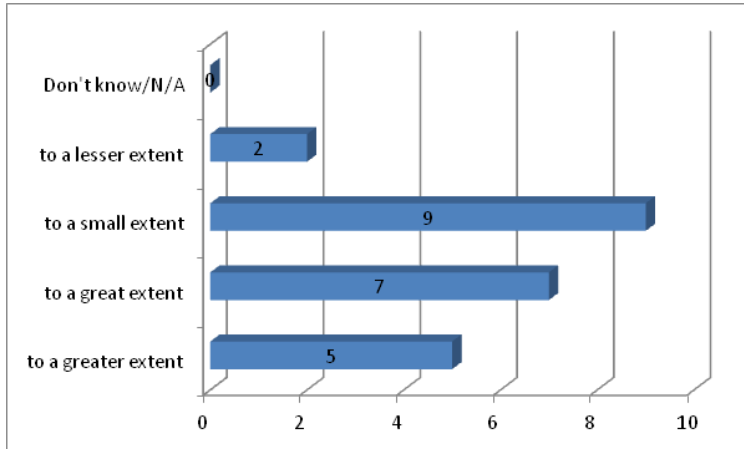
(Q4: Have you noticed whether the [PI] in Romania are concerned with implementation of new strategies of communication that indicate the valorization of the employee participation in decision making in order to implement reforms?)

The high percentage of negative answers, more than half, shows that the managerial strategies in the public institutions are not concerned at all with attracting the employees to the decisional sphere through communication strategies. Therefore the qualitative analysis regarding the degree to which they are known and the level of appreciation is irrelevant.

(Q5: Do the public institutions that you know have the institution of the union leader? Q5.1 If YES, to what extent do you appreciate its role?)

Out of 23 affirmative answers, we have inserted the absolute values in the chart below:





More than half of respondents state that there is an institution of the union leader. If we take into account that almost half of respondents deny or do not know, the fact that the number of respondents who consider its role to be positive (12) and the number of those who consider it to be negative (11) is almost equal, the qualitative evaluation is not very relevant in order to strengthen the quantitative analysis, which makes it difficult to define its role in the [PI]. Its role seems rather ambiguous in the minds of the experiment participants.

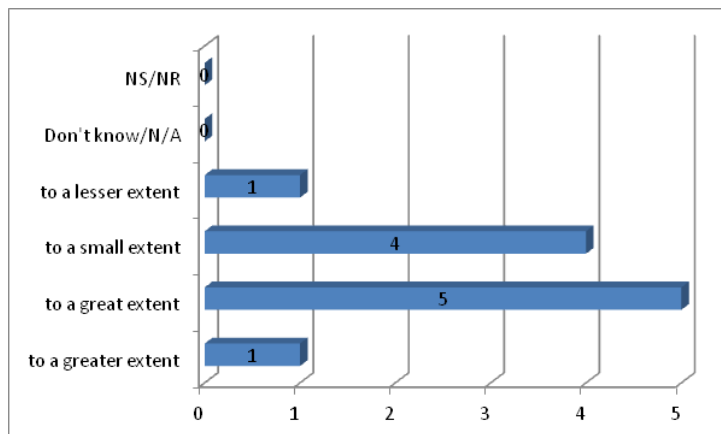
(Q7: As member of an organization in the public administration, do you find yourself in the managers' discourses?)

At question Q7, more than half of respondents have said no and almost two

thirds of them do not know or do not answer, which is congruent with the interpretation at Q4. If such a high percentage of respondents do not find themselves in the managers' discourses, then it is obvious that managers are not actually concerned with involving the employees in decision making, according to the opinions at Q4. In this case, the qualitative analysis is no longer relevant.

(Q8: As member of an organization in the public administration, do you find yourself in the discourses of the unions leaders? Q8.1 If YES, indicate the extent to which you find yourself in their discourses.)

Out of 11 affirmative answers, we have inserted the absolute values in the chart below:

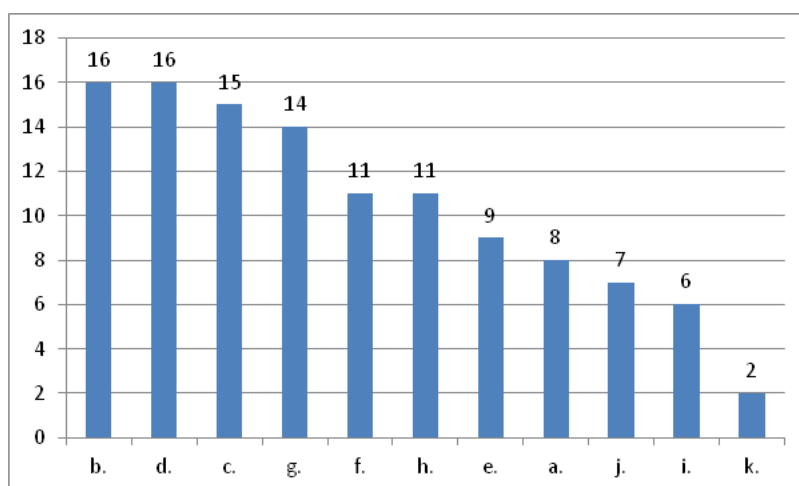


If more than a third of respondents do not find themselves in the discourses of union leaders and just as many do not know or do not answer, then it is hard to imagine that the institution of the union leader is functional with an active role in the life of the employees. The evaluation at Q8 confirms the qualitative analysis at Q5.

(Q9: What are the values promoted by the public institution that you know/where you work? You can choose several options: a. Employee participation in decision making. b. The employees receive prompt and accurate information. c. The beneficiaries receive prompt and accurate information. d.

Implementation of a public agenda which is relevant to the role of the institution in society. e. A correct evaluation of the internal social, political and cultural environment in European context. f. Defining the primary informational values for the target public. g. Support for continuous employee training (continuing education). h. Primary support for the interests of the managerial system. i. Primary support for the interests of the beneficiaries. j. Corruption exposure and other similar phenomena. k. Others. Please specify.)

We have inserted the following absolute values:



|                        |         |          |          |          |          |           |          |          |
|------------------------|---------|----------|----------|----------|----------|-----------|----------|----------|
| No. of selected values | 1 value | 3 values | 2 values | 4 values | 5 values | 10 values | 7 values | 0 values |
| No. of respondents     | 14      | 8        | 6        | 4        | 3        | 2         | 2        | 2        |

The first three values in the hierarchy created by the subjects of the experiment are related to the correctness towards the social environment, and the last three values in the hierarchy refer to employee participation in decision making, corruption exposure and

primary support for beneficiaries. The low-rank position in the hierarchy of the value "employee participation" confirms the analysis at Q4 and Q7. Moreover, the low-rank position of "primary support for the interests of the beneficiaries" in the hierarchy of values confirms the weak validation at Q1.

Most respondents (14) have chosen only one value, 28 respondents (more than half) have chosen one, two or three values, and the fewest respondents (2) have selected them all, seven values or no value. Therefore, a high percentage of subjects made a choice based on knowledge, not a random choice.

### Final considerations

- Knowing the beneficiaries is not a priority for the public institutions managers (Q1). The interpretation is confirmed by the low-rank position in the hierarchy of the value “primary support for the interests of the beneficiaries” (Q9). However, there are arguments supporting an increasing trend in the appreciation of the role that beneficiaries have in managerial strategies: a. The item “the beneficiaries receive prompt and accurate information” is among the top three choices of the subjects (Q9.c) and b. The item “implementation of a public agenda which is relevant to the role of the institution in society” is among the first to be considered valuable for an organization (Q9.d).

- There are arguments against managers who are not concerned with employee involvement in decision making: a. We cannot overtly identify communication strategies that aim to attract employees to the decisional sphere (Q4); b. Most respondents do not find themselves in the managers’ discourses (Q7).

- The institution of the union leader is not functional with an active role in the life of the employees (Q5, Q8).

- The values that the respondents considered to be most common are related to the correctness towards the social environment (employees, beneficiaries) and the

implementation of a public agenda which is relevant to the role of the institution in society. On the other hand, “corruption exposure” is part of the correctness towards the social environment and it is found in a low-rank position in the respondents’ hierarchy, which raises the question of whether the choice at Q9 is relevant.

- It is also worth taking into account the fact that 28 respondents have chosen one, two or three values, which, in our opinion, is an indicator of a high level of responsibility of the experiment participants.

### 3.1.2. Effective communication

(Q2: Do you think that effective communication is an important goal of the departments of communication in the public administration?)

The equal amount of negative and positive quantifications does not validate any of the choices. Therefore, the subjects’ experience might not be enough in order to indicate a trend regarding the role of the departments of communication in promoting effective communication.

(Q4: Have you noticed whether the [PI] in Romania are concerned with implementation of new strategies of communication that indicate the valorization of the employee participation in decision making in order to implement reforms?)

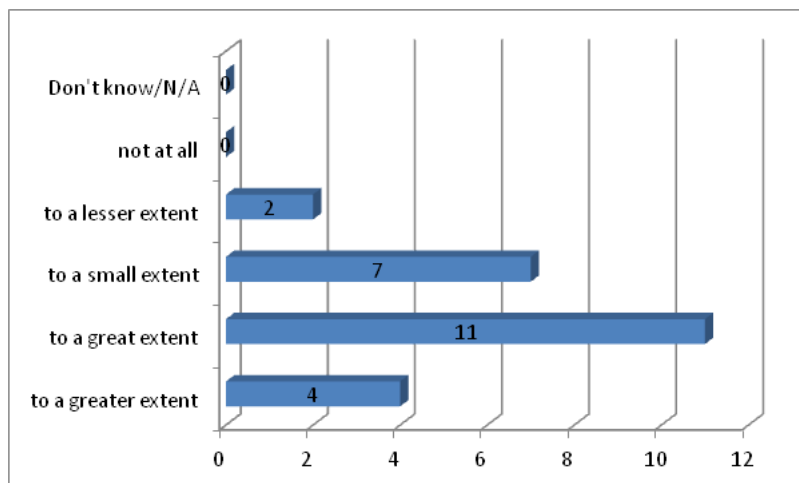
The high percentage of negative answers, more than half, shows that there are no communication strategies that address the employees directly and aim to attract them to the field of decision making of the organization. Therefore, the strategic function of organizational communication seems to be invalidated by the interpretations at Q4,

and also Q7 and Q8, whose results confirm that most employees do not find themselves either in the managers' discourses, or in the discourses of the union leaders.

(Q6: Have you noticed any concern for the introduction of new technologies [NT]

in the [PI] where you work/that you know? Q6.1 If YES, show how they have changed/are changing the organization structures.)

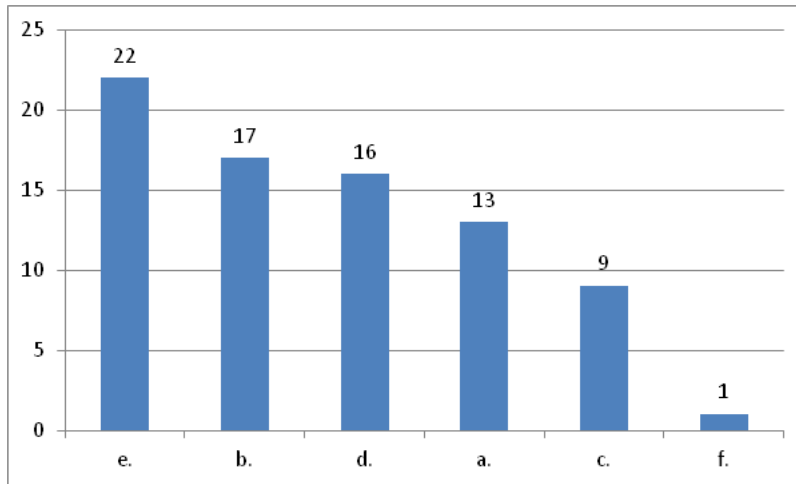
Out of 25 affirmative answers, we have inserted the absolute values in the chart below:



Out of 41 respondents, 25 said yes and more than half of them think that [NT] have a strong influence on the functioning of the organization. If we use the two evaluations, quantitative and qualitative, the result is valid. The subjects know that new technologies have an important place in public institutions and appreciate how they are changing/have changed the organization structures.

(Q10: Among the principles of internal communication, as some authors formulated them (Weil, 1990), choose those

you have found in your activity in the public system: a. Communication puts forward a unitary representation of the institution; b. Communication connects the individual development with the development of the institution; c. Communication develops an imaginary of the community; d. Communication inspires and determines the evolution of the organizational culture; e. Communication is an engine of change within the organization; f. Others.)



|                        |         |          |          |          |          |          |
|------------------------|---------|----------|----------|----------|----------|----------|
| No. of selected values | 1 value | 2 values | 3 values | 4 values | 5 values | 0 values |
| No. of respondents     | 18      | 10       | 9        | 2        | 1        | 1        |

More than half of respondents (22) have chosen item Q10.e as the most common principle of internal communication: „Communication is an engine of change within the organization“. The fact that most of them associate communication with organizational change, by shifting the focus from the [PM] to the management of change, indicates a trend in the representational discourse in the [PI], which is mainly influenced by the public rhetoric and the pressure of political communication. The following items that the respondents chose were Q10.b „Communication connects the individual development with the development of the institution“ and Q10.d „Communication inspires and determines the evolution of the organizational culture“. Thus, the emphasized trends also show that the respondents are aware of the role of communication in both the internal communication and the strategies for creating the organization.

### Final considerations

- The interpretation at Q2 showed us that the subjects' experience is not enough in order to indicate a clear trend regarding the understanding of the role of the communication departments in promoting effective communication.

- The strategic function of organizational communication, which would favor employee involvement in the decisions that leadership makes, seems to be invalidated by the interpretations at Q4, and also Q7 and Q8, whose results confirm that most employees do not find themselves either in the managers' discourses, or in the discourses of the union leaders.

- New technologies have an important place in public institutions and they are changing/have changed the organization structures (Q6). This statement is validated by both types of evaluation: qualitative and quantitative.

- The fact that most respondents associate communication with organizational

change, by shifting the focus from the [PM] to the management of change, indicates a certain cognitive configuration of the respondents' profiles. We think it is mainly influenced by the public rhetoric and the pressure of political communication in the Romanian public sphere. The analysis also shows that the respondents are aware of the role of communication in both the internal communication and the strategies for creating the image of the organization.

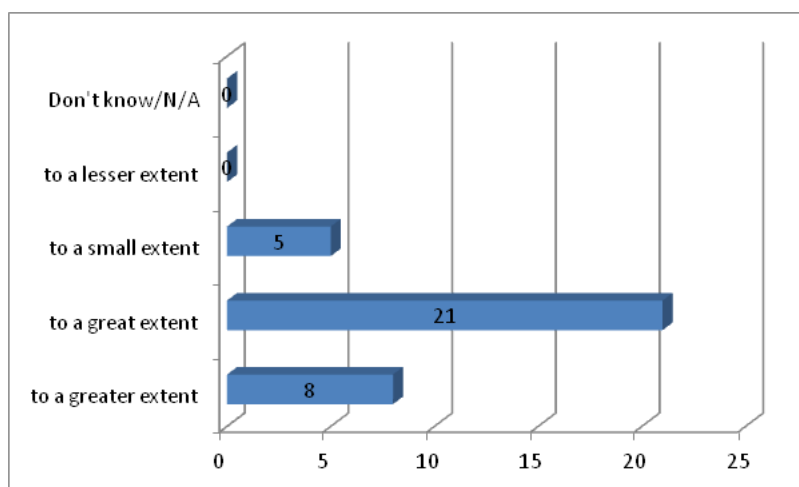
- At Q10, 18 respondents have chosen only one option, ten respondents have

chosen two options, and nine respondents have chosen three options; therefore, similarly to the interpretation at Q9, it could indicate a high degree of responsibility of the experiment participants.

### 3.1.3. [EI], a value of [PM]

(Q3: Are you familiar with the concept of [EI] and its beneficial role in organizational communication? Q3.1 If YES, please specify.)

Out of 35 affirmative answers, we have inserted the absolute values in the chart below:



An overwhelming majority of subjects know and agree with the important role of emotional intelligence, the statement being also validated by the qualitative evaluation. If we consider Q10.c „Communication develops an imaginary of the community”, where [EI] is an important variable, we find that the item is on a low-rank position in the choices the subjects made, which initially raises the question about the interpretation at Q3. The managers' discourses are usually the result of contextual, interactional and emotional evaluations: if the subjects do not find themselves

in the discursive construction of the leadership, it could be a signal that these dimensions do not exist or are not valued enough in the discourse.

### Final considerations

The recent studies show that [EI] is an important value in management, and even more in a culture with great oral and interactional values such as the Romanian culture. In the present experiment, the evaluations of the role of [EI] in [PM] are not relevant because the item [EI] does not correlate with the



questionnaire and the correlations we established are conjectural.

### 3.2. Re-evaluation of the research design

After a thorough analysis of the corpus, of the research tool and of the group of respondents, and based on the findings during the analysis, we have reached several preliminary conclusions that indicate the need to adjust the design of the research so that the results of the sociological survey are as relevant as possible and the proposed topics of the research are addresses to an extent that is acceptable from a sociological point of view. Therefore, after having tested the questionnaire on the group of respondents we chose, we propose the following adjustments:

The questionnaire:

1. Introducing a set of questions and verification questions on the role of communication in organizational culture and the role of communication departments in the organizational structure of the public administration.

2. Revising the group of questions whose core topic is the participative management by making a clear selection of the items that define it, including the emotional intelligence.

3. Formulating a question/some questions that eliminate or clarify the interpretation of the binomial participative management – management of change that emerged when evaluating the corpus.

4. Revising the questions that target the analysis and interpretation of the organizational culture values. We take out Q10, which has proved to be irrelevant in the present formulation, and we design the questionnaire again so that there is a clear connection

between the values promoted by an organization and its organizational culture, and also the extent to which the role of communication is understood in this process.

The respondents: We will need to sample the subjects and broaden the administration base of the questionnaire, which will eliminate some of the interpretation ambiguities that could be (also) explained by the profile of the respondents.

### Preliminary conclusions

The experiment revealed several preliminary conclusions regarding the status of the organizational culture in the [PI] in Romania.

Thus, the topic of employee participation in decision making seems to belong to the category of an aspirational discourse, rather than to that of a representational discourse.

- a. Knowing the beneficiaries is not a priority for the public institutions managers, but there is growing trend in the appreciation of the beneficiaries' role in managerial strategies.

- b. The relationship with the employees and their role in the decisional sphere are not clearly defined categories in the management and communication strategies.

- c. The communication strategies do not seem structured well enough according to objectives; in other words, the strategic function of communication projects is not exploited well enough. The importance of the discourse is still underestimated in leadership strategies.

- d. Transparency does not seem an obvious option for most respondents.

The subjects know and agree with the important role of emotional intelligence, the statement being also validated by the qualitative analysis. The overwhelming majority of respondents who valued the concept of [EI] and its beneficial role in organizational communication, a trend which is also weakly validated by the corroboration of other evaluations in the corpus, indicates rather an aspirational trend of the subjects' discourses, which are influenced by a culture with great oral and interactional values such as the Romanian culture.

The values that were considered to be dominant in the culture of [PI] are those related to the correctness towards the social environment and the implementation of a public agenda which is relevant to the role of the institution in society. New technologies have an important and well defined place in

the public institutions and they are changing/ have changed the organization structures.

The axiological universe of the corpus reveals that in organizational communication, the emphasis is rather on the management of change, and less on [PM], fact mainly influenced by the public rhetoric and the pressure of political communication in the Romanian public sphere.

The evaluations of the role of the communication departments in promoting effective communication are not relevant because: either the subjects' experience is not enough in order to highlight a trend regarding the role of communication departments in promoting effective communication, or the subjects have poor knowledge of what the department of communication and effective communication are.

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# A Managerial Approach To A Controversial Exhibition: The Human Body

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**Abstract:** This paper will analyse the reception of the Human Body exhibition of 2013 in Romania, from a managerial point of view. The research is based on the exhibition visitors' book, to which a content analysis was applied. The main aim of the paper is to investigate how the 'Grigore Antipa' Museum (Romania) constructed the cultural context in which the scientific arguments prevailed over the religious ones, turning the exhibition of plastinated human bodies into an accepted public event, with a strong emphasis on education and science (medicine). At the same time, ethical concerns and religious criticism were downplayed by maintaining the focus on the 'education for health' frame.

**Key words:** plastination, management, museum, visitors' book, The Human Body exhibition, Romania

## 1. Introduction

Society nowadays, with its rapid changes and unforeseen challenges, needs a(n) (inter)cultural approach. Ethnocentrism, stereotypes, and discrimination have become huge obstacles in a world shaped by technology, communication and social mobility. The world has the aspect of a 'collage' in which cultures are juxtaposed, being partially adapted to one another, and still unprepared for a profound dialogue. Multiculturalism presents, interprets and re-evaluates the social experience of diversity and difference (Păuș, 2010, p. 44).

Why is a(n) (inter)cultural approach now necessary in studying our society? Martin and Nakayama identify six imperatives: technology, demography, economy, peace, self-awareness and ethics (Martin and Nakayama, 2007, p. 5). Living in an intercultural world, the above mentioned authors argue, raises significant ethical challenges.

From this point of view, exhibitions that display plastinated human bodies ('plastinates') have ceaselessly raised many ethical concerns and provoked debates. Is it science or entertainment? Is it education or disrespect for the dead? Is it aesthetics or bad taste? It is a fact that these exhibitions have broken the moral codes by showing human bodies dissected, skinned, in 'real-life' situations such as playing tennis or running. But at what point do these things become acceptable or unacceptable in society?

This paper will analyse the reception of the Human Body exhibition of 2013 in Romania from a managerial point of view. This approach is based on the hypothesis that the scientific success of the exhibition in Bucharest is mainly due to the managerial strategy of the museum and its public

relations policy. The research is based on the exhibition visitors' book, to which a content analysis was applied.

The aim of the study is to investigate how the 'Grigore Antipa' Museum, host of the Human Body exhibition in Bucharest, Romania constructed the cultural context in which the scientific arguments prevailed over the religious ones, turning the exhibition of plastinated human bodies into an accepted public event, with a strong emphasis on education and science (medicine). The aims of the exhibition were: "to change the way in which visitors perceive the human body, offering Romanians, for the first time, the unique possibility of seeing their body through the lens of a surgeon and of experiencing a visual trip inside [a human body]" and "to convince the visitors to respect and take care of their body" (<http://www.antipa.ro>).

We argue that the positive reaction of the Romanian visitors (expressed in the visitors' book) was strongly influenced by the actual organization of the exhibition and the management strategy of the 'Antipa' Museum.

Our study is also based on the premise that the exhibitions and the museums, taken as cultural institutions, are not to be considered simple custodians of objects or artefacts. On the contrary, they can generate cultural representations and give a certain social or scientific value to the objects exhibited. "They do not so much reflect the world the world through objects as use them to mobilize representations of the world past and present." (Lidchi, 2013, p. 127).

## 2. Exhibiting plastinated bodies

Around the world, exhibitions of plastinated bodies have been both criticized and praised by academics. The scientific production related to the plastinated bodies exhibitions practically followed the exhibitions all around the globe, with journal articles published from Brasil or the US to the UK, France, Greece and so on.

Previous research conducted on the academic production of the last 20 years showed several major areas of interest: the pedagogical side, the ethics of displaying, the fusion between anatomy and aesthetics, the legal aspects related to organ donation, body donors and donation, visitors' attitudes and reactions, the 'posthumanity' of plastinated bodies (Scott, 2011, p. 166).

Over the last three years, other categories were added to the ones mentioned above, such as: the feminist approach to the human/nonhuman display (Scott, 2011, pp. 165-181), the banning of the exhibition in France (Claire, 2011, pp.136-142), the reception of the exhibition among young people (Raikos et al., 2012, p. 433), the use of dead bodies as entertainment for the public (Kim, 2012, pp. 309-348).

The literature reviewed shows that there are at least three types of exhibition (Claire, 2011, pp. 136-142). The 'original' exhibition is considered to be 'Body Worlds' ('Korpenwelten'), conceived by the German Gunter von Hagens, the inventor of the plastination technique. Other similar exhibitions – considered by Von Hagens as 'copies' – also travel the world, attracting millions of visitors. (Claire, 2011, p. 137)

The dead bodies are preserved through a special technique that consists in replacing the water and lipids of the human body with

polymers in order to obtain durable, odourless and colourful exhibits.

While improving the preservation technique, Gunter von Hagens also improved the exhibiting technique by composing everyday human poses: such as people playing tennis or chess, or people having sexual intercourse. Some scenes could be considered morally questionable: the Skin Man (holding his entire skin in his right hand) or the Pregnant Woman (with the foetus inside her uterus).

It is this everyday setting of bodies that attracted strong criticism and aroused controversy. In France, the exhibition received a negative response from the National Consultative Committee for Ethics on the grounds of displaying dead human bodies in a way that violates the idea of dignity and respect for humans. Other concerns were raised, too, such as the commercial purpose of the show and the lack of information on the consent of the deceased (Claire, 2011, p. 137).

In Greece, an Eastern Orthodox country like Romania, where the Church considers that burial and funeral are mandatory for every person, the exhibition did not meet with such strong criticism as in France. Nevertheless, almost half of the young visitors (46.3%) had moral doubts, based on religious or philosophical beliefs or on the potential psychological disturbances caused by the exhibition (Raikos et al., 2012, p. 434).

The exhibition entitled 'The Human Body', organized in Bucharest (Romania) in 2013 by an international company, is not related to von Hagens' display, but relies on the same idea – showing plastinated human bodies and body parts to the public. The origin of the bodies is not known; the organisers explained that they were "legally



donated through an organized government process and designated to be used only for education purposes in public exhibitions and institutions of higher education" (<http://thbexhibition.com> ). The organisers added that the individual identities were unknown. However, it is obvious from observing the faces that they have Asian features, fuelling the idea that they come from China and that they are former political prisoners who were executed (see, for example, Dan, 2013). The museum announced on the website that the human bodies exhibited had been offered by Dalian Hoffen Bio-technique Laboratory, in accordance with the Chinese law. The owners of the exhibition stated that the bodies had not been claimed and the death was from natural causes (<http://www.antipa.ro>).

The clear objective of the exhibition (the education for science and health) is reinforced by the prestige of Antipa Museum of Natural History (in fact, Romania is the only country where the exhibition has been hosted by a museum of science). The director of the museum and the PR Department explained on several occasions that the exhibition in Bucharest was organized after a careful selection of the bodies exposed. The educational and scientific purposes were assumed by the museum, and the selection of the exhibits was negotiated with the company GForce (Dan, 2013; Stănescu and Tudorache, interview, October, 17, 2013).

The GForce organizers also declared: "we have worked for two years in order to have the exhibition ready for the museum in Bucharest. We presented the bodies in familiar postures so that the audience could observe the position of the human organs, bones and muscles during a normal daily physical activity" (Chiruta, 2013). The international

media cited on Antipa Museum website restated the praises and positive opinions on the exhibition across the countries (<http://www.antipa.ro>).

However, making a show out of dead human bodies, displayed in everyday life poses in an attempt to familiarise the public with anatomy (to 'democratise' anatomy) is regarded with mixed feelings by the public and scientists. However, this type of display could be seen as being part of *l'esprit du temps*, of an 'interactional post-modernity' which encourages the intersection of information with emotion (Lazăr, 2008, p.15). A typical feature of our society is the 'crisis of representation' (Rovența-Frumușani, 2013, p. 11), which, in our case, refers to a double possibility in the medical field: the virtualisation of the body (the 3D techniques that allow explorations of the human body through non-invasive methods) and the plastination techniques which make the preservation of 'real' human bodies possible. Both situations have consequences in the construction of human identity, leading to a possible "exploration of a new subjectivity without involving the existence of an original subjectivity which could be the true one" (Negru, 2013, p. 133). One could argue that the answer to the question "Who am I?" is not that simple after visiting the exhibition of plastinated human bodies.

On the other hand, when it comes to the **poetics** (the internal articulation and production of meaning) – **politics** (production of social meaning, through institutional power) dyad of representation (Lidchi, 2013, p. 157), we notice that the organisers of the plastinated bodies exhibitions downplayed the politics, emphasising the poetics of representation. All the enquiries related to how

the exhibits (i.e. human dead bodies) had been collected and where they had come from were dismissed in polite press releases or public statements that reinforced the scientific and artistic value of the exhibitions (see, for example, [www.bodyworlds.com](http://www.bodyworlds.com) or <http://thbexhibition.com>).

### 3. The Human Body exhibition in Romania

A 'natural history cabinet' (that would later become the 'Grigore Antipa' National Museum of Natural History) was established in Bucharest in 1834 on the initiative of Mihalache Ghica, who donated important collections of coins, rocks, fossils, animals, and work of arts. The Museum was a 'mixed institution', displaying antiquities, old paintings alongside natural curiosities (<http://www.antipa.ro>).

The name of the Museum pays tribute to the best-known director of the institution, Dr. Grigore Antipa, who managed the Museum between 1893 and 1944. Dr. Antipa (1867-1944), a world famous scientist, organized and expanded the collections of the Museum, bringing valuable specimens from all over the world. He was also the first to create in the Museum in Bucharest the biogeographical dioramas that became an inspiration for many great museums of the world (<http://www.antipa.ro>).

Dr. Antipa argued that museums were organized for a large audience therefore the exhibits had to be selected on pedagogical as well as scientific grounds. In a 1934 public conference, he explained his ideas on the principles of organizing a museum, emphasising that "the chosen objects should 'speak the language' of every visitor, i.e. to attract

their curiosity, to enrich their knowledge taking into consideration the intelligence, the capacity of understanding and the culture of the visitor." (Antipa quoted in Zbucnea and Ivan, 2008, p. 19).

At present, the Museum manages an impressive collection of insects (more than 1,000,000 specimens), molluscs (250,000 specimens) and crustaceans (103,000 specimens). The vertebrate collections include 46,500 specimens and the collection of Compared Anatomy has approximately 1,600 specimens including skeletons, fluid-preserved specimens (organs and systems kept in formalin), embryos, etc. (<http://www.antipa.ro>)

The 'Grigore Antipa' National Museum of Natural History is the most popular and renowned museum in Romania, according to the data collected in a survey conducted in 2005. 17.64% of all Romanians said that they had visited the museum at least once (Barometrul de consum cultural, 2005, p. 20). As a rule, many Romanians visit the 'Grigore Antipa' National Museum in childhood, during school field trips. Therefore, the Museum is perceived by the public as mainly being an educational site.

The Human Body exhibition was organized between March 22 and August 4, 2013, in the building of the 'Grigore Antipa' National Museum, by two specialized companies, in collaboration with the Museum.

The Human Body exhibition included over 200 specimens. Eight human bodies (seven men and one woman), body parts (organs) and fetuses were displayed in nine rooms. According to the museum website, "thanks to the organ and tissue dissections, the exhibition offers a unique, 3D perspective which accurately presents everything that is hidden under our skin, the

miracle of the human body and its functioning" (<http://www.antipa.ro/categories/55/pages/296>). In every room, there was a guide – a medical student (named 'docent') dressed in white, who offered scientific information on the specimens. The exhibits were chosen by the Museum, which set an educational objective for the exhibition and a target group composed of adolescents and young adults. (Stănescu and Tudorache, interview, October, 17, 2013)

Professor Dumitru Murariu, member of the Romanian Academy and director of the museum also explained: "There are people who want to know and people who don't, but each of them should respect the other's choice" (Murariu quoted in Dan, 2013).

Both the foreign organizers (GForce) and the representatives of the museum underlined that The Human Body exhibition was an opportunity for the Romanians to find out information on the human body. The exhibition is presented on the website as an event whose "purpose is to change the perspective on the human body by giving the Romanians, for the first time, the unique chance to see their body through the eyes of a surgeon and to experience a visual incursion within themselves".

Last but not least, the objective of the exhibition would be "to encourage the visitors to respect and take care of their body" by choosing a healthy lifestyle (<http://www.antipa.ro/categories/55/pages/296>).

Therefore, the location of the exhibition is of extreme importance in understanding the cultural context of the Human Body event. There is a strong possibility that the visitors associated the prestige of the Museum with the exhibition, taking into account the fact that the Museum itself displays an important

collection of Compared Anatomy, too.

Another aspect that is also important for our study is the fact that almost 400 elementary schools (public and private, urban or rural) in Romania took pupils on organized field trips to the exhibition. More than 8.000 of the visitors were children, between 7 and 18 years old (Stănescu and Tudorache, interview, October, 17, 2013).

#### 4. The research

Previous articles on museums explained that museum visitors' books, held by almost all museums worldwide, are only seldom used as a source during scientific research (Macdonald, 2005, p. 119).

However, visitors' books may provide important insights into the views, experiences and understanding of the persons that visit these cultural institutions.

In an interesting study (Accessing audiences: visiting visitor book), Sharon Macdonald argues that "an exhibition's visitor book should, perhaps, be seen as an integral part of that exhibition– an interactive exhibit in which many visitors participate (either by writing or reading)" (Macdonald, 2005, p. 125). The visitors' books also offer an insight into the intercultural experience of visitors as foreigners also share their views on the museums or exhibitions.

The visitors' book gave the visitors the opportunity to convey their impressions. "From this point of view, the exhibition must make an effort to inform them [the visitors], to get them to discuss it, to give their opinion, to feed and enrich their point of view. (...) Here, we also find a certain form of cultural emancipation that affects the content less than the way the visitors relate to these

contents. [The audience] find themselves being able to discuss the choices of the museum and the intentions of the organizers, to have a personal or collective opinion on the quality of the exhibition and the speech of the scientists, to confirm and share it." (Rasse, 2003, p. 112-118).

Therefore, as Sharon Macdonald explains, writing a comment in the visitors' book is seen as an 'exit ritual'. It is a form of ritualized communication. That is why children tend to write in a very appreciative manner. The studies revealed that approximately 20% of the visitors write directly into the book: "Others either read some of the entries or look over the shoulder of a companion as he or she writes, it being fairly common for individuals to make entries on behalf of a group (e.g. a school teacher for a whole class, or one comment for a whole family or group of friends)." (Macdonald, 2005, p. 125).

Many entries are conventional, containing only a name, a signature and polite remarks ('interesting', 'instructive', 'good work', etc.). Of interest for our study are the longer comments that cover in some cases half or an entire page of the book, with positive and negative judgments.

Like other forms of qualitative research, the examination of visitors' books will lead to an important gain in insight, relevant for understanding the social and cultural context in which a museum or exhibition exists. We cannot agree with Zbucnea and Ivan who exclude the possible research value of the visitors' books in Romanian museums on the grounds that they have been kept for no particular reason since Communist times, when similar books were present in other institutions and even in general stores in order to collect suggestions from the public

(Zbucnea and Ivan, 2008, pp. 22-23)

We argue that examining the visitors' books may give access to **authenticity** by exploring direct and immediate comments/entries made by the people that actually saw the exhibition. In the Romanian public sphere, there were many opinions against the exhibition made by people who had not visited it. The PR, Cultural Marketing Cultural and Educational Programs department of the Museum concluded after monitoring Romanian mainstream media that the journalists, opinion leaders, bloggers and their readers negatively reflected on the exhibition, making references to exhibits that were not present in Bucharest, but in other similar exhibitions worldwide (Stănescu and Tudorache, interview, October, 17, 2013). On the other hand, it is also important to note that the misuse of science and technology is not an issue in Romanian media (Surugiu, 2013, p. 198).

In order to investigate the opinions of people who had a first-hand experience visiting the exhibition, we selected for our research the visitors' book of the Human Body exhibition in Romania. We have also taken into consideration the fact that in the contemporary context, museums consider the visitors and their questions, suggestions or opinions a central concern (Rasse, 2003, p. 116).

The Museum reported that approximately 80,000 visitors visited the exhibition between March 22 and August 4, 2013. The exhibition was supposed to end on June 30, but it was extended until August 4 due to the large number of visitors, as the Museum explained in a press release (<http://www.anti-pa.ro>).

The visitors wrote their comments in a notebook (Visitors' Book) named 'Cartea de

impresii' (in Romanian). It was a different book from the Museum's regular visitors' book. The notebook was opened on March 21, when a preview of the exhibition was organized for a selected audience (elementary and high school teachers from Bucharest). The document (22x30cm) contains 1290 comments, displayed on 217 pages (recto-verso). The majority of entries were in Romanian, but there were also entries in other languages such as: English, French, Dutch, Spanish, Italian, an Arabic dialect, Chinese etc.

The visitors usually give their names, address and even institutional data when commenting in the visitors' books. However, in order not to raise any ethical issues, all the quotations reproduced in this paper were kept anonymous in order not to allow the identification of the visitors who wrote the comments. When we drew examples from the visitors' book, we inserted in brackets the initials of the person (if known) and the page number.

We studied the visitors' book using content analysis based on series of keywords. The aim of the content analysis was to establish three series of correlations that could help us outline the **cultural context** of the exhibition:

(1) Exhibition as: science (knowledge) – technology – art – religion (spiritual dimension of the human being).

(2) The Exhibition's aim: education (information) - health education – entertainment (show) – terrifying display.

(3) The Exhibition's components: dead body – human body – exhibit.

The quantitative analysis yielded 1290 entries divided into: short messages (787 entries) and long messages (503 entries).

As stated above, we took into consideration the longer comments that contained at least one or two full sentences.

From the content analysis of long comments (503 entries), we drew the following results:

The exhibition was perceived by the visitors as being a **scientific** event (134 entries), a **technological** display (23 entries) or an **artistic** display (13 entries). Only 35 out of 503 entries debated the **religious (spiritual) dimension** of the exhibition.

The exhibition's aim was considered to be mainly **education (information)** (154 entries), **health education** (26 entries). 24 entries commented that the exhibition was a **terrifying (horrible)** place (display), and 7 comments stressed the **entertainment** aim of the exhibition.

The exhibition's components were characterized as **exhibits** (47 entries), **dead bodies** (25 entries) or **human bodies** (14 entries).

### 5. Discussion. Exploring the 'Human Body' exhibition visitors' book

The content analysis on the visitors' book showed that the visitors perceived the exhibition mainly as a scientific event, with a focus on education and health preservation. The comments on entertainment and ethical issues (including the religious dimension) were rare, but very passionate. For example, a visitor wrote that the exhibition displayed "cynicism because it shows the exhibits with sports equipments" (S.C., p. 128). Another visitor wondered: "Would they have been playing darts and basketball when they were killed and tortured?" (not signed, p. 131).

At the other pole, the comments which praised the exhibition tended to put primary emphasis on the cognitive side. The exhibition offers an opportunity to learn, to understand the human body. "I consider that this



is the result of a serious, scientific work, useful for everyone", explained a medical practitioner on page 89 of the visitors' book. Other visitors mentioned that the exhibition was: "a progress for science" (not signed, p. 110), "anatomy transformed into Art" (F., p. 117) or "an accomplishment of science" (M.C., page 73). "Science means curiosity" (C.C., p. 165) added a visitor, while someone argued: "If it hadn't been for Leonardo Da Vinci's dissection of bodies, we would now be in the Middle Ages of medicine and science" (T.B., page 105).

In their comments, teachers and medical practitioners usually praised the 'craftsmanship' (p. 75) required by the preparation of the specimens, and considered the exhibition a tribute to the human body.

A special category of comments is represented by the ones that praise the divine creation in the context of the exhibition, displaying a mixture of creationism and science. The human body is a perfect result of God's perfect creation: "Very impressive! There is a God!" (not signed, p. 83), "Life is a miracle" (A. and M., page 92), "When God created the human, He made him perfect" (not signed, p. 92), "They are still alive" (illegible signature, p. 114), "How can anyone still say that man appeared by accident?" (A.S., p. 5) or "I have understood why abortion is a crime" (C., page 203). These comments are motivated by the stated purpose of the exhibition, to encourage (self)-reflection on the body. Seeing plastinated bodies represented, for some of the visitors, a chance to direct their eyes towards their own bodies, and admire the perfection of the 'inside'.

It is true that many comments stressed the educational and medical value of the exhibition. However, when it comes to the

exhibition's components, moral concerns are raised. The specimens are described both as 'exhibits' (involving a possible scientific detachment) and as 'bodies' (involving a moral doubt about turning real human bodies into exhibits). Some visitors explained that anatomy books, posters or simulacra were sufficient for understanding the human body. Several visitors complained about the bad smell, which could be seen as an olfactory illusion, based on the idea that dead bodies were displayed.

Others wrote: "I wonder who these people were..." (A. L., p. 143), "Très belle expo. Mais d'où viennent ces corps?" (In French, in original: "Very beautiful exhibition. But where do the bodies come from?", illegible signature, p. 66) or "These humans weren't tortured Chinese, that's for sure (sic!)" (not signed, p. 20).

One visitor negatively commented on the educational aim of the exhibition: "To advise people that they were lucky enough to be born in a country that somehow respects their right to give up smoking while an artistically modelled dead body is behind them... Civilisation?" (S., p. 24). The comment makes reference to an exhibit that displays a lung affected by cancer next to a box where the visitors are advised to throw away their cigarettes and quit smoking.

An intercultural approach to the exhibition must take into consideration the fact that the 'Human Body' displayed the Others, not Us. As mentioned above, the faces of the human bodies have Asian features and the organisers admit they come from China. The negative construction of Asians as the Other shows a lasting cultural stereotype: Asians do not care much about individuality (J.N. Martin and T.K. Nakayama, 2007). In this



context, we note several discriminatory or even racist comments that contain the above-mentioned stereotype.

Many visitors did some research before visiting the exhibition, mainly using the Internet. In some comments, there were questions related to the discrepancy between the exhibition and the images available on the Internet: "On the Internet we saw many interesting bodies that were not displayed in the exhibition..." (H., p. 40), "Where are the other exhibits that were mentioned on the Internet?" (M. P., p. 56) or "I was disappointed by the small number of exhibits..." (C. V., p. 108). The confusion is based on the fact that the Bucharest exhibition was not related to the 'Body Worlds' of G. von Hagens. However, many images available on the Internet come from von Hagens' exhibitions. One example is the Pregnant Woman who can be seen only in von Hagens' exhibitions and was mentioned as 'missing' by the visitors in Romania (A. Stănescu and O. Tudorache, interview, October, 17, 2013).

On the other hand, the visitors argued that "contrary to the negative commentaries in the media, lacking logic or solid arguments, the exhibition is extraordinary" (M. G., p. 9) or that "it has nothing to do with the protests outside (the building)" (not signed, p. 66). The above-mentioned comments refer to two facts: (1) there were many negative articles on the Human Body exhibition in the Romanian media and (2) a protest against the exhibiting of plastinated bodies was organized by a pro-life NGO (Provita Media) in front of the 'Antipa' museum during the exhibition.

The religious/spiritual side is mentioned only in a few comments (35), while the entertainment side is rarely present (7

comments), although there were many articles stressing these issues in the Romanian media. Moreover, the Minister of Education, Remus Pricopie, said that "he would not take his child to such an exhibition" and his staff recommended that schools do not organize day trips to the Human Body exhibition ([adevarul.ro](http://adevarul.ro)).

## 6. Conclusions

In the present paper, we have analyzed the reception of the Human Body exhibition of 2013 in Romania, using a managerial approach. The research was based on the exhibition visitors' book, and its aim was to investigate how the 'Grigore Antipa' Museum, host of the Human Body exhibition in Bucharest, Romania constructed the cultural context in which the scientific arguments prevailed over the religious ones.

We argue that several factors turned the exhibition into a scientific/medical event in the eyes of the visitors. The exhibition was organised in a Natural History museum in Romania ('Grigore Antipa' Museum), famous for hosting many collections, including a Compared Anatomy one. The Museum selected the specimens in order to meet an educational aim, excluding all the poses that served only for the entertainment of the visitors. In every room, there were medical students who introduced the specimens to the public and offered scientific explanations. Large panels with medical information were also displayed. Other similar exhibitions allowed the people to touch or hold some exhibits and had background music (see, for example, Scott, 2011, p. 170), but this was not the case in Romania where the visitors kept their distance from the bodies. The setting

itself reinforced the idea of a scientific site. These factors created a cultural context that transformed the controversial exhibition into an event found acceptable by the public who actually visited it.

Most of the comments in the visitors' book confirmed the objective of the exhibition set by 'Antipa' Museum. The main topics included as follows: the exhibition as scientific event that facilitates the understanding of the human body and health education, the science-art relationship, a focus on science, not on entertainment, the perfection of the Human-divine creation. There are also comments on the Human Rights regarding the origin of the bodies. These comments are generally questions or responses to the debates launched by the media, that the visitors were aware of. This could be considered the national approach to this international

exhibition. This positive approach would not have existed without a rigorous management of the exhibition, and reflected the scientific and educational objective of 'Antipa' Museum.

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# The Role Of Grenelle II In Corporate Social Responsibility Integrated Reporting

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**Abstract:** *There is in the paper, the analysis of the Grenelle II act from Corporate Social Responsibility reporting point of view. France has long been an important global champion of corporate sustainability reporting. While this trend has advanced the integration of CSR into business practices, the increasing number of regulations has also made it more complicated and costly for international companies to create reports that fulfill the differing requirements of each foreign law. The Grenelle 2 law adopted in July 2010, implements the Grenelle 1 goals. It sets specific objectives, strategic, incentives and regulations. This Act aims at forcing companies to progress in reporting their environmental and social information: there is no sanction (such as fines), requirements are on a “comply or explain” basis and the implementation is progressive. The main advantage of such an Grenelle II Act is a beginning and will have to be rewritten and improved, taking into account the international movement – is to shift minds regarding CSR. CSR and extra-financial information has nothing to do with communication anymore: it is clearly a strategic and management process, facilitated by the reporting process.*

**Key words:** CRS, Corporate Social Responsibility reporting, Corporate Social Responsibility indicators, Grenelle

## 1. Introduction

Nowadays, entrepreneurs, hoping to meet the growing demand, should feel responsible for the methods and results of their operations (Hąbek 2008). To do this, they must in his business concentrate not only on the purely business - the company's profit, but also to determine the impact of they business on society (Wolniak and Drzewowska 2009; Wolniak and Sędek 2009; Wolniak 2013). The problem is not only the implementation of the principles and requirements of corporate social responsibility in the organization, but also a matter of measuring the extent to which the organization is involved in the issues. To do this particular organization should to use appropriate indicators to measure the level organization's engagement into corporate social responsibility. For such a comparison would make sense, the data must be compatible and complete. Achieving this requires the creation of reporting systems activities in the field of corporate social responsibility.

The Grenelle 2 law adopted in July 2010, implements the Grenelle 1 goals. It sets specific objectives, strategic, incentives and regulations. This Act aims at forcing companies to progress in reporting their environmental and social information: there is no sanction (such as fines), requirements are on a "comply or explain" basis and the implementation is progressive. The only juridical risk for companies is that if a company fails to comply any stakeholder could go the court and claim the missing information. In this paper there is an overview of Grenelle 2 act from Corporate Social Responsibility reporting point of view.

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## 2. Corporate Social responsibility in France - overview

The major international guidelines on corporate social responsibility reporting include the Global Reporting Initiatives (GRI) guidelines which often refer to their country by creating local solutions in this area (Thomas and Piedade 2006; Şirketlerin and Sorumluluğu 2009; Yip, et all 2011; Chaundary at all 2012; Hąbek and Wolniak 2013; Wolniak and Hąbek 2013). The mains solutions contained in the GRI are confirmed by the fact that by June 2011 until 2889 organizations around the world have conducted many social reports prepared in accordance with these guidelines. These guidelines in a very detailed manner regulate the content of the report, which should include the following elements (Paszkievicz 2011):

- strategy and profile - a description of the organization strategy with reference to the sustainable development issue, a review of the structure of the organization and scope of the report,
- approach to the management - contains a description of the organizational structure, policies, management systems and efforts to involve stakeholders,
- performance indicators included in the three areas - economic, environmental and social.

During the last decade, the reporting of nonfinancial information has become

widespread. Initiatives, such as the Global Reporting Initiative (GRI), have caused the number of organizations releasing voluntary sustainability reports to blossom to over 4,000.<sup>1</sup> At the same time, regulatory bodies and stock exchanges have begun adopting laws and regulations that have further extended the practice of sustainability reporting. While this trend has advanced the integration of CSR into business practices, the increasing number of regulations has also made it more complicated and costly for international companies to create reports that fulfill the differing requirements of each foreign law (Wild 2008; Maheshkumar 2010; Poroy and Ciftcioglu 2010; Jinu 2012; Hys and Hawrysz 2012; Escrig-Omero et al 2012; Hys and Hawrysz 2013; Hąbek and Wolniak 2013; Wolniak and Hąbek 2013; Josan 2013).

France is one of the countries where there is a number of initiatives aimed at increasing the range of the Corporate Social Responsibility concept. France is also one of the countries which think that the European Union was working on the definition of pan-European standards for corporate social responsibility reporting. The French believe that the harmonization of rules at the level of reporting across the European Union is an essential element of a proper international politics. In this way they want to provide clear business principles of operation, easy for suppliers inside and outside the European Union. In his projects, France also pointed out that the same requirements driven in this publication subject cannot be used by small businesses and large enterprises, so they created a system of rules adapted to the size and profile of the organization (Hąbek and Wolniak 2013).

France was also the first country that issued the Ordinance on obligatory application

and solutions for corporate social responsibility in the public sector. The tradition of reporting on corporate social responsibility in France is relatively long and dates back to 1970. Then the president of France obliged companies employing more than 300 people to publish reports (so-called social balance) which contained over 1,000 indicators on the social impact of the activities of these organizations. Then, on May 15 2001, they extended the range of indicators. Those indicators included reports on issues relating to equality between men and women and risk management. The document, which includes all of these issues, is called the New Economic Regulations - New Economic Regulations (NER) (Carrot and sticks; A guide to CSR 2010).

In 2009, developed draft document (Grenelle 1 Act) relating to environmental reporting was designed to introduce requirements for companies employing more than 500 people with high greenhouse gas emissions. These companies from January 1, 2011 must publish data on greenhouse gas emissions. This concerns in France about 2500 companies. Currently Grenelle Act requirements have been implemented in the new version of the New Economic Regulations (NER).

French experience shows that the adoption of this new Economic Regulation of social and environmental reporting has become a catalyst for obliged French companies in terms of including CSR objectives and principles of sustainable development into their system of governance. Research conducted in 2004, and therefore only a few years after the introduction of the document, showed that half of the 40 largest French companies draw up reports on a broad social responsibility in



the form of separate reports, while others put the information in the integrated report of the organization. The biggest challenge was to define the scope of reporting for companies who are holding. Also makes it difficult to report information about suppliers, since in this area that the company has little full details (Carrot and Sticks).

In order to improve the flow of information The French created special Internet platform to cover social reporting problems. This site was created in 2010. It contains information about most of the corporate social responsibility initiatives and sustainability reporting by organizations. Its purpose in addition to providing easier access to information for stakeholders and the public to show best practices, all of which will benefit other organizations.

In the year 2010 a new version of the document NER was created. The document provides additional requirements and further mobilized French organizations in order to promote the widest possible reporting issues related to corporate social responsibility reporting. Very interesting, a new initiative in the field of corporate social responsibility reporting was founded in France in 2008. The French Government then established a partnership on environmental technology called - Ecotech 2012, which was developed jointly by the Ministry of Industry and the Ministry of Ecology.

France has long been an important global champion of corporate sustainability reporting. Since 2001, the French law *Loi sur les Nouvelles Régulations Economiques* (NRE) has required public companies to include information on the social and environmental consequences of their activities in their annual reports. Since 2001, French listed

companies had to report on a rather comprehensive and precise framework of environmental, social and governance indicators. It sparked the extra-financial reporting trend in France. Actual efforts have progressively been made over the last decade by French listed companies, especially the largest ones. However, to fill the reporting gap between listed and non-listed companies, the legislative framework had to be reviewed (Le Grenelle Environment).

During the "Grenelle de l'Environnement", a large multi-stakeholder forum on sustainability issues and public policies supporting CSR for France, an agreement has been reached to broaden this reporting process and make it more reliable. After tough and long discussions between civil society and business representatives, a bill has been passed and has been transposed into the French Commercial Code, in July 2010. It took 2 years of negotiations and the publication of the decree precising the information to be reported in May 2012 to actually implement the Act. Listed companies will apply these requirements as of Grenelle II 2012. This Act will be reviewed after three years and is under the pressure of the European Commission, which prepares its own recommendation for 2013, to extend the reporting of extra-financial information. (The Grenelle II Act).

In practice, however it fails to fully implement Grenelle 1. Many argue that Grenelle was „killed“ as the application of the law was weakened by lobbying interest groups. *Le Monde* ran articles in May 2010 titled „How Grenelle II Was Undone“ and „Have Deputies Betrayed Grenelle?“ The left and the Greens voted against Grenelle 2, and some NGO's exited the preparatory

process entirely (Beatley 2009; Conrad and Thompson 2013).

Now the French government has passed a new reporting mandate into law—one that could change the way companies in both developed and emerging markets design their reporting practice for a number of reasons: The law is far-reaching. It affects both companies headquartered in France and those headquartered elsewhere with operations in France. The law is robust. It requires companies to report on up to 42 indicators spanning environmental, social, and governance categories. When they demand transparency from companies, stakeholders are likely to use these indicators even if the law does not directly affect the company in question. The law creates more complexity in today's globalized reporting landscape. In a world where trust in corporations is generally low and calls for transparency are increasingly high, companies that are able to respond to complex regulations and build trusting, engaging, and constructive dialogue with their stakeholders will develop a competitive advantage (Morris 2012).

### 3. Corporate Social Indicators in Grenelle II

The Grenelle II is a development version of Grenelle I act. The Grenelle I Grenelle 1

Programming law was relating to the implementation of Grenelle Environment 57 articles relating to the Grenelle Environment commitments, in particular (France le Grenelle):

- fighting climate change,
- conservation of biodiversity, ecosystems and the natural habitat,
- prevention of risks to the environment and health such as the reinforcement of the policy on the reduction of waste,
- implementation of ecological democracy through new forms of governance,
- better public information.

Now the Grenelle 2 law enshrining a national commitment to the environment 248 articles were adopted (102 initially), a Bill which Parliament greatly improved and which dealt with six major areas (France le Grenelle):

- improving the energy footprint of buildings and standardisation of planning measures,
- making essential changes in the transport sphere,
- reducing the consumption of energy and manufacturing's carbon footprint,
- conserving bio-diversity,
- controlling risk, waste treatment and preserving health,
- implementation of new ecological, governance and laying the foundations for more sustainable manufacturing and consumption.

Article 225 of Grenelle II requires reporting on over 29 indicators spanning environmental, social, and governance categories. Below is an exhaustive list of the indicators that all affected companies must address. Listed companies on French stock exchanges are subject to 13 additional indicators, marked with in the table 1.

Table 1. Grenelle II indicator tables

| Indicators  | Subindicators  |
|---|--|
| <b>Environmental</b>  |  |
| General environmental policy  | Company efforts to take into account environmental issues and, where appropriate, assessments or environmental certifications  |
|   | Employee training programs on environmental protection   |
|   | Resources devoted to prevention of environmental risks and pollution   |
|   | The dollar amount of provisions and guarantees for environmental risks, provided that such information is not likely to cause serious harm to the company in ongoing litigation. |
| Pollution and waste management  | Measures to prevent, reduce, or compensate for air, water, and soil emissions severely affecting the environment   |
|   | Measures to prevent, recycle, and dispose of waste   |
|   | Taking into account noise and other forms of pollution   |
| Sustainable use of resources  | Water use and water supply based on local constraints  |
|   | The consumption of raw materials and steps taken to improve their efficient use  |
|   | Energy consumption, measures to improve energy efficiency, and percentage of renewable energy used   |
|   | Land use   |
| Climate change  | Greenhouse gas emissions   |
|   | Adaptation to climate change impacts   |
| Protection of biodiversity  | Measures taken to preserve or enhance biodiversity   |
| <b>Social</b>   |  |
| Company's territorial impact and economic and social activity                               | Employment and regional development  |
|   | Neighboring and local populations  |
| External relations with individuals or organizations interested in the company's activities | Opportunities for dialogue with these individuals or organizations   |
|   | Partnership or corporate philanthropy  |
| Subcontracting and suppliers  | Taking into account social and environmental issues in purchasing policies   |
|   | Percentage of outsourced work and the inclusion of social and environmental responsibility in conversations with suppliers and subcontractors                                    |
| Loyalty practices   | Actions taken to prevent corruption  |
|   | Measures taken to promote consumers' health and safety   |
| Human rights  | Actions taken to promote human rights  |
| <b>Governance</b>   |  |
| Employment  | The total number and distribution of employees by sex, age, and geographical area  |
|   | Hiring and firing of employees   |
|   | Current salaries and salary progression  |

|   |   |
|---|---|
| Work organization   | Working hours   |
|   | Absenteeism   |
| Social relations  | Social dialogue efforts, including procedures for informing, consulting, and negotiating with staff |
|   | Collective bargaining agreements  |
| Health and safety   | Health and safety conditions  |
|   | Agreements signed with trade unions or staff representatives on health and safety                   |
|   | Occupational accidents (incl.frequency/severity) and occupational diseases                          |
| Training  | Training policies   |
|   | Total training hours  |
| Equal treatment   | Policies and measures taken to promote equality between women and men                               |
|   | Policies and measures taken to promote the employment and integration of disabled persons           |
|   | Policies and actions taken to prevent discrimination  |
| Promotion and enforcement of the International Labor Organization's basic conventions | Respecting freedom of association and collective bargaining   |
|   | Elimination of discrimination in employment and occupation  |
|   | Elimination of forced or compulsory labor   |
|   | Effective abolition of child labor  |

Source: on basis (Morris 2013; Article 225 of France; Article 225 du Grenelle II; Grenelle II table).

The new law package contains six pillars and contains the 'outlines' and 'logistics' of the application on regional and local level (French Government presents Grenelle II law):

- Improving the Energetic Performance of Buildings. Among the measures are : insisting on 'Batiments a Basse Consommation' (BBC, < 50 KW/H/m<sup>2</sup> per year) for new buildings and to reduce the consumption of existing buildings by 38% untill 2020. Which makes sense as the existing buildings use on average 250 KW/H/m<sup>2</sup> per year, as stipulated in earlier article.

- Creating a change in Transport Use. Among the measures presented are : speeding up the process of public transport infrastructure, insisting local public authorities on offering 'lease-bikes' and car-sharing

programs, and subvention of electric and hybrid car development.

- Reducing significantly Energy Consumption and Carbon Emissions. Measurements foreseen are : Obligation of all enterprises with over 500 employes and municipalities with more than 500.000 inhabitants to calculate CO<sub>2</sub> emissions on a yearly bases, see also earlier article, Stimulation of Renewable Energies, notably by simplification of governmental procedures.

- Preserving Biodiversity. Pharmaceutical and hospital products will be more restricted and reported. Choice of new geographical zones that need special attention.

- Risks, health and waste. Various measurements are proposed, such as the Protection of Electrical and Telephone

Network workers. Quite remarkable is the new and explicit Interdiction of telephone use in all schools of all ages. The phones may only be used outside the school, only with separate earphones connected with a wire to the phone.

- A new Ecological Governance Model. Introduction of Five 'Colleges' of Stakeholders : ONG, Entreprises, Unions, Public Authorities and Public Administration. Regions with over 50 000 inhabitants will be obliged to create a Sustainable Development report. Exchange with NGOs, Associations and Enterprise Representatives will be extended on a regional and local level to reinforce transparency and exemplarity. Each product should carry CO2 emission information, related to the CO2 emissions created by transport of people and goods.

#### 4. Implementation process and implications

To make sure every company (depending on its size) has enough time to comply with these new requirements, the implementation schedule is progressive. Hence the decree set thresholds (table 2). Literally the decree defines that the requirements apply from the «fiscal year open after December 31st 2011» in the case of the listed companies. That means the requirements apply as of fiscal year 2012 (covering data from January 1st 2012 until December 31st 2012) in the case of an annual closing date on December 31st. For a listed company, in the case of an annual closing date on March 31st, then the reporting is due for the period covering April 1st 2012 until March 31st 2013. The certificate of compliance is due as soon as the Act applies to the company. This is not the case for the verification (The Grenelle II act in France).

Table 2. The verification of reporting requirements in Grenelle II

| Type of companies  | Reporting requirements and certificate of compliance | Verification |
|--|--|--------------|
| Listed companies and companies borrowing on the stock markets                    | 2012   | 2012         |
| Companies > 5,000 employees with total assets or annual net sales > €1 billion   | 2012   | 2017         |
| Companies > 2,000 employees with total assets or annual net sales > €400 million | 2013   | 2017         |
| Companies > 500 employees with total assets or annual net sales > €100 million   | 2014   | 2017         |

Source: on basis (The Grenelle II act in France).

There are many implications of sustainability reporting. In table 3 there is a description of main benefits of this process. We think that reporting process is very important from

social and economical points of view and by this process we can attend better development growth – sustainable growth of industry and country.

Table 3. Main implications of sustainability reporting

| Implication                      | Commentary  |
|----------------------------------|---|
| <b>Transparency</b>              | Regulation has called for much more transparency in reporting and regulation so far has provided greater transparency than ever. Transparency helps stakeholders get a better sense on how companies can effectively contribute to a more just and sustainable world. Even if the overall reporting process can still be improved, stakeholders have greater access to information than ever before.  |
| <b>Comparability</b>             | One risk of increasingly fragmented regulations is increasingly fragmented reporting. When developing a process for sustainability reporting, a company should consider robust, best-practice regulations and guidelines, such as Article 225 of the Grenelle II Act and the GRI Guidelines. If companies model their reports after these guidelines, companies will be reporting on similar indicators, meaning that stakeholders will be able to compare their data. Such an industry-wide view is invaluable.  |
| <b>Balance</b>                   | That being said, regulators, companies, and stakeholders need to find the right balance between pressure and cooperation. The French Article 225 toes the fine line between the two and could either become a policy that spurs greater efforts to engage stakeholders and reduce sustainability effects with the potential to spark wider adoption across industries. Also an overly prescriptive policy that becomes a pure compliance mechanism. In this case, sustainability reporting would lose the added value of improving decision makers' insight into strategy and operations, clouding the important issues with mandatory responses to nonmaterial data.   |
| <b>Link issues to indicators</b> | Success in reporting depends on whether a company gives serious consideration to improving management processes by looking carefully at the indicators key to their actual performance—even if one of these indicators is not required of their business by law. For example, one of Article 225's supplemental social indicators calls for data on the "percentage of outsourced work and the inclusion of social and environmental responsibility in conversations with suppliers and subcontractors." Companies which are seriously addressing issues such as carbon footprint or even traceability of conflict minerals must ensure that relevant suppliers are part of the companies' initiatives in order to build more sustainable and responsible supply chains. Advancing these issues requires defining and putting into place inclusive processes and companies should use this indicator to help measure their success. |

Source: on basis (Morris 2012).

## 5. Conclusion

The main advantage of such an Grenelle II Act is a beginning and will have to be rewritten and improved, taking into account the international movement – is to shift minds regarding CSR. CSR and extra-financial information has nothing to do with communication anymore: it is clearly a strategic and management process, facilitated by the reporting process. It consists in sharing its

most significant issues, its strategic roadmap, its investments. And leave the rosy comments behind. Figures prove and convince more than a 100 pages stand-alone CSR report. The plug-in to the financial reporting process is on track. It seems that the new conducted law can help organizations to concentrate on following activities:

- take mandatory reporting as many organizations reporting systems to adapt to different size profile of the organization,



- increasing the scope of information included in the mandatory reports,
- public disclosure in the Internet to anyone interested had easy access to reports and indicators,

- standardization of reporting at the national and European level to ensure their compatibility and comparability.

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# Civil Society Organizations' Contribution To Democratic Governance In European Union

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**Abstract:** This paper tries to focus/put emphasis on what are Civil Society Organizations are and gives an outline of categories of such Organizations in Europe, it briefly looks at Governance and Democratic Governance concepts. It will then after focus on the major roles of Civil Society Organizations in European democratic Governance drawing other examples also from other countries where possible and try to bring out scholarly arguments on the negative impacts of civil society organizations. The paper ends with conclusions and analysis of SC participation through EU's multilevel governance. Much of my discussion and commentaries shall be depicted and based on information and ideas put forward by the following scholars; Paul Magnette 2003, European Governance and Civic participation, Dawid Friedrich 2007/08, Actual and Potential Contribution of Civil Society Organizations to Democratic Governance in Europe, EU Governance White Paper 2001, Rollin F. Tusalem 2007, the role of Civil Society in the Third and Fourth-Wave Democracies and other scholars not limited to the above.

**Key words:** civil society, democracy, governance, european union

### 1. Concept of Civil Society

The term civil society has been perceived by different scholars to be associated by any organized group of people independent from the state and partly self sustaining. The question of civil society organizations being non-profit making to my understanding is still debatable due to the fact that according to some scholars even business entities and trade unions can be categorized as civil society organizations or associations. This can be depicted from Antonio Gramsci's perception of civil society as a "private" realm that includes unions which renders civil society organizations not to only be limited to nonprofit making. In reference to other scholars, Rollin considers any grouping that assumes representation of collective interests can be claimed as part of civil society, or civil society may be defined as the totality of civic engagements citizens commit to join in the polity (Anheir, 2004; Cohen and Arato, 1992; Walzer, 1991), at other times, the concept of civil society is conflated with that of social capital, as in the work of Michael Edwards (2004) and Edwards' conceptual definition of civil society includes civic engagements that promote an associational life, a good society, and a public sphere in which ideas and ideologies can be discussed and debated<sup>1</sup>. Therefore, one can only conclude that civil society has no clear definition but only stems from civic engagement and participation in public affairs.

Kenneth Newton (1997) categorized civil society into norms, networks, and

resources, an approach carried on in more recent research, as when Gibson (2001) looked at the impact of the density of social networks (a proxy for civil society) on facilitating citizen support for democracy in Russia (see Rollin F. Tusalem 2007: 364). Larry Diamond (1999) has responded by offering a parsimonious definition of civil society as it relates to democratic politics (see Rollin F. Tusalem 2007: 364). For Diamond (1999: 221), civil society is "The realm of organized social life that is open, voluntary, self-generating, at least partially self-supporting, autonomous from the state, and that is bound by a legal order or a set of shared collective rules (see Rollin F. Tusalem 2007: 364)." His conclusion is that in this definition, civil society is composed of social actors who recognize the primacy of state authority and the rule of law, permitting Diamond to exclude groups that are formed with the goal of destabilizing the state and according to him Linz and Stepan (1996) have adopted this definition in their work as well. Therefore in reference to the all the above definitions and scholarly understanding of civil society, one can conclude that civil society being a wide concept it has been widely looked at and is not only limited to promoting civil liberties but also promoting rule of law, good governance, equality and social welfare of citizens and tries to bridge the gap between the highly ranked government officials that is bureaucrats and politicians and citizens to ensure that there is efficiency and effectiveness in all forms of service delivery.

Civics Civil Society Index 2006 however defines civil society as the arena, outside of the family, the state and the market where people associate to advance common interests According to it, the term 'arena' is used

<sup>1</sup> Rollin F. Tusalem 2007, A Boon or a Bane? The Role of Civil Society in Third- and Fourth-Wave Democracies, *International Political Science Review* Vol.28, No. 3 (Jun., 2007), pp. 361-386, Sage Publications, Ltd: 363

to describe the particular space in a society where people come together to debate, discuss, associate and seek to influence broader society<sup>2</sup>. Another key feature is the acknowledgement of the 'fuzziness' of the boundaries between the spheres of civil society, the state, the market and family, since, in practice, many forms of collective citizen action are difficult to categorize into a specific sphere.

Civil society organizations have a wide range of functions and roles from the political theory point of view. Such functions include; protection which was put forward by John Locke and it covers Organizations and associations like NGOs and Trade or labor unions, Intermediation that was suggested by Montesquieu meaning they intermediate between individual citizens and the state, Socialization that was put forward by Toqueville, Integration by Putnam and communication role of Civil Society Organizations by Habermass Arato/Cohen. Therefore the roles and functions of civil society organizations are wide and not limited to one or two functions.

However, it is also important to note that scholars have tried to put forward four types of conceptualizing civil societies and these also in the real sense determine their roles and functions. Such types are; space or what a civil society is, function or what does a civil society do, interaction that is to whom or how does it work and organizations and network meaning who are the actors in such organizations or civil society.

It has also been argued that societies that have a strong civil society may have a

<sup>2</sup> Civicus Civil Society Index Team 2006, Civicus civil society index: preliminary findings phase 2003-

2005, Civicus: World Alliance for Citizen Participation [www.civicus.org](http://www.civicus.org): Pg 8-9

tendency to experience higher levels of political representation, enabling collective groups to resist unpopular state policies and apply pressure on state institutions when they find they have erred (see Rollin F. Tusalem 2007: 362). In doing so, it is clearly justifiable that civil society organizations play a very big role in shaping policies in any state or country. It has argued by Rollin that civil society groups can provide better social services than the state is capable of, and sometimes can even have a more efficient way of mitigating social exigencies. However, however, Warren cautions that as associational groups may sometimes champion antidemocratic sentiments and in fact conform to the Madisonian pronouncement that associations elicit factional splits and promote societal cleavages (see Rollin F. Tusalem 2007:362).

## 2. Civil society Participation concept

It is also however important to give a brief explanation of participation before we conceptualize on civil society organizations' contributions through participation in the EU's democratic governance. Participation has been defined as all social activities that refer to the engaging and partaking in some form of activity with other people, thus including participation in cultural, religious or social activities (Dawid Friedrich 2007:5). According to Friedrich, Political participation aims at establishing, contributing to, influencing of or hindering decisions and/or implementation of public affairs. Building from Kaufman's perception of Participation, Friedrich identifies Participation as a communicative action which 'involves preliminary deliberation (conversations, debate, and discussion), where the deliberation and the

decision-making are based on the principle of equality so that every participant's concern has, at least formally, and equal weight. In democratic theory exists the basic agreement that some form of people's participation in politics is indispensable for any form of democracy and Participation can take place at all levels of authority where concerns of common interest are dealt with, i.e. the local, national, regional and global level, and it is possible at all stages of the policy cycle (Dawid Friedrich 2007:5).

## 2.1. Civil society participation in EU's Governance

However, it is important to note that in the EU; most if not all civil society organizations are consulted and involved in the policy-making arrangements based on some benchmarks. For example, consultation on Transparency Register by EU, the following benchmarks were laid and the following categories of organizations were considered as a way of involving participation of civil society in policy making;

Target groups were; Organizations, authorities and individuals registered in the Transparency Register (consultancies, law firms, freelance consultants, in-house representatives, professional groups, NGOs, think tanks, research organizations, academic institutions, organizations representing churches and religious communities, organizations representing local, regional and municipal authorities, other public or mixed public-private entities). Organizations and individuals acting as independent persons involved in the development and implementation of EU policies, and nonregistered in the Transparency Register (consultancies,

law firms, freelance consultants, in-house representatives, professional groups, NGOs, think tanks, research organizations, academic institutions, organizations representing churches and religious communities, organizations representing local, regional and municipal authorities, other public or mixed public-private entities)<sup>3</sup>. This also gives an overview of which kind of civil society Organizations exist in Europe like any other continent or country. This was done for purposes of inclusion in policy making through dialog and consultations on issues that concern the commission, with its major objective of the consultation being to receive the views of stakeholders or people concerned by the topic of the consultation and potentially to publish them on the Internet, under the responsibility of the Head of the Unit Gérard Legris, Secretariat General, acting as the Controller<sup>4</sup>.

According to Magnette, Governance refers to the patterns of decision-making taking place in a larger set of institutions, with a broader range of actors and processes<sup>5</sup>. Critically looking at the above definition, one can therefore conclude that Governance only can exist or can be considered to be existing only when there are institutions being run

<sup>3</sup> European Union, Civil Society, Consultation on the Transparency Register, [http://ec.europa.eu/transparency/civil\\_society/consultation/transparency\\_register\\_en.htm](http://ec.europa.eu/transparency/civil_society/consultation/transparency_register_en.htm)

<sup>4</sup> European Union, Specific Privacy Statement Public consultation on the „Transparency Register“ referred as „consultation“ in the text, [http://ec.europa.eu/transparency/civil\\_society/consultation/docs/spec\\_privacy\\_stat\\_en.pdf](http://ec.europa.eu/transparency/civil_society/consultation/docs/spec_privacy_stat_en.pdf)

<sup>5</sup> Paul Magnette 2003, European Governance and Civic Participation: Beyond Elitist Citizenship, Political studies Vol 51, 1-17, Pg 1



by a broader range of actors ranging from civil society, politicians and bureaucrats and also processes being taken to make things work out in the right way. And according to Magonette, this is one of the reasons as to why the concept has found a favorable ground in non-state polities such as the European Union. In democratic governance, it has been analyzed by Friedrich that States have lost their monopoly as the sole associations that enable citizens to realize personal as well as political autonomy, but the new decision-making loci above the nation-state have not yet become, some would even argue should never become, such associations with comparable abilities of closure<sup>6</sup>. This has been due to the expansion of civil society groups which in one way or the other try to control the state.

Referring to Marks, Scharpf, Schmitter, Streeck 1996, Magonette looks at the concept of governance as being originally thought by those who introduced it in the academic, and then in the political sphere, as a way out of this sterilizing dichotomy<sup>7</sup>. According to him, their reasoning was based on two core arguments that is; as the EU is not and is not likely to become a federal state, but is already more than an international regime and that most EU policies are regulatory rather than redistributive policies. And this looks at the EU as being more of regulating that distributing resources and services delivery. And referring to the EU White Paper, Yet people also expect the Union to take the lead in

seizing the opportunities of globalization for economic and human development, and in responding to environmental challenges, unemployment, concerns over food safety, crime and regional conflicts. They expect the Union to act as visibly as national governments<sup>8</sup>.

Therefore as people expect much from the EU, there are still many gaps in meeting the needs therefore the cause for civil society involvement through policy consultations. In regard to the EU social policy however, Robert Geyer 1996 have argued that according to intergovernmentalists it has never been a very social policy innovations has never been an important issue in the EU policy development and major agreements between the dominant actors for the large scale development of EU social policy have never developed. He argues that when some social policy development has occurred, it has been in shadow of other developments. The goes ahead to argue that if they occur, it will be more of an accident than a choice (see Robert Geyer 1996:7).

Improving its governance is one of the strategies recently suggested to face this major limit of European integration. In academia, as well as in the institutional sphere, improved European governance is now often presented as a means to curb a democratic deficit which, apparently, does not seem to be solvable through classic institutional devices (see Paul Magonette, 2003:1). Therefore, the academia and the institutional sphere are being the reliable sources on matters to do with democratic deficits in the EU. This justifies the fact that there is high level of civil society involvement in planning and

<sup>6</sup> Dawid Friedrich 2007, Old wine in new bottles? The actual and potential contribution of civil society

Organization to democratic governance in Europe, RECON Online Working Paper 2007/08: 2

<sup>7</sup> Ibidem Pg 3

<sup>8</sup> Commission of the European Communities, European Governance White Paper Brussels, 2001:3

policy making to implement the main democratic agenda of involvement and openness. Paul emphasizes the fact that participation is one of the keywords in the White Paper on European Governance and it is supported to enhance both the efficiency and the legitimacy of EU governance.

In reference to the White Paper on EU Governance, Magnette puts it that If European governance followed 'a less top-down approach' (p. 4) and made the policy-making 'more inclusive and accountable' (p. 8), the White paper argues, this should enhance 'the quality, relevance and effectiveness of EU policies', and 'create more confidence in the end-result and in the institutions which deliver policies' (p. 10). In other words, efficiency and legitimacy do not simply derive from the output dispensed by the system, as argued by an important segment of the literature (Scharpf, 1998), they also depend 'on involvement and participation' (p. 11)<sup>9</sup>. Therefore the only important basis for promotion of democratic governance in the EU is by taking the approach set by the White Paper that is the down-up approach instead of the common top-down approach in decision making to ensure that there is fully participation of all stake holders from European grass-root level. This can to my own analysis not only create a state of inclusion but also owning of the system by Europeans. This will eventually lead to a diversity of social changes and feeling of the EU positive impact in European communities.

The European Union looks at the principles of good governance as openness, participation, accountability, effectiveness and

coherence<sup>10</sup> and wants to have them implemented through a collective effort with the civil society organizations with in Europe. This is one of the greatest actions being taken in involving civil society organizations in shaping and modeling governance in the EU. The White Paper still emphasizes the fact that democracy depends on people being able to take part in public debates and to do this they must have access to reliable information on European issues and to be able to scrutinize the policy process in its various stages<sup>11</sup>. To me this is number one achievement that has been so far made to ensure that the existence of civil societies is justified. Not only looking at Europe, even in many African Countries civil society organizations take part in monitoring government programmes and policy formulation stages though the level of policy formulation participation is not high like it may be in Europe.

Dawid Friedrich also argues that Political science literature often claims that the participation of civil society organizations increases the democratic quality of policymaking in international governance arrangements. However, to him, it remains unclear under what conditions such a democratic value can be achieved and how the empirical reality of this participation relates to the alleged democracy-enhancing quality<sup>12</sup>. He tries also to critically look at the current developments in the white paper of involving civil society in European Governance and

<sup>9</sup> Paul Magnette 2003, European Governance and Civic Participation: Beyond Elitist Citizenship, Political studies Vol 51, 1-17, Pg 4

<sup>10</sup> Commission of the European Communities, European Governance White Paper Brussels, 2001: 10

<sup>11</sup> Ibidem Pg: 11

<sup>12</sup> Dawid Friedrich 2007, Old wine in new Botles? The actual and Potential Contribution of Civil society Organisations to democratic Governance in Europe, RECON Online Working Paper 2007/08: 3

concludes that by such developments the EU might move towards a more democratic participatory regime of policy-making. This makes the institution of civil society organizations very strong and influential in policy matters within the EU.

Referring to a number of scholars like Anheir, 2004; A.-M and Clark, 1995; J. Clark, 1995; Hilhorst, 2003, Rollin argues that the effects of civil society are positive, an argument often defended by reference to the work of NGOs in promoting development, labor solidarity, democratic accountability, and post-materialist causes in the developing world<sup>13</sup>. This is in relation to the European consultations on matters affecting the EU governance and social accountability and inclusiveness in decision making processes among others. The justification for the performance and relevance of civil society organizations in EU therefore is through their participation and involvement in planning and implementation of the EU programmes. Rollin as well looks at NGOs being able to monitor the transparency, efficacy of legislation and that they can expose to the public the intensity or form of client-patron relations, prebendalism, cronyism, and nepotism in governance at the local or national levels (see Rollin F. Tusalem 2007: 364).

According to Friedrich, the participation of civil societies the participation of civil society organizations enhances only under certain circumstances the democratic quality of European policy-making<sup>14</sup>. This is one

of the arguments Dawid tries to put forward in reference to European governance and involvement of civil society organizations in decision-making processes. He tries to look at the role played by such non-state actors in the overall democratization and policy making processes and argues that their impact can only be felt under certain circumstances. Referring to McGrew 1997, he argues that the thus understood nation state is not any longer the solitary agent of policy making but shared with international agencies. However, one can argue here that at times policy making have been influenced negatively by such international agencies in one way or the other. Putting it in the context of the EU, non-state actors in different EU states do influence decisions met at the EU level and one may conclude that they are influences positively and have led to democratic transitions.

## 2.2. Civil society Participation challenges with in the EU

It is however important to note that; however much NGOs and other civil society organizations play a very big role in governance and policy making programmes within the EU, there are some aspects where there is believed to be less participation ranging from the influence factor in decision making to the voice they have in decision making their aims and level of participation in making such decisions.

According to Magnette, in spite of these ambitious objectives, the concrete reforms suggested by the white paper focus on a limited conception of participation; it will probably remain the monopoly of already organized groups, while ordinary citizens will not be encouraged to become more active.

<sup>13</sup> Rollin F. Tusalem 2007, A Boon or a Bane? The Role of Civil Society in Third- and Fourth-Wave Democracies, *International Political Science Review* Vol.28, No. 3 (Jun., 2007), pp. 361-386, Sage Publications, Ltd: Pg 364

<sup>14</sup> Dawid Friedrich 2007: Pg 1

True, such an elitist conception of citizenship constitutes an important contribution to the democratization of the European Union: actions undertaken by mobilized minorities can benefit the whole citizenry, and strengthen both administrative and political accountability<sup>15</sup>. Critically looking at this, the whole question has been; are the grass-root people involved in decision making at the EU level? If only organized groups can influence decisions will then a common citizen benefit? Or will such decisions still favor such organized groups? These can be questions of thought and for example looking at the level at which such civil society groups tend to be opportunistic like trade unions and other business oriented sectors then it is believed that any form of participation in that very line according to Magnette will then not benefit a common man in Europe who is not part of such groups. It should however also be noted that according to the European Governance white paper, democracy depends on people being able to take part in public debates and to do that they must have access to all reliable information on EU issues and be able to scrutinize the policy process at its different levels. However the question remains; to what extent shall they influence the policy decisions and which kind of information shall they access?

Paul Magnette 2003 continues to argue that; the major difference between the EU and national democracies, in this respect, is the fact that the apathetic category is much larger at the supranational level. Eurobarometer polls frequently show that a significant number of European citizens do not

feel informed about European issues and do not understand its political system; furthermore, turnout in European elections is much lower than in national elections (Hix, 1999)<sup>16</sup>. This goes ahead to back up the above statement and tries to bring out the fact that however much some civil society organizations may participate, they represent a very small percentage of the European Population hence people are not or may not still be informed of any developments in the EU. This is also based on the fact that like neo-corporatist Commissions have always consulted organized interests when it prepares its decisions (see Paul Magnette 2003: 6).

The concept of participation promoted by the white paper is limited, moreover, to nondecision. Though the report argues several times that participation should be encouraged 'throughout the policy chain', concrete proposals actually focus on the consultative, pre-decision stage (see Paul Magnette 2003: 6). This means that even though civil society organizations do take part in policy-making processes, they tend to influence less on which decisions that shall be finally met by the EU executives. Therefore, their ideas can either be buried or taken up depending on what the decision makers decide to do. The concrete decision making reserved to the elected bodies (the Council and European Parliament) can be either favor or disfavor in relation to the contributions of civil society organizations.

Paul Magnette 2003 poses a big worrying question whether these innovations help to correct the present elitist nature of European citizenship? According to him, it should first be recalled that the fact that active citizenship is limited to a very small part

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<sup>15</sup> Paul Magnette 2003, European Governance and Civic Participation: Beyond Elitist Citizenship, Political studies Vol 51, 1-17, Pg 5

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<sup>16</sup> Ibidem 5

of the citizenry a set of civic groups, lobbies, associations and Brussels-based European umbrella organizations does not mean that the system is not democratic<sup>17</sup>. The whole argument therefore is based on the fact that however much there is some form of participation, but it's to a very small group of people and only the elites influence policies and decisions met by the EU hence it being a Brussels-based thing.

It is important to note that, alongside efforts put by civil society organizations in the EU Political, policy making and democratic governance participation, there are some contours as identified by Dawid Friedrich<sup>18</sup>. According to him, EU has made some efforts to improve the opportunities for participation by enhancing transparency and access to information and extending consultative practices "examples; transparency initiative, legislation on the access to documents and e-governance mechanism such as CONECCS (Consultation, the European Commission and Civil Society) and IPM (Interactive Policy Making). However, some doubts remain on the interest of the EU, even of the European Commission, to establish a coherent model of participation which is conducive to democracy. According to Friedrich, the existing participatory structures and practices in the EU favor above all well-organized, strong civil society organizations with high capabilities centers on the instrumental rather than the normative dimension of participation. And it is as well believed that such a regulated model of European participatory governance would not be able to solve all the democratic problems of the EU, nor of the participation

of collective actors. European Union model is overly unrealistic and would bring about insurmountable burden of bureaucracy<sup>19</sup>.

### 3. Conclusion

In nutshell, in an effort to improve participatory and democratic governance in the EU, one can say more emphasis is needed on ground level based activities to ensure Europeans' realization of the importance and justification for EU's existence. It can be observed that EU's policy makings processes are basically elite oriented and the few who have much interest in Political agenda and are less on grass-root level. This has led to a big doubt among Europeans if the EU can deliver efficiently and effectively to people's expectations irrespective of the efforts being put in.

Therefore, any realization of impact and improvement should be out of an effort put in proper, systematic and well defined inclusion of all stakeholders in policy identification, formulation, implementation and evaluation. It should be noted without doubt that in any service provision/delivery situation, service recipients who we can call customers in a business language are the strongest and very influential stakeholders. Any form of management in that has no link to a service recipient and that is not adopted and owned by them, is likely to fail. Therefore, as already stated above, if the EU is to ensure that its efforts and contributions to Europeans are recognized, respected and admired, it has to ensure that not only civil society but also individual Local European citizens are involved in policy identification and management/implementation. This can be done through grass-root mobilization that can be done by either the civil society or even EU itself.

<sup>17</sup> Paul Magnette 2003, European Governance and Civic Participation: Beyond Elitist Citizenship, Political studies Vol 51, 1-17, Pg 7

<sup>18</sup> Dawid Friedrich 2007:19-21

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# Responsibility Towards The Customers Of Subscription-Based Software Solutions In The Context Of Using The Cloud Computing Technology

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**Abstract:** The continuously transformation of the contemporary society and IT environment circumscribed its informational has led to the emergence of the cloud computing technology that provides the access to infrastructure and subscription-based software services, as well. In the context of a growing number of service providers with of cloud software, the paper aims to identify the perception of some current or potential users of the cloud solution, selected from among students enrolled in the accounting (professional or research) master programs with the profile organized by the Bucharest University of Economic Studies, in terms of their expectations for cloud services, as well as the extent to which the SaaS providers are responsible for the provided services.

**Key words:** Cloud computing, SaaS (Software as a service), Service Level Agreement (SLA), Quality of Service (QoS), Cloud Accounting

## Introduction

In constantly changing economic and social environments, the complexities of decisional matters as well as the variety of the operational issues facing today's information society represent two items of resonance in the information technologies area. The variety of these technologies opens the way for approaches directed to methods and effective information management techniques, which lay the foundations for a new information paradigm, described by cloud computing technology.

The use of this technology leads to a new vision on how to get, exploit, store and use the information available in any company. According to 71 cloud computing technology experts, elected by decision of the European Commission to be part of an avant-garde "Expert Group" in the information technology area, the substantial changes that occurred in the information technology have been caused by the conflict among technical constraints imposed by strong need for more efficient data processing and storage equipment, IT infrastructure, and user requirements. Based on this statement, one can identify two major trends of change in the old paradigms governed by informational storage resources and computing power, such as: firstly, the demand and expectations of end-users, individuals, individual entrepreneurs (freelancers) and from business environment, and secondly, the available technology for storing and data processing.

The study "Hype Cycle for Emerging Technologies" conducted by Fenn and LeHong in 2011 reveals that the new information paradigm based on the "cloud computing" technology records certain latency in its application, the large-scale implementation

being deferred to a near time horizon.

Also, "A Roadmap for Advanced Cloud Technologies under H2020" Expert Group report (2012) identifies the expected main changes in IT environment for the next 10 years:

- 2014: the emergence of new storage and data processing resources;
- 2015: the intensive use of mobile devices and the spread of the Bring Your Own Device (BYOD) phenomenon;
- 2015 - 2018: it estimates that more countries will join social networks and begin to use cloud services;
- 2016: widespread use of devices and personalized services, the emergence of intelligent multimodal interfaces and intelligent use of virtual networks at the expense of physical networks;
- 2016 - 2020: all software resources are provided as services and use of large data.

According to "The Global Information Technology Report 2013 - Growth and Jobs in the hyper connected world" Romania is still behind most of EU Member States in information technology and communications field (IT & C), as it was ranked 75 out of 142 countries in The Network Readiness Index 2013 (NRI - the index that measures the tendency of countries to exploit the opportunities offered by IT & C). Although Romania was given a good score for infrastructure, it was penalized for the lack of a coherent governmental vision on "market and market regulation" regarding the development of IT & C.

More and more companies adopt ERPs taking into consideration the overall performance and strengthening governance. From this perspective ERP systems implementation are projects of strategic importance to

businesses. These projects involve major organizational changes and changes in management and information system (Mihai et al., 2013).

### 1. The challenge of the cloud computing informational paradigm

Garg et al. (2012) states that cloud computing has revolutionized the IT industry by facilitating access to infrastructure and software services on a subscription basis. As a result, more companies with expertise in IT have decided to provide additional cloud services to their customers. The difficulty that consumers face when choosing a cloud computing service provider is enhanced by the multitude of suppliers in the market, and the lack of a framework that allows the evaluation of different providers based on the type of service offered and its quality (Quality of Service - QoS).

Both in academic and business environment there starts to emerge different conceptual frameworks aimed at regulating the quality of cloud data storage service (QoS) and service level agreement - (Service Level Agreement - SLA).

At present, after about four years since the start of intensive media coverage of the cloud computing technology, there are still many definitions for it. From the multitude of existing definitions for this concept we will chose only two: the official definition of the National Institute for Standards and Technology in the United States of America and the definition given by the Romanian Court of Accounts. According to the official definition of the National Institute of Standards and Technology USA (NIST), "Cloud computing is a model for enabling

ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction". The Romanian Court of Accounts defines the concept of cloud computing as "a style of computing in which the use of IT capabilities are provided as a service and allows users to access distributed services based on new technologies via the Internet without the knowledge, expertise or control technological infrastructure to support these services. "

Both of the above definitions refer to the following characteristics of the cloud computing technology:

- on-demand service;
- network access;
- Sharing of resources;
- Flexible service;
- Measured service.

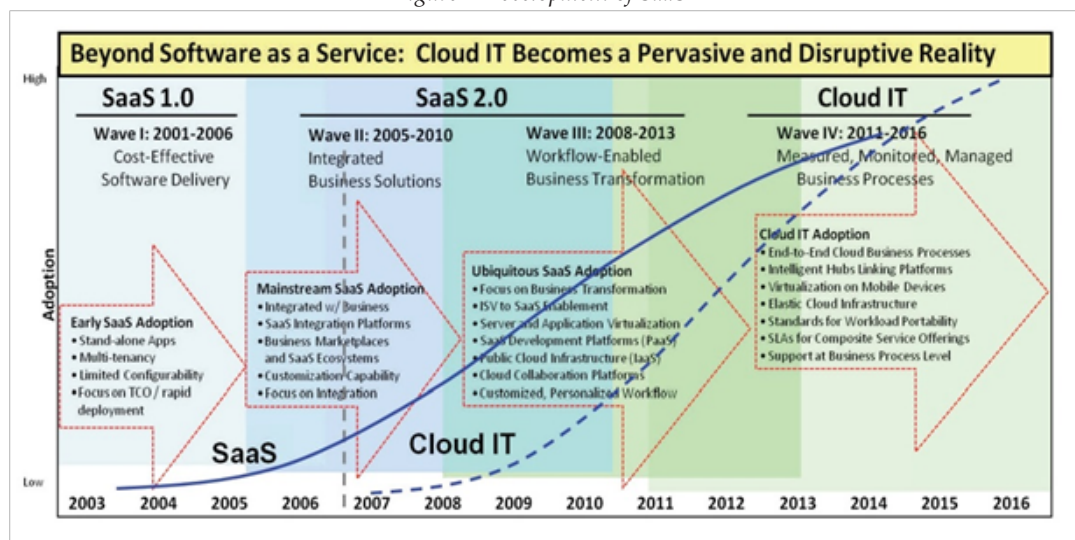
Perhaps the best known model of cloud computing service delivery is "Software as a Service" - SaaS). Also known as "software on demand" and is provided by independent software vendors (ISV) or an application providers (APS), which is actually a delivery model in which software applications and associated data are hosted in electronic platforms located in the cloud.

In Özkır's view (2012), Software-as-a-Service (or "cloud-based business solutions") is a means of acquiring and using software resources over the Internet, its users do not need to buy, install and maintain software. Thus, based on Özkır's idea (2012), the main advantages of using SaaS is, first, to reduce the initial investment in software and secondly, simplified software management.

Even at the present time there is a dispute among analysts whether SaaS will replace all traditional software solutions. Consumer reaction to technology migration to the cloud IT was generally good, witnessed by the spread of the increasing use of

this technology. In Özkır's view (2012), given that many users prefer the classic software distribution model and SaaS market share increases, the two software distribution models still complement each other.

Figure 1 Development of SaaS



Source: Andrew Karpie, Take-away: "Cloud Business Summit" NYC 5/11/11, 2011, <http://andrewkarpie.com/wordpress/?p=560>

As shown in the "Software-as-a-Service: Managing Key Concerns and Considerations" Saugatuck Technology report from 2010, the first period of development of SaaS (2003-2006) was marked by a lack of customization options for the applications which contributed to a low rate of adoption of this software distribution model. Since 2007, the rate of adoption of cloud computing technology began to increase significantly just because of the existence of different customization options (see Figure 1).

IDC a Romanian research company conducted a study in 2010 on the Romanian market of Cloud Computing ("Romania Cloud Services 2011-2015 Forecast and 2010

Competitive Analysis"), the review considered that the cloud market will grow Romania at least 5 times faster than overall IT market, the fastest growing will probably be Platform as a Service - PaaS and the lowest growing for SaaS.

The results of the "Cloud Adoption, IT Strategies from Business Perspectives" study conducted by CIO Council Romania based on a sample of 107 large companies showed that 61% of companies in Romania are using cloud computing-based services. In the opinion of experts, the remaining 39% of companies will be forced to choose and use at least one the cloud services in the near future to avoid losing competitive advantage.

## 2. User expectations of cloud services VS. Responsibility of the cloud providers

The increasingly ubiquitous nature of cloud computing technology is closely linked to the concept of "Service Level Agreement" (SLA).

Like the concept of cloud computing, the SLA has numerous definitions arising from the diversity of the proposed SLA by cloud providers. In fact, SLA is a contract that does not explain with a great level of detail the cloud services provided, but rather the ways in which these services are provided. For a less experienced user, this multitude of definitions creates a confusion between the definition of the cloud services purchase contract and the SLA.

According to the Information Technology Infrastructure Library, "an SLA is a formal document, negotiated which defines (or attempts to define), in terms of quantity (and sometimes quality) the customer service that is offered. All values included in the SLA should be measured regularly in the binding document and mention the person who made the measurements. "According to the Explanatory Dictionary of the Romanian Language, a contract is an "agreement

concluded between two or more persons (natural or legal) for the creation, modification or termination of rights and obligations between themselves. These two definitions are very similar for sure, however, one can identify the certain differences, such as:

- SLA is used only for creating or modifying rights and obligations of the parties, while a contract may be related to the termination or extinction of rights and obligations between two or more parties;
- It is necessary to have a contract before signing an SLA, the reverse is not true.

At this time, there isn't a standard model of SLA's or contracts for cloud computing services. The availability of such standardized documents would contribute significantly to reducing the confusion between the definitions of these two terms.

The responsibilities of cloud computing users and providers differ from those of traditional IT services, users and providers. Table 1 illustrates the separation of responsibilities of users and the providers of cloud services. Unlike traditional IT solutions, where the responsibility for their smooth functioning is due only to the owner of hardware and software resources, the responsibility for cloud computing IT solutions is shared between customers and suppliers.

Table 1. Sharing responsibilities between users and providers of cloud services

| Cloud Computing elements | Classic IT solutions | Cloud Computing |          |          |
|--------------------------|----------------------|-----------------|----------|----------|
|                          |                      | IaaS            | PaaS     | SaaS     |
| Applications             | Resource owner       | user            | user     | provider |
| Data                     | Resource owner       | user            | user     | provider |
| Runtime                  | Resource owner       | user            | provider | provider |
| Middleware               | Resource owner       | user            | provider | provider |
| Operating System         | Resource owner       | user            | provider | provider |
| Virtualization           | Resource owner       | provider        | provider | provider |



|                |                |          |          |          |
|----------------|----------------|----------|----------|----------|
| <b>Servers</b> | Resource owner | provider | provider | provider |
| <b>Storage</b> | Resource owner | provider | provider | provider |
| <b>Network</b> | Resource owner | provider | provider | provider |

Source: According to : Yung Chou, *Cloud Computing Primer for IT Pros*, 2010, <http://blogs.technet.com/bl/yungchou/archive/2010/11/15/cloud-computing-primer-for-it-pros.aspx>

Due to its capabilities, functionalities and architectural design, cloud computing started to spread out due the advantages in terms of data security, examples of this are centralized approach to data security, data segmentation and processes, controlled redundancy of backup processes and data availability, anywhere and anytime.

While multiple “traditional” disadvantages are tackled due to the unique characteristics of the cloud infrastructure, it requires risk assessment in areas such as data availability and reliability problems, data integrity, recovery and privacy.

Jaeger, Lin and Grimes (2008) believe that in order to start the analysis of the cloud security issues one must consider the user’s expectations. They identify the minimum expectations of users as:

- Reliability and responsibility: users expect the “cloud” to be a reliable resource, especially if the cloud provider takes over the task of running important applications and they will expect clear delimitation of responsibility in case of serious problems.
- Security, privacy and anonymity: users expect cloud providers to prevent unauthorized access to their data and code and that sensitive data will remain private. Users can also expect that the cloud provider, other third parties or authorities will not monitor their work. The only exception might be permitted to cloud providers who need to monitor the activity in order to control the quality of service provided.

- Access and use constraints: users expect to access and use the cloud when they want, without obstacles from the cloud provider or third parties, and they need assurance that their intellectual property rights are respected.

Thus, based on the data presented in Table 1 the following areas of responsibility related to customers may be identified for cloud service providers, mainly SaaS providers:

**1. Ensuring data protection:** Unlike the other two models of cloud service delivery (Platform as a Service - PaaS and Infrastructure as a Service - IaaS) where responsibility for security lies with the user, the SaaS provider bears the responsibility of ensuring the protection of data (Olteanu, 2010). Confidentiality, integrity and availability must be ensured for data, software and hardware resources (Armbrust, 2010).

One of the solutions for the implementation of cloud computing technology in business accounting is the cloud that enables dematerialization of accounting, migration of certain operations and account processing in the electronic platform in the cloud. Most providers of prepaid accounting services using the cloud computing technology ensure customer privacy during both the contract and after its completion. The data remains the property of the client, but access to it is subject to a fee to access the service.



**2. Complete and accurate information:** this should be enhanced by the SLA. Some SaaS providers in Romania in the field of accounting clearly present its obligations as providers, but do not mention the total costs of accessing the service in the service contract.

**3. Providing technical assistance:** Unlike most SaaS providers, on the Romanian cloud market there are some suppliers that do not include technical assistance service cost, this is considered an additional service.

**4. Complaint handling:** Ideally, all providers of cloud services, but especially SaaS providers should present the procedure for submitting and handling complaints. However, some players in this market do not refer to it in the public contracts for using the service.

**5. Education and awareness of users:** because the service being provided is new and ever changing, providers should ensure that most clients have the latest information in the field. Providers in the field of accounting, should not limit their knowledge to general cloud computing trade shows.

### **3. Study on the extent to which SaaS providers are responsible for services in the cloud**

As noted above, one of the solutions to the successful implementations of cloud computing technology in the economy is the "cloud accounting" technology derived from the "cloud computing" that allows storage of the company's financial and accounting documents in the cloud and permits performing accounting processing on electronic platforms on the Internet.

As cloud-based accounting solutions are serving consumers and users of financial

accounting information we chose to study the perception of students enrolled in the master programs organized by the Faculty of Accounting and Management Information Systems from the Bucharest University of Economic Studies, on the extent to which SaaS providers responsible for services provided. Most respondents working in the field of accounting and accounting applications use standalone, integrated or semi-integrated ERP systems.

We have chosen this study in field verification of user perception of accountability for the cloud on cloud services provided by suppliers, solutions for e-accounting, which in the near future are likely to turn into real solutions "cloud accounting". In Patel's view (2011), e-accounting can be defined as the process of inserting online and Internet technologies in accounting. In the last decades Internet Financial Reporting evolved from printed reports published online to powerful and flexible formats as XBRL which is growing around the world with increasing participation from individual countries and international organizations (Gorgan & Gorgan, 2010).

Following the electronic distribution during January 2013 - June 2013 of survey conducted by the research team resulted in 418 usable responses, the results of statistical processing are the following:

**A. Understanding the concept of "cloud computing":** only 10% of respondents said they are not familiar with this concept. Among them, more than 70% work in the service industry, the remaining 30% work in the IT or financial field. Among the respondents who said they were familiar with cloud computing, 90% work in the IT and financial sectors.

This distribution of responses is justified by the propagation of information affecting IT industry: naturally, those working in

IT need to update their IT skills and are often the first to learn of the existence of new trends in information technology. Then, the information is sent to those working in areas closely associated with the IT, such as the financial sector.

**B. The company you work for is using cloud services?** If so, what type of cloud services? 56% of respondents said that working in companies that use cloud services. Of them, 90% work in the IT sector and 50% work in finance. All of the respondents working in the services sector work in a company that uses cloud services. Respondents working in the financial field have indicated that the type of service used is a SaaS accounting and the respondents working in IT indicated that the company they work for either a SaaS model (80%) or an IaaS model (20%).

**C. Does the cloud provider ensure data protection?** : Of the 56% of respondents that said that the companies that employed them uses the cloud, 80% said that data protection is provided by the cloud provider, but that internal security measures to strengthen data security are applied. The other 20% said they do not know such details about data protection.

**D. Does the cloud provider provide accurate and complete information about the services offered?** : 68% of respondents working in companies using the cloud servants said they did not receive complete and accurate information about the services they receive, stating that it was necessary to sign additional agreements governing these omissions.

**E. Does the cloud provider provide technical assistance?** All respondents working in companies using the cloud said that technical assistance is provided by the supplier. Of these, only those who work in companies that use IaaS model stated that technical assistance is not charged extra.

**F. What is the complaints handling procedure?** None of the respondents working in companies that use cloud are aware of the complaints handling procedures.

**G. Does the cloud provider inform the consumer of their rights and obligations of cloud services?** All respondents working in companies using the cloud services stated that the rights and obligations of the consumers have been communicated to the customers and they are available anytime.

## Conclusions

More and more providers of cloud computing solutions, SaaS in particular have increasingly raised numerous questions concerning responsibility related to customers, especially given that there is no standard model agreement for this technology.

Our research work was aimed in identifying the perceptions of students enrolled in the master programs with the accounting profile of the Bucharest University of Economic Studies on the extent to which SaaS providers are responsible for the services provided. The study results showed that most respondents who are familiar with cloud computing work in the IT and financial fields use at least one the cloud services. The results revealed that the cloud providers ensure the protection of users, but do not provide complete and accurate information about their services.

In order to increase the number of customers and fidelize them as much as possible, we recommend at first, developing a standard contract for SaaS service delivery for each area served by the technology, secondly, to ensure a complete and accurate information in regards to the services provided and, thirdly, continuous customer education about the new changes in the industry and how they affect them.

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## Porting Your Applications and Saving Data In Cloud As Reliable Entity.

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**Abstract:** *The main purpose of the paper is to illustrate the importance of a reliable service in the meanings of cloud computing. The dynamics of an organization shows us that porting customs applications in cloud can makes the difference to be a successful company and to deliver what the client need just in time. Every employ should be able to access and enter data from everywhere. Remember that the office is moving along with the employ nowadays. But this concept comes with disadvantages of how safe is your data if you cannot control exactly, by your employs, those machines.*

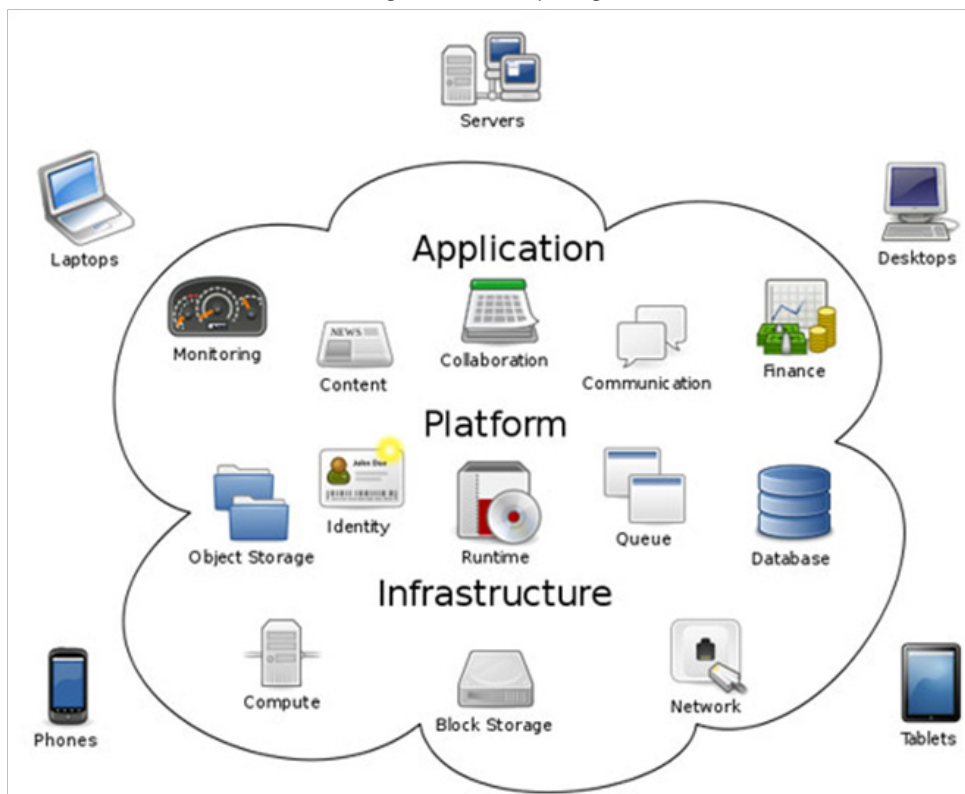
**Key words:** cloud computing , reliable cloud technology

Today is obvious that a business means to be able to deliver what a client needs any time anywhere.

To be online today is not anymore a uto-  
py but certainty. The concept of being online  
applies also to individuals and to companies.

If you as a company cannot deliver in time  
what a client needs, tomorrow someone else  
would do. That means that an employ should  
be able to access company's data from every-  
where and from any device. Porting every-  
thing to cloud is the solution to that.

Fig. 1 Cloud Computing



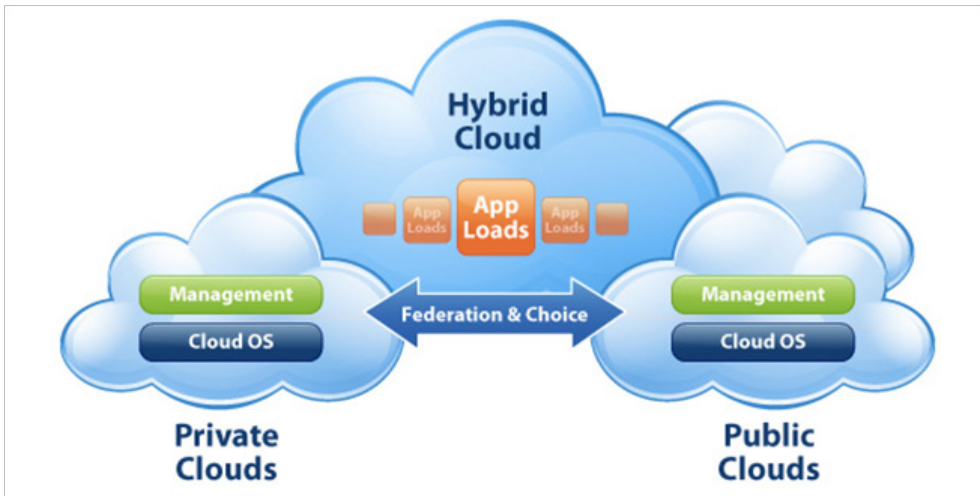
[http://www.aecbytes.com/viewpoint/2011/issue\\_61-images/fig1.jpg](http://www.aecbytes.com/viewpoint/2011/issue_61-images/fig1.jpg)

As Bogdan Ionescu said (2013) the deployment models of cloud architecture are the following:

- Private cloud - is owned by a private or rented organization. Its functionality is not exposed directly to the customer. Example: eBay.
- Public Cloud – the cloud infrastructure is accessible to the general public or a large industry group and belongs to a cloud service provider (Zissis and Lekkas, 2010).
- Examples: Amazon, Google Apps, Windows Azure.
- Community Cloud - In this case, the cloud infrastructure is shared by several organizations and supports a specific community with common concerns (Zissis and Lekkas, 2010).
- Hybrid Cloud – the cloud infrastructure is made up of two or more clouds that remain unique entities but are bound as the standard and proprietary technologies that enable data and application portability.



Fig. 2 Public Cloud, Private cloud and Hybrid cloud



<http://www.virtualizationpractice.com/wp-content/uploads/2013/04/Hybrid-Cloud-Computing-Solution1.jpg>

Today everything is moving into cloud. You move your personal data, company data just to be able to be more efficient, to be able

to access quickly your work. Everything is moving fast and you should be able to do so.

Fig. 3 Every device should be able to access same data from cloud

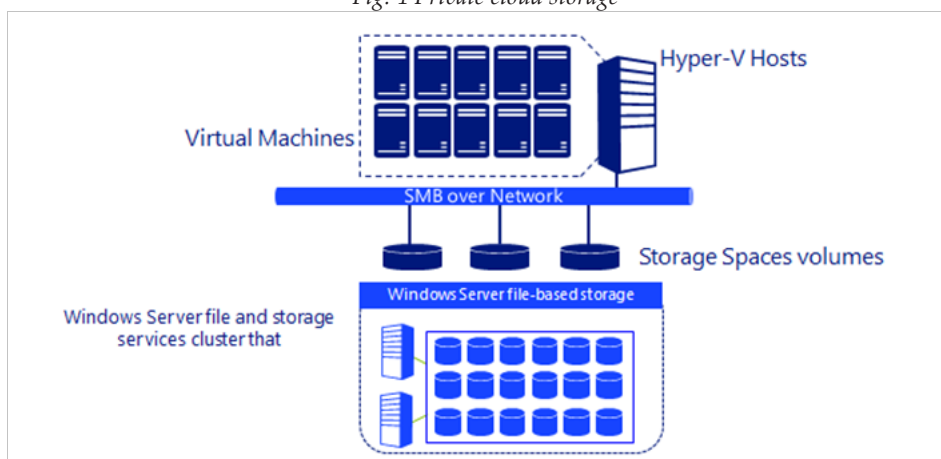


<http://vlifemedia.com/wp-content/uploads/2012/01/vlife-reliable-cloud-hosting.png>

These days when everything is stored online on a server a real disaster recovery plan should be a must for every network

administrator or cloud server file administrator. A new vision form private cloud storage is needed.

Fig. 4 Private cloud storage



[http://blogs.technet.com/cfs-file.ashx/\\_\\_\\_key/communityserver-blogs-components-weblogfiles/00-00-00-41-57/8345.A-New-Vision-for-Private-Cloud-Storage.png](http://blogs.technet.com/cfs-file.ashx/___key/communityserver-blogs-components-weblogfiles/00-00-00-41-57/8345.A-New-Vision-for-Private-Cloud-Storage.png)

From my experience I would say that the first step is to prevent and then to make a detailed backup plan and a restore one too.

Data losses can happen any time due to many reasons and we have to manage that paper plan is not always equal with real plan:

- We can have accidental data loss
- We can have intentional data loss
- We have to deal with small buget for components and not an ideal one etc.

I have to say that we have a few causes and I have discovered from my previous experience that this causes can be:

- electrical / power problems;
- failure of devices;
- bad coddig
- Database bug's etc.

*a) electrical / power problems that can be avoided*

In our country every issue about power supplier is a closed one because is just one supplier and we just do not have an alternative and usually when we encounter such problems the results are devastating.

Just a few years ago a mail server that I usually maintain just burn out because of

a big overvoltage. The UPS and mainboard were fried.

After a few days (after I have replaced the components and the server was working again) I have tried to find an assurance company to have all the equipment assured but from 11 companies none of them could make an offer for electrical problems generated by supplier. The conclusion was just annoying: No one takes responsibility due to power failure. All must be done by lawyers, court law suites and time just could be extended for years until something is done.

All I could do in an environment where "time is money" was to separate the problem in two stages and deal with both of them:

- 1) problems generated through power cables (220v);
- 2) problems generated through small curenets cables (UTP).

For the first problem the solution was to install a good automatic voltage regulator (Fig. 5) doubled by powerful Uninterruptible Power Supply (Fig.6 ). For these I have chosen APC products like:

Fig. 5. APC Smart-UPS 1000VA



Fig. 6. APC Line-R 1200VA Automatic voltage regulation



For the second problem I have to say that for UTP Ethernet stable connections at

1 Gbit/s I used also an APC product (Fig.6) :

Fig. 6. APC APC ProtectNet standalone surge protector for 10/100/1000 Base-T Ethernet lines



#### *b) failure of devices*

For this type of failures I have encountered only problems with magnetic storage devices like hard drives. The others components were stable in time (remember that we have server components where the quality and control process is very reliable).

The first thing to do is to have a server managed with mirror RAID 1 enabled (Fig. 7) , doubled by enterprise hard disk in SAS technology.

I have chosen RAID 1 as a solution because if we have problems with one hard drive we have just to change it and reconstruct the

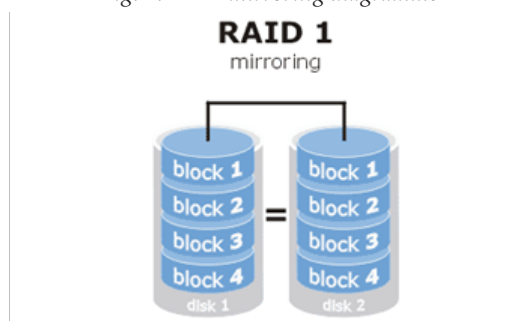
RAID matrix before everything is back as it was in no time.

I have to say that these HDD's proved to be the most reliable on the market and the warranty of 5 years is all that we need for the moment.

#### *c) bad coding*

The problems generated by any code of a certain application are hard to find and can be eliminated only in time. For this type of errors the solution is to have strict back-up of database and to update that application as quick as the resolving patch appear.

Fig. 7. RAID mirroring diagramme



#### d) Database bug's

Database platforms are quite often improved by new general release or by small patches. A successful database on linux world is MySql that is quite secure and reliable.

The patches of the distribution must be installed on a daily bases to have a secure system.

#### Four layers of back-up

In a real time server environment based on Linux if we discuss about back-up we have to talk about a plan for every layer that is needed to be managed in order to have a full working server.

In real life I realized that the layers can be grouped as:

➤ Operating System of server with particular configuration files for every service/ server system

➤ Database files

➤ Web Application files

➤ Log files

#### Conclusions

Prevention is the most important thing that can be done in an server environment. If a disaster appear only the back-ups can save the work of hundreds of people.

The results are quite encouraging because the production server of the customized cloud ERPs and private cloud storage are increasing and disasters should not encounter.

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# Organizational Change Effectiveness: A Few Significant Indicators for Romanian Companies

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**Abstract:** *This paper examines organizational change, focusing on the outputs of the implementation process. Through a questionnaire-based survey, we sought after factors that characterize the outputs of organizational changes within Romanian companies. We have shown that among various outputs, a few of them characterize the successful achievement of the change's goals.*

**Key words:** organizational change, change effectiveness, output indicators, routines, skills improvement;

**JEL Classification:** L29

## 1. Introduction

The never-ending changing of environment highlighted by the economic crisis revealed the importance of organizational ability to pursue change. While change has become a steady reality of organizational life

(Burnes, 2004), organizations have their own evaluation criteria for each transformational endeavor. Typically, the success of organizational changes is assessed considering parameters such as improvement in activities or cost reduction.

A few dimensions of organizational change have been of interest for researchers and practitioners: organizational context and change initiation, implementation strategies / processes or stakeholders' involvement.

However, while specific pre-planned steps for each change project are necessary, the implementation is prone to the perception of individual benefits and the satisfaction the change actors can get<sup>1</sup>. Therefore, an organizational change delivers results that are not only useful for organizational performance, but are also appreciated by individuals.

This paper aims to highlight a few organizational indicators that portrait the implementation of changes within Romanian companies. A set of hypotheses were tested during the research, using primary data obtained through a questionnaire-based survey.

The first part of the paper briefly presents some theoretical elements of organizational change. The second part of the paper provides details on the research methodology used. The results are analyzed and interpreted in the last part, followed by final conclusions.

## 2. Theoretical background

A few terms commonly appear in discussions related to organizational change: stakeholders, objectives, budget, or people. A brief definition of the concept of change has been provided by Gaffney (2010) who defines the organizational change as "the move from an ongoing situation to a future desired

situation that is intended to increase efficiency and competitiveness"<sup>2</sup>.

Change has been studied by many scholars and various aspects were revealed. First, aiming for innovative ways of enhancing competitiveness (Whitfield & Landeros, 2006), the change has two main drivers for initiation: the need to overcome a threat or to pursue an opportunity. Each change is triggered by different level of these drivers.

Scholars pointed out the importance of planning for achieving successful changes. Lippitt (1958) was amongst the first scholars who consider that interventions intended to modify the functioning of an organization should be premeditated. Lewin's Three-Stage Model of Change recommends that change should take place in three stages: unfreezing, change and freezing. Moreover, Lewin, Elrod and Tippet (2002) consider planning of change implementation as the most important key success factor. They indicate that specific pre-planned steps are necessary for each change initiative and specific stage.

Scholars like Kotter (1996), Kanter et al. (1992) and Luecke (2003) reflected on the 'emergent approach' of change. In their view, change is a process of learning, developed by organisations in their quest to respond to the internal and external environment. Moreover, Todnem (2005) consider that "change readiness and facilitating for change" of the organizational players is the most proper approach of change.

According to numerous studies, change success depends on the organizational leaders, even though there is a significant

<sup>1</sup> Robert Fabac (2010), Complexity In Organizations And Environment - Adaptive Changes And Adaptive Decision-Making, Interdisciplinary Description Of Complex Systems 8(1), 34-48.

<sup>2</sup> Gaffney, S. (2010), Dynamics of Organisational Change - the Belfast model, Gestalt Journal of Australia and New Zealand, 2010, Vol 7 No 1 Pages 75-88, GANZ



difference in the expected roles of leaders and required traits of leaders<sup>3</sup>. As designers of future, leaders have to be aware of the environmental opportunities and threats and to create proper plans for implementation. A change leader is a strategic designer but also a skilled implementer, familiar with project management, supervising and control techniques, able to overcome resistance and to encourage organizational members to adopt new practices (Van de Ven, 1986). Whatever he does, the change leader is finally accountable for results.

Organizations have different criteria to evaluate changes. Even though the implementation process is important, the final results of change are essential for achieving the change's goal. Each change is characterised by a few key factors agreed by organization that essentially describe the finalization and indicate the level of success achievement.

There are a few managerial models and techniques that support the identification of the key organizational change indicators.

McKinsey 7S is a model used to describe an organization. In the authors' view any organization can be split into seven interlinked-elements (staff, strategy, shared values, skills, style, structure and systems). Therefore, any change that affects one component will generate modifications in other components. Usually, organizations establish indicators to evaluate modifications in each of these dimensions.

Another model used in change management is Leavitt's Diamond. It reveals the critical success indicators of an organization

who pursuits change by presenting four key organizational components: structure, managerial tasks, people and technology. Leavitt considers these components as critical success factors of change due to the fact that they interact and must be reconciled. Therefore, given that, upon completion of the change, all components are balanced, just a few success indicators are enough to present the results of change implementation.

Nevertheless, at scholastic level, there is no comprehensive picture of key elements to characterize the success of an organizational change. Their existence would be beneficial for practitioners and scholars who would find it sufficient to assess only a few factors instead of monitoring tens or hundreds of singularities.

The lack of universal indicators of change outputs significant for organizational interest will be surpassed by investigating a fundamental research question: what are the most important elements that can best characterize the output of an organizational change. By finding the answer at this question, organizations might find easier to engage in future performance increase transformations.

This study aims at highlighting a few comprehensive success factors that characterize the outputs of organizational changes within Romanian companies.

There are a few questions regarding the relevance of some outputs for the success of change:

1. What is the relationship between the change that successfully achieved its goal and the achievement of the set-up objectives?
2. What is the relationship between a successful change and the budgetary framing?
3. What is the relationship between a

<sup>3</sup> Robert Fabac (2010), Complexity In Organizations And Environment - Adaptive Changes And Adaptive Decision-Making, Interdisciplinary Description Of Complex Systems 8(1), 34-48.

successful change and the implementation interval?

4. What is the relationship between the finalization of the change who successfully achieved its goal and the transformation of the previously-existing routines?

5. What is the relationship between a successful change and the set of skills and competencies resulted?

To get answers to these questions we used a methodological approach based on a

sociological survey (Rotaru and Ilut, 2006).

### 3. Research Methodology

The purpose of this paper is to highlight a few key organizational changes success factors within Romanian companies. Among them key roles are played by meeting objectives as scheduled, budget usage, or acquiring superior skills and competencies.

Figure 1 shows the associations being tested.



We assume, in our study, the direct relationship of a successful change to meeting its' initial objectives, as well as to its' effect to transform organizational routines and enhance people's skills.

The objectives of the study are to identify:

O1. the relationship between the success of a change<sup>4</sup> and the achievement of the initially settled objectives;

O2. the relationship between the successful achievement of change goals and

interval and budgetary framing;

O3. the relationship between the successful achievement of change goals and transformation of the previous routines;

O4. the relationship between the successful achievement of change goals and improved skills and competencies resulted from change;

Based on the objectives formulated, the author formulated the following set of assumptions for the Romanian firms, as follows:

1. There is a significant relationship between the successful achievement of a change

<sup>4</sup> who achieved its goal

goal and the achievement of initially-settled objectives.

2. There is a significant relationship between the successful achievement of a change goal and the implementation on schedule.

3. There is a significant relationship between the successful achievement of a change goal and the finalization of the change implementation within the budget.

4. There is a significant relationship between the successful achievement of a change goal and the transformation of the previous routines.

5. There is a significant relationship between the successful achievement of a change goal and the enhancement of skills and competences within organization.

In order to test out the assumptions, an on-line survey was sent to members of Romanian companies that experimented organizational changes within the last 3 years. Table 1 presents a brief typology of the organizations to which respondents belong.

*Table 1. Distribution of respondents by type of company*

| Type of company                                      | No of answers |
|--|---------------|
| Private company owned (mostly by) Romanian investors | 95            |
| Private company owned (mostly by) foreign investors  | 45            |
| Public institution                                   | 53            |
| Cross-border (multinational) enterprise              | 51            |
| NGO / Social partner                                 | 14            |
| <b>Grand Total</b>                                   | <b>258</b>    |

In the selection of firms, our research tried to capture the diversity of fields of activity and, consequently, of changes. Thus, we investigated changes finalized in private companies with various degrees of ownership, as well as in public institutions, NGOs or social partners. Also, we investigated various types of finalized organizational changes such as applying new ERP models (28 answers), installation of new manufacturing equipment & implementing a new software (43 answers), optimization of business processes (82), relocation of activities (23), acquisition or opening new business (3) or

restructuring / reorganization (79).

The questionnaire was developed by Orlando Voica and pre-tested on a number of fifteen respondents.

The participants were informed initially through an e-mail message about the study goals. Data collection took place between February 15 and December 31, 2013. The respondents were mainly change management consultants, managers or directors of companies that were involved in organizational changes finalized within the last 3 years previous to our survey.

Table 2. Definition of variables

| Variable  | Validity*    | Min                               |                                   |                   |                        | Max   |
|---|--------------|-----------------------------------|-----------------------------------|-------------------|------------------------|---|
|   |              | 1                                 | 2                                 | 3                 | 4                      | 5   |
| <b>Change has achieved its goal</b>                                       | All          | Not at all / very small extent    | To a small extent                 | To a great extent | Completely             | More than it was planned (over achievement) |
| <b>Change implementation results match the initial planned objectives</b> | All          | Not at all / very small extent    | To a small extent                 | Largely           | Completely             | More than it was planned (over achievement) |
| <b>Change has transformed the initial routines</b>                        | N/A accepted | Not at all / very small extent    | To a small extent                 | To a great extent | To a very great extent |   |
| <b>Employees developed superior skills and competences</b>                | N/A accepted | Not at all / very small extent    | To a small extent                 | To a great extent | To a very great extent |   |
| <b>Change implementation completion moment</b>                            | All          | With a consistent delay           | With small delay                  | As scheduled      | Quicker than scheduled |   |
| <b>Budget spending efficiency</b>   | N/A accepted | More than 5% greater than planned | Overcome the plan by less than 5% | as planned        | less than planned      |   |

Note: \* - Unavoidable answer

| Item /   | 1      | 2      | 3      | 4      | 5     | Mean | N/A |
|--|--------|--------|--------|--------|-------|------|-----|
| Change has achieved its goal                                       | 5      | 34     | 127    | 80     | 12    | 3.23 |     |
|  | 1.94%  | 13.18% | 49.22% | 31.01% | 4.65% |      |     |
| Change implementation results match the initial planned objectives | 6      | 41     | 135    | 63     | 13    | 3.14 |     |
|  | 2.33%  | 15.89% | 52.33% | 24.42% | 5.04% |      |     |
| Change has transformed the initial routines                        | 13     | 44     | 99     | 97     |       | 3.11 | 5   |
|  | 5.14%  | 17.39% | 39.13% | 38.34% |       |      |     |
| Employees developed superior skills and competences                | 21     | 59     | 102    | 72     |       | 2.89 | 4   |
|  | 8.27%  | 23.23% | 40.16% | 28.35% |       |      |     |
| Change implementation completion moment                            | 51     | 77     | 117    | 13     |       | 2.36 |     |
|  | 19.77% | 29.84% | 45.35% | 5.04%  |       |      |     |
| Budget spending efficiency   | 29     | 67     | 73     | 43     |       | 2.61 | 46  |
|  | 13.68% | 31.60% | 34.43% | 20.28% |       |      |     |

In the selection of firms, our research tried to capture the diversity of fields of activity and, consequently, of changes. Thus, we investigated changes finalized in private companies with various degrees of ownership, as well as in public institutions, NGOs or social partners. Also, we investigated various types of finalized organizational changes such as applying new ERP models (28 answers), installation of new manufacturing equipment & implementing a new software (43 answers), optimization of business processes (82), relocation of activities (23), acquisition or opening new business (3) or

restructuring / reorganization (79).

The questionnaire was developed by Orlando Voica and pre-tested on a number of fifteen respondents.

The participants were informed initially through an e-mail message about the study goals. Data collection took place between February 15 and December 31, 2013. The respondents were mainly change management consultants, managers or directors of companies that were involved in organizational changes finalized within the last 3 years previous to our survey.

Table 4. Distribution of responses to variables

|   |                                | Change implementation results match the initial planned objectives |                   |                   |             |  | Total  |
|---|--------------------------------|--|-------------------|-------------------|-------------|--|--------|
|   |                                | Not at all / very small extent                                     | To a small extent | To a great extent | Com-pletely | More than it was planned (over-achieved) |        |
| Change has achieved its goal                | Not at all / very small extent | 4  | 1                 | 0                 | 0           | 0  | 5      |
|   |                                | 1.55%  | 0.39%             | 0.00%             | 0.00%       | 0.00%                                    | 1.94%  |
|   | To a small extent              | 2  | 28                | 4                 | 0           | 0  | 34     |
|   |                                | 0.78%  | 10.85%            | 1.55%             | 0.00%       | 0.00%                                    | 13.18% |
|   | To a great extent              | 0  | 10                | 104               | 11          | 2  | 127    |
|   |                                | 0.00%  | 3.88%             | 40.31%            | 4.26%       | 0.78%                                    | 49.22% |
|   | Completely                     | 0  | 2                 | 26                | 48          | 4  | 80     |
|   |                                | 0.00%  | 0.78%             | 10.08%            | 18.60%      | 1.55%                                    | 31.01% |
| More than it was planned (over achievement) | 0                              | 0  | 1                 | 4                 | 7           | 12                                       |        |
|   | 0.00%                          | 0.00%  | 0.39%             | 1.55%             | 2.71%       | 4.65%                                    |        |
| Total                                       |                                | 6  | 41                | 135               | 63          | 13                                       | 258    |
|   |                                | 2.33%  | 15.89%            | 52.33%            | 24.42%      | 5.04%                                    | 100.0% |

Due to the sample size and the fact that variables used are ordinal, we used the bivariate correlation coefficient Kendall's tau-b for hypothesis testing. The coefficient is 0.712,

which leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 5).

Table 5: Correlations Kendall between variables

|                 |  |                         | Change has achieved its goal | Change implementation results match the initial planned objectives |
|-----------------|--|-------------------------|------------------------------|--|
| Kendall's tau_b | Change has achieved its goal                                       | Correlation Coefficient | 1.000                        | .712**   |
|                 |  | Sig. (2-tailed)         | .                            | .000   |
|                 |  | N                       | 258                          | 258  |
|                 | Change implementation results match the initial planned objectives | Correlation Coefficient | .712**                       | 1.000  |
|                 |  | Sig. (2-tailed)         | .000                         | .  |
|                 |  | N                       | 258                          | 258  |



As result, we can conclude that there is a positive correlation between the level of achievement of the change goal and the achievement of the initially planned objectives.

The second hypothesis tested the relationship between the successful achievement of a change goal and the finalization of the change implementation as scheduled:

changes that are successful in achieving their goals are finalized within the interval scheduled.

Frequency distribution analysis on the two variables shows that changes that are successful in achieving their goals are finalized within the interval scheduled. (see table 6).

Table 6. Distribution of responses to variables

|   |                                   | Period of implementation           |                        |                   |                              | Total  |
|---|-----------------------------------|------------------------------------|------------------------|-------------------|------------------------------|--------|
|   |                                   | with a<br>con-<br>sistent<br>delay | with<br>small<br>delay | as sched-<br>uled | quicker<br>than<br>scheduled |        |
| Change<br>has<br>achieved<br>its goal             | Not at all / very<br>small extent | 4                                  | 0                      | 0                 | 1                            | 5      |
|   |                                   | 1.55%                              | 0.00%                  | 0.00%             | 0.39%                        | 1.94%  |
|   | To a small extent                 | 16                                 | 6                      | 12                | 0                            | 34     |
|   |                                   | 6.20%                              | 2.33%                  | 4.65%             | 0.00%                        | 13.18% |
|   | To a great extent                 | 24                                 | 51                     | 48                | 4                            | 127    |
|   |                                   | 9.30%                              | 19.77%                 | 18.60%            | 1.55%                        | 49.22% |
|   | Completely                        | 7                                  | 18                     | 48                | 7                            | 80     |
|   |                                   | 2.71%                              | 6.98%                  | 18.60%            | 2.71%                        | 31.01% |
| More than it was<br>planned (over<br>achievement) | 0                                 | 2                                  | 9                      | 1                 | 12                           |        |
|   | 0.00%                             | 0.78%                              | 3.49%                  | 0.39%             | 4.65%                        |        |
| Total   |                                   | 51                                 | 77                     | 117               | 13                           | 258    |
|   |                                   | 19.77%                             | 29.84%                 | 45.35%            | 5.04%                        | 100.0% |

The bivariate correlation coefficient Kendall's tau-b we used for hypothesis testing of the ordinal variables is 0.318, which

leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 7).

Table 7: Correlations Kendall between variables

|                 |                              |                         | Change has achieved its goal | Period of implementation |
|-----------------|------------------------------|-------------------------|------------------------------|--------------------------|
| Kendall's tau_b | Change has achieved its goal | Correlation Coefficient | 1.000                        | .318**                   |
|                 |                              | Sig. (2-tailed)         | .                            | .000                     |
|                 |                              | N                       | 258                          | 258                      |
|                 | Period of implementation     | Correlation Coefficient | .318**                       | 1.000                    |
|                 |                              | Sig. (2-tailed)         | .000                         | .                        |
|                 |                              | N                       | 258                          | 258                      |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The third hypothesis tested the relationship between the successful achievement of a change goal and the finalization of the change implementation within the budgetary limits.

There were 212 answers valid answers (82.17 %) and 46 non-answers.

Frequency distribution analysis on the valid answers shows that there is a direct relationship between successfully achievement of a change goal and the finalization of the change implementation within the budgetary limits. (see table 8).

Table 8. Distribution of responses to variables

|                              |  | Budget spending efficiency (Budget spent was...) |                                   |            |                   |         |     | Total |
|------------------------------|--|--|-----------------------------------|------------|-------------------|---------|-----|-------|
|                              |  | greater than planned by more than 5%             | overcome by less than 5% the plan | as planned | less than planned | S/Total | N.A |       |
| Change has achieved its goal | Not at all / very small extent             | 0  | 0                                 | 1          | 1                 | 2       | 3   | 5     |
|                              |  | 0.00%  | 0.00%                             | 0.47%      | 0.47%             | 0.94%   |     |       |
|                              | To a small extent                          | 1  | 6                                 | 6          | 8                 | 21      | 13  | 34    |
|                              |  | 0.47%  | 2.83%                             | 2.83%      | 3.77%             | 9.91%   |     |       |
|                              | To a great extent                          | 18   | 38                                | 30         | 19                | 105     | 22  | 127   |
|                              |  | 8.49%  | 17.92%                            | 14.15%     | 8.96%             | 49.53%  |     |       |
|                              | Completely                                 | 10   | 19                                | 33         | 10                | 72      | 8   | 80    |
|                              |  | 4.72%  | 8.96%                             | 15.57%     | 4.72%             | 33.96%  |     |       |
|                              | More than it was planned (overachievement) | 0  | 4                                 | 3          | 5                 | 12      | 0   | 12    |
|                              |  | 0.00%  | 1.89%                             | 1.42%      | 2.36%             | 5.66%   |     |       |
| Total                        |  | 29   | 67                                | 73         | 43                | 212     | 46  | 258   |
|                              |  | 13.68%   | 31.60%                            | 34.43%     | 20.28%            | 100.0%  |     |       |

We used the bivariate correlation coefficient Kendall's tau-b to test the hypothesis. The coefficient has a negative value of - 0.144 that is significant at the 0.01 level, which leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 9).

The fourth hypothesis tested the relationship between the successful achievement

of a change goal and the transformation of the previously existing routines: changes that are successful in achieving their goal transform the previously existing routines.

By analyzing the frequency distribution of the 253 valid answers (98.06 %) we can conclude that changes that are successful in achieving their goals transform the previously existing routines. (see table 10).

Table 9: Correlations Kendall between variables

|                 |                              |                         | Change has achieved its goal | Budget spending efficiency |
|-----------------|------------------------------|-------------------------|------------------------------|----------------------------|
| Kendall's tau_b | Change has achieved its goal | Correlation Coefficient | 1.000                        | -.144**                    |
|                 |                              | Sig. (2-tailed)         | .                            | .006                       |
|                 |                              | N                       | 258                          | 258                        |
|                 | Budget spending efficiency   | Correlation Coefficient | -.144**                      | 1.000                      |
|                 |                              | Sig. (2-tailed)         | .006                         | .                          |
|                 |                              | N                       | 258                          | 258                        |

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Table 10. Distribution of responses to variables

|                              |  | Budget spending efficiency (Budget spent was...) |                                   |            |                   |         |     | Total |
|------------------------------|--|--|-----------------------------------|------------|-------------------|---------|-----|-------|
|                              |  | greater than planned by more than 5%             | overcome by less than 5% the plan | as planned | less than planned | S/Total | N.A |       |
| Change has achieved its goal | Not at all / very small extent                               | 0  | 0                                 | 1          | 1                 | 2       | 3   | 5     |
|                              |  | 0.00%  | 0.00%                             | 0.47%      | 0.47%             | 0.94%   |     |       |
|                              | To a small extent  | 1  | 6                                 | 6          | 8                 | 21      | 13  | 34    |
|                              |  | 0.47%  | 2.83%                             | 2.83%      | 3.77%             | 9.91%   |     |       |
|                              | To a great extent  | 18   | 38                                | 30         | 19                | 105     | 22  | 127   |
|                              |  | 8.49%  | 17.92%                            | 14.15%     | 8.96%             | 49.53%  |     |       |
|                              | Complete-ly  | 10   | 19                                | 33         | 10                | 72      | 8   | 80    |
|                              |  | 4.72%  | 8.96%                             | 15.57%     | 4.72%             | 33.96%  |     |       |
|                              | More than it was planned ( o v e r a c h i e v e - m e n t ) | 0  | 4                                 | 3          | 5                 | 12      | 0   | 12    |
|                              |  | 0.00%  | 1.89%                             | 1.42%      | 2.36%             | 5.66%   |     |       |
| Total                        |  | 29   | 67                                | 73         | 43                | 212     | 46  | 258   |
|                              |  | 13.68%   | 31.60%                            | 34.43%     | 20.28%            | 100.0%  |     |       |

The bivariate correlation coefficient Kendall's tau-b used for hypothesis testing is 0.312, which leads to the conclusion that the

hypothesis is verified (see Kendall correlation analysis, table 11).

Table 11: Correlations Kendall between variables

|                 |   |                         | Change has achieved its goal | Change has transformed the initial routines |
|-----------------|---|-------------------------|------------------------------|---|
| Kendall's tau_b | Change has achieved its goal                | Correlation Coefficient | 1.000                        | .312**                                      |
|                 |   | Sig. (2-tailed)         | .                            | .000  |
|                 |   | N                       | 258                          | 258   |
|                 | Change has transformed the initial routines | Correlation Coefficient | .312**                       | 1.000                                       |
|                 |   | Sig. (2-tailed)         | .000                         | .   |
|                 |   | N                       | 258                          | 258   |

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The fifth hypothesis tested the relationship between the successful achievement of a change goal and the enhancement of skills and competencies within organization: successful changes generate superior skills and competencies within organization.

There were 254 answers valid answers (98.45 %) for which frequency distribution analysis shows that changes that are

successful in achieving their goals generate superior skills and competencies within organization (see table 12).

We used the bivariate correlation coefficient Kendall's tau-b for hypothesis testing. The coefficient is 0.332, which leads to the conclusion that the hypothesis is verified (see Kendall correlation analysis, table 13).

Table 12. Distribution of responses to variables

|   |                                | Employees has developed new skills and superior competencies |                   |                   |                        |         |     | Total |
|---|--------------------------------|--|-------------------|-------------------|------------------------|---------|-----|-------|
|   |                                | at a very small degree                                       | at a small degree | at a great degree | at a very great degree | S/Total | N.A |       |
| Change has achieved its goal                | Not at all / very small extent | 1  | 3                 | 0                 | 1                      | 5       | 0   | 5     |
|   |                                | 0.39%  | 1.18%             | 0.00%             | 0.39%                  | 1.97%   |     |       |
|   | To a small extent              | 9  | 16                | 7                 | 2                      | 34      | 0   | 34    |
|   |                                | 3.54%  | 6.30%             | 2.76%             | 0.79%                  | 13.39%  |     |       |
|   | To a great extent              | 6  | 28                | 61                | 31                     | 126     | 1   | 127   |
|   |                                | 2.36%  | 11.02%            | 24.02%            | 12.20%                 | 49.61%  |     |       |
|   | Completely                     | 5  | 12                | 30                | 30                     | 77      | 3   | 80    |
|   |                                | 1.97%  | 4.72%             | 11.81%            | 11.81%                 | 30.31%  |     |       |
| More than it was planned (over achievement) | 0                              | 0  | 4                 | 8                 | 12                     | 0       | 12  |       |
|   | 0.00%                          | 0.00%  | 1.57%             | 3.15%             | 4.72%                  |         |     |       |
| Total                                       |                                | 21   | 59                | 102               | 72                     | 254     | 4   | 258   |
|   |                                | 8.27%  | 23.23%            | 40.16%            | 28.35%                 | 100.0%  |     |       |

Table 13: Correlations Kendall between variables

|                 |  |                         | Change has achieved its goal | Employees has developed new skills and superior competencies |
|-----------------|--|-------------------------|------------------------------|--|
| Kendall's tau_b | Change has achieved its goal                                 | Correlation Coefficient | 1.000                        | .332**   |
|                 |  | Sig. (2-tailed)         | .                            | .000   |
|                 |  | N                       | 258                          | 258  |
|                 | Employees has developed new skills and superior competencies | Correlation Coefficient | .332**                       | 1.000  |
|                 |  | Sig. (2-tailed)         | .000                         | .  |
|                 |  | N                       | 258                          | 258  |

\*\* . Correlation is significant at the 0.01 level (2-tailed).



## 5. Conclusions

Organizational change is the process used by organizations to redesign their structure, processes and culture. While the aim of change is to move from the current state toward a future desired state to increase their effectiveness and efficiency, leaders have an outstanding influence on the initiation and implementation processes.

The study has intended to detect the key indicators that commonly characterize an organizational change implementation output. It aimed to identify relationships between the successful achievement of a change goal and its objectives and items such as the period of implementation, budgetary framing, transformation of routines as well as skills and competencies enhancement.

First, our research demonstrates that changes are perceived as being successful in achieving their goals if they achieve their initially settled objectives. This conclusion is consistent with the idea that changes are initiated after a diagnostic process that provides an organization with the systematic knowledge that it needs to design a set of appropriate intervention activities to improve organizational effectiveness (Van Tonder & Dietrichsen, 2008). The organizational diagnosis involves collecting pertinent information about current operations, analyzing the data obtained, and drawing conclusions regarding potential change and their consequent objectives (Cummings & Worley, 2005; Slocum & Hellriegel, 2007).

A second conclusion of our research is that there is a significant relationship between the successful achievement of a change goal and the finalization of the change implementation as scheduled: changes that are successful in achieving their goals are finalized

within the interval scheduled. This conclusion is consistent with the ideas presented in the classic models of strategic planning and strategic management (Miles and Snow, 1978; Porter, 1980).

Another finding of our research is that all costs of successful changes are within the budgetary allocation. Organizations are interested in the successful achievement of a change's goal, and this excludes expenses beyond budgetary limits. Our study proved that there is a significant relationship between successful achievement of a change goal and the finalization of the change implementation within the budget. However, although there are many situations in which organizations realize a trade-off between budget spending and goal achievement, budget spending efficiency is an important indicator of change implementation outputs.

Our research has also confirmed that successful changes transform the previously existing routines. The significant relationship between successful achievement of a change goal and the transformation of the previously existing routines is consistent with the idea that when employees realize the nature and sequence of tasks to be accomplished, they share knowledge and opinions regarding the organization's routines and modify them.

Our last conclusion confirms the fact that superior skills and competencies are developed inside organizations involved in change. Our results show that successfully achieving the change goal requires encouraging individuals to enact new behaviors so that desired changes are achieved. The new behaviors are spawned within the organizational tacit knowledge and are the foundation for the enhancement of skills and

competences within organization. This is consistent with the idea of enactive mastery; that is, the gradual accumulation of increasingly complex skills.

These results are limited in scope. The limits come from the fact that the study does not make a thorough distinction between variables that can influence the change (implementation) processes and outputs. For instance, at the end of a change process an organization can have established further procedures and routines designed for performance improvements which are not used daily due to the employees' reluctance to apply them.

However, a few directions of activity arise from this study. First, organizations should set up mechanisms for assessing a set of global indicators of change effectiveness

for benchmarking and further improving the implementation processes quality.

Also, even though changes are initiated within a specific context, further modifications of it can affect the initially-settled objectives, making them obsolete. Therefore, organizations should develop a frame to continuously evaluate the fitness of results to the goals.

This research, limited by its scope and size of the sample, is a starting point for further studies designed to identify indicators of change effectiveness. For instance, it can be the starting block for a more substantial set of output indicators that include the suitability of the outcomes to the new situations and, therefore, can support further importance and emphasize the organizational dynamic capabilities.

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