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The word "Manager" is written in a cursive, handwritten style. A thick, black pen is positioned horizontally above the letters "an", as if it has just finished writing them or is about to start.

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From past to future

When analysing the evolution of management, the past times can be seen as certitude, while the future ones can be discussed in terms of work hypotheses. Scenarios have the great virtue of providing unlimited possibilities to treat future realities. We can talk about virtual realities as forms of manifestation of future contexts.

If, by the end of the 19th century, we were talking about Fayol's theories, nowadays we have the possibility to analyse such theories from the perspective of their validation within the real economy. It is obvious that the critical analysis is at hand rather than the construction of a system architecture able to reveal, in terms of reflection and experiments (with successes and failures), the evolution of miscellaneous phenomena. The success of Fayol's work is the result of an experience of 30 years in Administration and of 50 years in Management. If, after 1925, Fayol's contribution has been forgotten for a while, in 1935 Lyndall Urwick reminded us of the important steps the former has made for the development of management. Therefore, at present, we can designate him as one of the management classics. That's how, circumstances and, most important, value-related considerations impose authors the vast experiences of whom can influence systems at both micro and macro level.

Theory becomes virtue when it is issued by practitioners able to identify (based on the repeatability of certain phenomena) that clear rules can be defined, thereby allowing for the outlining of specific behavioural patterns at the level of individuals and systems. Many of the hypotheses set up by contemporary experts in the matter can turn into tomorrow's theories. I strongly believe that great theories can be created only by people having really experienced related issues. Otherwise, these become stylistic exercises without coverage in the real world.

Hence, past is always the future's germ. Paraphrasing „from art for art's sake to art as means of knowledge“ we can discuss the possible meanings of the words „from theory for theory 's sake to theory as means of knowledge „.

Prof. Ph.D. Paul Marinescu

The Management Of Energy Resources. Transforming Natural Resources Into Economic Goods

~ Ph. D. Student **Alexandra Diala** (The Romanian Academy, Romania)

E-mail: alexandra.diala14@gmail.com

Abstract: *The management of energy resources, as a component of modern management, has become one of the most important pillars in the context of European energy policy, in order to have more competitive European companies, economies, and to a large extent - states. The purpose of this paper is to bring to attention the necessity to take steps forward to create a strong link between resources and development, which is essential if one state aims to create a sustainable and brighter future. A weak management of energy affects energy prices, emissions targets, and legislation, all of which lead to several compelling reasons why, at all levels one state should focus on saving energy: in businesses, public-sector/government organizations, and homes. The energy industry is one of the most capital-consuming industries in the world. Relatively higher energy prices place a drag on economic growth everywhere except in economies that are dominated by energy production. The Romanian main energy institutions, next to the Ministry of Energy, are acting to the improvement of energy efficiency, the reduction of greenhouse gas emissions, proceeding on maintaining the energy prices stable and the promotion of the renewable energy sources.*

Keywords: management of energy resources, European energy policy, development, energy prices, emission targets, energy industry, Romanian institutions.

JEL Classification: O44, Q21, Q34, Q43, Q54.

1.Introduction

According to Business Dictionary, “management means the organization and coordination of the activities of a business in order to achieve defined objectives. Management is often included as a factor of production along with machines, materials, and money. Peter Drucker (1909-2005), the management guru, stated that the basic task of management includes both marketing and innovation. Practice of modern management originates from the 16th century study of low-efficiency and failures of certain enterprises, conducted by the English statesman Sir Thomas More (1478-1535)”.

Energy management is widely acknowledged as the best solution for direct and immediate reduction of energy consumption. Basically, it could be reached through balancing consumption, cost and environmental impact and it involves practices such as metering or the use of each opportunity to save energy. Energy represents a valuable good, and it is recommended to be regarded as business cost, as are the labour or the raw material. Two of the most important reasons why we should bet on energy management (and mostly - on energy saving) rely on the environment dimension – keeping our Planet as clean as we can, and on reconsidering the level of dependency on the fossil fuels, which represents a limited source of energy security. According to the 2020 climate & energy package proposed by the European Commission - a set of binding legislation to ensure the EU meets its climate and energy targets for the year 2020, there are three key targets:

- 20% cut in greenhouse gas emissions (from 1990 levels);
- 20% of EU energy from renewables;

- 20% improvement in energy efficiency.

Taking the necessary measures in order to accomplish the above-mentioned targets, will determinate the increase of energy security at EU level (reducing the dependency on energy imports) and also will create jobs, advance green growth and make Europe more competitive. Respecting the steps to get the targets proposed by 2020 climate & energy package will contribute in shaping the future European Energy Union and Climate, which will ensure that Europe has secure, affordable and climate-friendly energy. Wiser energy use, while fighting climate change is both a lever for new jobs and growth and an investment in Europe's future, which could be also reached by one of its milestones tools – the energy management.

2.Energy resources, as economic goods

Energy is one of the main axes of the economy and a crucial input for nearly every good and service. As I have mentioned before, energy industry is assuring a large number of jobs, which has also a great impact on the overall economy, and also one should always remember that the energy comes from the physical environment and ultimately returns there. This means two things: energy represents a priceless good, a source of wealth but in the same time it should be carefully and properly used in order to protect the environment, or to benefit of low prices after using it. Energy represents an input for nearly all goods and services. Price shocks and supply interruptions can shake whole economies, mostly in those countries where the flow of energy is usually taken for granted. Rising energy prices took purchasing power away

from consumers, particularly from lower-income groups.

Romania, for example, has a broad range of energy resources such as: nuclear, substantial coal deposits, significant oil and gas reserves, wind, solar, biomass and it has substantial hydroelectric power installed. In order to emphasize the importance of all these energy resources of Romania so that we can talk in terms of gain, it is recommended to highlight the necessity of achieving two main goals: reducing consumption, balancing the price of energy, using as effectively as possible the natural resources with the help of the economic processing technology (reducing energy waste and pollution) and using the alternative energy sources. In the same time, Romania has to cope with a number of urgent weaknesses and vulnerabilities - some of them structural - which might affect the continued effectiveness and operational resilience of the energy sector: slow progress in improving energy efficiency throughout the production, transit and consumption cycles; rapid depletion of hydrocarbon reserves (the new discoveries are not so encouraging) - this might lead to a considerable rise in imported oil and gas resources causing a lack of stability and security of our country, inefficient and heavily polluting power production facilities, etc. The moment when Romania will have to make quite a few decisive choices, to keep abreast of the dynamic developments in world markets, technological innovation, mainstream options in EU energy policies and Romania's specific conditions and requirements is very close. But all these should begin with the Romanian authorities responsible of energy sector, which will have to assume strategic decisions related to energy poverty, security of supply

(creating more than one source of energy supply), to assure reasonable pricing according to a pre-planned schedule that is correlated with the anticipated decline of national resources, etc.

Economically speaking, any increase in energy prices, has a major impact, especially on companies and enterprises where energy has a large share of total spending. Increasing energy prices leads to lower profit level, unemployment and even to bankruptcy in some cases. The primary objective of energy management is to achieve and maintain optimum energy procurement and utilization which may help in minimizing energy costs and mitigating environmental effects. The industry directly affects the economy by using labour and capital to produce energy. This role is particularly important when economic growth and job creation are such high priorities around the world. Shaping a sustainable and brighter future by changing the balance from excessive consumerism towards an increased quality of life represents one of Romania's main challenges. While there is plenty of experience in optimizing energy generation and distribution, the industry and the researches are focusing on the demand side management (DSM), a portfolio of measures to improve the energy system at the side of consumption. The DSM has various beneficial effects, including mitigating electrical system emergencies, reducing the number of blackouts and increasing system reliability. Possible benefits can also include reducing dependency on expensive imports of fuel, reducing energy prices, and reducing harmful emissions to the environment. It has also a major role to play in deferring high investments in generation, transmission and distribution networks.

3. Energy saving – an important principle of management

The matter of conservation of energy, due to its complexity, represents a subject of management principles. Energy saving represents nowadays, the best way to ensure a secure and sustainable energy supply, an important tool to reduce greenhouse gases and emissions. Energy can be saved through increased energy efficiency throughout the whole chain from its generation to its transmission and distribution to more efficient end-use. Energy can undoubtedly be a driver of economic growth and it is crucial when considering energy policy, to bring the Governments in the position to understand that, the matter of conservation of energy it is important, beyond their focus on prices, security of supply or on environmental protection. As I have mentioned before, energy management is widely acknowledged as the best solution for direct and immediate reduction of energy consumption. Until recently, a policy orientated toward expanding production capacities to the detriment of energy conservation, it was usual. State-owned enterprises still dominate Romania's energy sector. The state is the shareholder in many important energy companies, controlling most of Romania's energy generation companies, an important part of the energy distribution and supply sector, and both national transmission operators.

Implementing long-term, sustainable corporate governance systems - at least at this level - would generate energy security in the long term. Such a system will provide an effective framework for managing the development of Romania's natural resources, while ensuring much-needed energy security and thus contributing to the regional stability.

Reduction and control of energy usage is vital as it:

- Reduces costs: one of the most compelling reasons for saving energy is cost reduction.
- Reduces carbon emissions: reducing energy consumption also reduces carbon emissions and adverse environmental effects. It is each of us responsibility to keep a clean environment for tomorrow's generation;
- Reducing risks: reducing energy use helps reduce risk of energy price fluctuations and supply shortages.

4. The transition to a sustainable development

In the context of national energy, sustainable development means ensuring energy demand, but not by increasing its use (excepting renewables, in this case), but by increasing energy efficiency, upgrading technology and restructuring the economy. Sustainable development requires a better fit between among all the stakeholders "not necessarily less government, a sharing of tasks between state, civil society and the business sector and long-term perspectives addressing the population as responsible citizens" (Meadowcroft, 2007). Demand of energy is growing continuously and essential for developing countries for their society, economic and social improvements and this requires deliver more affordable services, changes in technologies, methods, infrastructure and people behavior (Kaygusuz, 2012).

Final energy intensity is one of the main macroeconomic indicators for analyzing the efficiency of energy use and is included in the list of indicators of sustainable development of the international organizations.

According to Eurostat (the statistical office of the European Union), the energy intensity of the Romanian economy is still slightly higher than the EU average. In order to reach sustainable development, there are required further policies and measures for improving the implementation of energy efficiency. To consider various measures of energy conservation, it should be evaluated a series of sector-specific issues for which they are intended. An important potential of conservation it is provided by industry, transports and buildings (for example, we can target the energy-intensive industry: aluminum, steel, chemicals, cement, paper, etc.). The industry is currently undergoing a phase of evolution; the future of facilities management is now integrated facilities management. The companies have started to demand integrated facilities management on a very large scale, which is able to span multiple buildings, locations, and even countries and regions. Regarding households sector, the evolution of energy consumption and its efficiency were influenced by two divergent factors: the initiation of political and technical measures for increasing energy efficiency (labeling of household appliances, thermal insulation of houses) and the increase in the comfort level of population (introduction of air conditioning, increase in household appliances ownership). The latest report of International Energy Agency (IEA) – Energy Efficiency Market Report 2016 (2016), shows that the global annual energy intensity improvements need to rise immediately to at least 2.6% in a trajectory consistent with our climate goals.

In terms of legal framework, in Romania, the Law no. 121/2014 on energy efficiency, entered into force on August 2014. The Law transposes the European Union

regulations set out under Directive 2012/27/EC regarding energy efficiency, into national legislation. Through this law, the authorities aim is to establish a coherent legislative framework for the development and application of the national energy efficiency policy in order to achieve the national target for increasing energy efficiency. The established measures for energy efficiency apply to: primary resources, production, distribution, supply, transmission and final consumption. Transposition of EU legislation is a positive aspect, providing a legal framework and also some specific new financing mechanisms.

In my opinion, the first step should be made to improve energy conservation is focusing on energy efficiency, being the most effective measure in addressing the challenge of energy management and reduction of emission of greenhouse gases. Energy efficiency is the only energy resource possessed by all countries. Gardner and Stern (2002) make a clear distinction between energy efficiency and energy conservations. Energy efficiency refers to the adoption of specific technology that reduces the consumption of energy without changing the relevant behavior and energy conservations refers to changing consumer behavior towards energy savings. While the expansion of policies has been effective in generating energy savings and reducing emissions, more is required and more is possible. In order to achieve our climate goals (there is a long way to reach this point) are needed more improvements in energy intensity and energy efficiency. Global collaboration and knowledge exchange will be essential elements of strengthening action on energy efficiency in all countries. The Paris Agreement reached at COP21 in December 2015, was the key global

development that will affect the future energy efficiency market. At the Paris climate conference (COP21), 195 countries adopted the first-ever universal, legally binding global climate deal, which set out high-level intentions, goals, targets and prescriptive actions to reduce greenhouse gas (GHG) emissions.

The agreement, which is due to enter into force in 2020, sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C.

How the Paris Agreement will change the business case for energy efficiency policies and investments will depend on the specific countries, sectors, technologies and developments happening elsewhere in national energy systems.


5. Conclusions

The energy industry fuels the economy, and steady availability of reasonably priced energy is a crucial to economic growth. Often called the “first fuel” of the global energy system, energy efficiency is one of the most important steps that any government can take to move towards a sustainable energy system. Global energy intensity improvements need to reach at least 2.6% per year to put the world on a sustained pathway for a decarbonised energy system. In countries with significant and various energy resources, as it is Romania, the industry can be an engine of economic recovery and development.

Energy demand and prices have been resilient throughout the recession due to growing needs in the developing world. Achieving noteworthy energy efficiency by management practices makes practical business strategy for any organization and sustainable development is basis on four pillars social, economic, environment and energy sources management. A holistic approach not only saves money, it can promote one state's productivity levels and reputation, making energy management a core aspect for any business in the modern age. Romania should continue its efforts to reach the national and European commitments in force. Sustained efforts are necessary to reach the target “20-20-20” (foremost to succeed a decrease of 20% of the energy consumption and 20% off CO₂ emissions). Also, after COP21, through Romania's position it was expressed the strong belief that the Agreement signed in Paris sends a clear signal to investors, businesses and policy makers on the global transition towards low carbon economy, guiding actions globally on the path of limiting the global average temperature increase below 2° C. Since that moment, it was made clear the state's favorable position related to a more concentrated cooperation, to the development of some important energy efficiency measures and to some key parameters through like energy saving practices that leads to the sustainable future for the next generations.

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Strategic Considerations For Foreign Direct Investments Penetrating A Foreign Market

~ Ph. D. **Anca-Ioana Butunoi** (*The Romanian Academy, Romania*)

E-mail: anca.butunoi@yahoo.com

Abstract: *The globalization of the world economy has created great opportunities for countries, one of them being that of attracting foreign investments. They play a key role in global business, being a fundamental part of the economic system and its development. Despite the fact that the debate over FDIs varies from opinions that claim that they substitute internal investments and they expatriate a great deal of the capital at the disadvantage of the host country to opinions that argue in favor of the benefits of FDIs for host countries, increased efforts to attract FDIs by national economies can be noticed. With this in mind, this paper analyses the strategic preferences of foreign investors when choosing a new market and tries to establish a set of criteria that represent the main attraction characteristics when the decision to invest is made. The paper explains, at first, concepts such as strategic management, the strategies of entering a foreign market and the foreign direct investments, and then correlates these concepts in order to highlight the factors that contribute to the making of an investment decision and the ways through which foreign capital can be introduced on a new market. And last but not least, we made an analysis of the foreign capital flows in Romania, highlighting the advantages and disadvantages that the Romanian economy presents for potential investors interested in this country.*

Keywords: foreign direct investment, foreign market, investment decision, strategic management, international investment

JEL Classification: F21, F23, D81

Introduction

For the economic growth and wellbeing of any country, the technologic process is defining, and the fast changes that occur in this field in developed countries can enlarge the gap between them and developing countries. Thus, it is imperative that developing and underdeveloped countries find solutions in order to narrow the gap, and by doing so, directing their economy towards sustainable development and reducing poverty[1]. With this purpose, the globalization of the world economy has created great opportunities for countries, including that of attracting foreign investments. Foreign direct investments have an important role in the global business, being a fundamental part of the economic system and its development. In the last thirty years, they have become a major form of capital transfer on a world scale, and currently, the subject of FDIs is a major talking point both on an international and a national level.

The objective of this study is to analyze the strategic preferences of foreign investments and to determine a set of criteria that determine foreign investors to choose an economy over another, when they decide to invest in another economy than the one they're from.

In order to achieve this, I've found it necessary to start by analyzing two categories of theoretical concepts in parallel: strategic management and the strategies of accessing a foreign market on one hand, and FDIs on the other. Then I correlated these concepts in order to pinpoint the means through which the investor can introduce capital on a new market in the form of an FDI, and the factors that come into play in the decision of investing in a foreign market.

This paper is based upon ideas from specialized literature, data from reports

compiled by international economic organizations relevant towards research and predictions from FDI and strategic management specialists. In my research, I have used sources of both qualitative and quantitative. The latter part of this study is based upon statistics and pertinent standardized measurements, in which I have analyzed the flows of FDIs in Romania, and the advantages and disadvantages that the Romanian economy presents towards potential foreign investments.

1.Strategic management. Strategies for accessing a foreign market

Strategic management is defining for an enterprise that targets expansion, even more so if it wants to direct capital towards another economy, and its prediction function contributes in a decisive way in the process of decision making and it favors companies that are faced with the need of fast changes.

Through strategic management, the leadership of a company develops strategic plans, and then, executive managers develop the tactical and operational components needed to achieve its objectives. The strategic management process can be divided into multiple phases, but on a simple approach it contains the following elements: strategic analysis, formulating a strategy, implementing the strategy and strategic control [2].

These elements can be presented in other forms. For example, L. Rue and Ph. Holland have elaborated a more detailed model of the process of strategic management. This is also split in 4 stages: the analysis of the current state of the company, examining future perspectives, determining the future evolution and applying the strategy. Each of these stages is made up of steps needed to be followed in order to complete the process [3].

The strategic analysis usually implies analyzing the company's position, the development of its purpose and the view of its future path, and last but not least, analyzing the internal and external conditions of the enterprise. And in the aforementioned model, the authors position the analysis of the internal and external conditions right after establishing the long term objectives, thus confirming the fact that it is an important component.

The analysis of the internal and external conditions is essential due to the fact that the objectives that are set must correspond with the company's capabilities and those of the market that it functions in. If the objective of the internal analysis is to identify assets, resources and capabilities and to make a scan of the enterprise from the perspective of the competitive advantages and disadvantages that it possesses, the analysis of the external environment is tasked with identifying the opportunities and the threats that the company may encounter in the market that it operates in and in a new market, presuming that an expansion has been set as a company objective. The variables used in this type of analysis include economic, politic, legislative, technologic, social-cultural and environmental factors and other factors specific to every enterprise. This type of analysis shows the management if objectives that have been set are realistic, the companies utilizing specific instruments, such as the SWOT or the PEST/PESTLE analysis [2].

A company's success relies a great deal on the realism and quality of its strategy, and on the depth of the analysis that has been performed in order to establish that strategy [3]. Thus, any company must pay a great deal of attention to the external conditions and their analysis, as the environment represents

the objective and subjective reality and is a determinant factor in the decision-making process.

An investment will achieve the investors' objectives depending on the context, and the context is influenced by facts [4]. Theodore Levitt in his study "Marketing Myopia" offers several more revealing examples about the importance of context (internal and external conditions) in relation with company strategy. One of these examples reveals the perception about the context of the London rail industry from around the time the study was made, the 1960's. This study claims that railways have stopped being built even though the demand for freight and passenger trains has grown. The railway infrastructure has started being outdated, not because the demand was satisfied by other means of transport, but because the demand was not satisfied by the rail industry itself. Furthermore, the British Railways company has neglected the transport services consumer market exactly because of its erroneous position regarding the industry tasked with providing the railway materials rather than the transport sector, which provides services. The reason that the industry was incorrectly defined in this case is the orientation towards production and not the consumer, which means that the market's realities were not taken into account [5]. This example is probative in showing the importance of context analysis and the analysis of the environment in which a company wishes to do its business.

Besides the analysis of the external environment, special attention needs to be drawn to specific reviews, specifically the evaluation of the industry's state according to the company's profile and that of the competition within that certain industry. On the basis

of the results from the analysis of these two elements, the company's state can be evaluated from the perspective of its competitive position in relation to the market's realities (advantages/disadvantages) [3].

The strategies of expanding in a new market and accessing that market and their implementation are essential elements that test the efficiency of a company's management, as they not only imply the creation of a new company in another company, but also taking in account the new environment, with its benefits and downsides.

When a company has set its target on expanding in a new country it must establish two important elements, the identity of the market that it will access and, more importantly, the way through which it plans on doing this.

There are several ways of accessing a market, namely: through exports, through contract or by investments. Penetrating a market through exports can be done through direct or indirect exporting. The upside of this type of trade is that it is one of the easiest ways of marketing in a foreign economy and it implies only small risks. However, the profits generated are generally small due to commercial barriers and the exchange rates between the host country and the country of the investor (if the currency from the country of the investor is more potent, then the investor will record significant losses).

The second means of expansion of foreign markets is making a contract through which the investor allows other companies to have control over the managerial decisions, over financial administration, production and marketing. Meaningful examples for this way of accessing a market are francizes and licensing.

The third way of accessing a foreign market are investments, that can be materialized either through mixt entities, new companies or the acquisition of existing companies. A mixt company refers to the situation in which two companies work together in order to access a foreign market, splitting the risks and the income. New units refer to the situation in which a company opens a new subsidiary in another economy than that from which it originates and acquisitions refers to the acquirement of a national company or certain parts of one by the investor [6].

2. Foreign direct investments – definition and characteristics

There are numerous theoretical works that analyze FDIs in detail since the 80's, when they started to be used on a larger scale becoming a major source of capital transfer.

FDIs were interpreted over time in the specialized literature in different ways. They are defined in various ways, starting from companies that poses and control commercial activities in more than one country (Brooke and Remmers in 1970 and Dunning in 1971) and advancing to definitions that include only the companies that have a joint management and a strategy regarding their internal and external operations (Perlmutter, 1969; Behrman, 1969). Some researchers introduce more pragmatic restraints such as the number of countries in which a company operates (Vernon, 1972) or the proportion that the investor possesses from the total sales, assets or the number of employees of the company in which the foreign investment is made (Bruck and Lees, 1966) [7].

Taking these approaches into account, international organizations such as the

Organization for Economic Co-operation and Development (OECD), the IMF or the United Nations Conference on Trade and Development have chosen to give FDIs an ampler definition.

The OECD defines direct investments as being a category of investments made over the border of states that are made by a resident of an economy with the purpose of creating long term interest in a company that resides in another economy. The direct investor is interested in a long-term strategic relationship with the enterprise in which it has invested with the purpose of obtaining a significant influence over its management. This long-term interest is visible when an investor obtains at least 10% of the stock in the company in which it has invested. The objectives of a direct investment are different from those of portfolio investments, as the investors don't desire to gain influence over management of the company. Also, the direct investment companies are corporations, subsidiaries (over 50% of the stock is owned by the investor company), associated companies (between 10% and 50% of the stock is owned by the investor or quasi corporations (branches of some corporations that are 100% owned by the original companies) [8].

The World Bank defines FDIS similarly, defining them as the net entries of investments with the purpose of obtaining at least 10% of the stock of a company that functions in another economy than that of the investor [9].

In the fifth edition of the Balance of Payment Manual of the IMF, an FDI is defined as the capital held in subsidiaries, the

stock held in branches or associated companies, short, medium and long-term loans between the parent company and the affiliated or associated subsidiaries, contributions such as providing machinery by the foreign investor and also, reinvested profits [10]

3. Factors that determine the investment decision on a foreign market

There are three important factors that point towards a certain market and to the way in which foreign capital will enter that market: the specific factors of the economy in which the investment is made, the internal factors of the company and the strategic factors. The first deciding factor for transnational companies is related to the specifics of the host economy. In addition to the fact that this factor determines the investment decision, it also determines the size of the investment, the conditions and the degree of opening towards the expansion in more locations within the host economy.

In order to establish the main macroeconomic factors that determine a company to invest in one economy at the expense of another when the decision to invest in a foreign market is made, the PESTLE analysis is used, implying the analysis of the market and it constitutes a part of strategic management, often used in market studies [11]. The PESTLE analysis is a useful instrument for the comprehension of the overall image of the environment that is chosen as a place of future investment. From this analysis, potential risks associated with the analyzed elements can be identified.

Table 1 The PESTLE analysis of the main factors of interest for foreign investors when choosing a foreign market

Factors of interest	Factor subcategories	Interests of the FDI in host markets
Political		- the predictability of changes following elections (as political parties following them may change laws and rules, and sensitive sectors of the country's economy, such as financial institutions, energy or communications can be controlled by the political factor)
	Tax system	- low taxation is key to attracting FDIs (for example: low income taxes, individual income tax rates, etc.)
	Tax brakes	- Subsidies and reductions - Tax exemptions - Free land/land grants - Preferential charges - Expatriation and relocations of goods and profits, etc.
	Labor legislation	- The balance between rights and obligations that the employer and the employee have towards each other
	Trade restrictions	- No trade restrictions imposed on the state in question within the international system
	Infrastructure	- Modern infrastructure, in order to facilitate the transport of merchandise, water systems, energy and communication networks
	The education system	- Quality education system which coincides with the demands on the labor market (the countries in which there is a higher graduation rate of university level diplomas obtain more FDIs in fields such as technology or finance, insurance and real estate)
	Health system	- Efficient and healthy work force in order to favor long-term profitability of the investment
	Corruption	- From the view of the investor, in pure economic terms, corruption appears as a supplementary, untransparent and unpredictable form of taxation

Economic	Economic growth	- Economic growth in the host country is preferred in the context of FDIs as the larger the GDP per capita is, the higher the absorption rate of FDI productivity is
	Fiscal stability	- National long-term fiscal stability plan in place in order to create a stable economic environment for investment
	Interest rates	- The interest rates should be as low as possible to enable the investor to contract loans
	Exchange rates	- If the investor is exporting goods and services, the currency of the host country should be less potent than that of the exporting country - If the investor seeks to repatriate the profit, the currency in the host country should be as potent as possible
	Inflation rates	- Preferable inflation rates depending on the products/services provided, it is important that there is a stable inflation rate
	Employers	- Employers that play a strong part in negotiations with the politicians
Social	Cultural aspects	- It is important that the cultural aspects of a state are adaptable to the investor's strategy
	The rate of population growth and the population's distribution by age	- The need for a younger workforce, whereas an aging population may involve a smaller and less efficient workforce and this may create additional costs on employees
	Attitude towards building a career	- Preoccupied, qualified and specialized workers formed through high-quality training
Technologic	Research and development	- High public investments in the field of research and development
	Automation processes	- The workforce's adaptability for using automated production means
	The acceleration of the technologic process	- The growth of the rate of technologic investments
Environmental	Sustainable development	- Environmental friendly constructions - Products and services that have a reduced energy consumption - Innovative ways to reuse, recycle and purify water and other resources - New technologies to remove dangerous particles from the air, etc.
Legislative	Consumer law	- Viability, credibility and speed in solving problems by the legal institutions
	Antitrust laws	
	Labor code	

Source: the author's conception

4. Ways of entry for direct investments on a foreign market

For a company to establish on which type of market it will enter, it has to choose between different entry methods, in order to achieve its objectives. According to specialized literature, but also to the international organizations, and the form in which FDI appear in different economies, the entry on a new market, in this case, could be made in two ways:

- greenfield - building up new capacities. This type of operating on a foreign market, one that presents the most of risks, is that of building a capacity of products and/or services. Even so, this type of investment assures control over the technology and over quality, and also an increase of production. In contrast to taking over some existing companies, the investments started from scratch have the advantage of using a new, unused technology, that can be fully dedicated to certain needs of production or services of the parent company.

- Acquisitions and mergers: The company can buy or can unify with already existing businesses from the market they aim to, and that have similar products to those made in the economy in which they are present. This type of investment has the advantage of being able to use an already existing brand from the market, and being able to sell it immediately after the acquisition of the company, and in the meantime, the investor could introduce new brand on the host-market. Buying a company represents the same risks as a fusion, and for the last one we can add the challenge of the foreign investor to operate in a total different culture.

5. The presence of foreign investments in Romania

Although the financial, technologic and managerial needs of a country like Romania in a period of transition were extensive at the beginning of the 90's, the slow political and economic development has prevented consistent flows of FDIs from penetrating its economy until 1997. Starting with 1998, especially due to the privatization of state assets, flows of foreign capital in Romania began to increase significantly. The economic growth between 2000 and 2008 has demonstrated the existence of a functional market that provided opportunities to investors. With the integration of Romania in the EU the Romanian economy has benefited from the integration in safer economic and legislative space, favorizing the entry in the local market of some powerful companies. The favorable environment was short lived however, the Romanian economy being strongly affected by the financial and economic recession that started in 2008. Although a series of investment projects were canceled during the crisis, the number of foreign investors that withdrew from the Romanian economy is relatively low[12].

The balance of capital from FDIs in Romania grew by 5% in 2010 in comparison with 2009, reaching 52.585 million euros [12]. In 2011, the FDI flow grew again by 4.9% recording a total of 55.139 million euros [13]. The next year, 2012, the FDI flow grew again by 7.2% (59.958 million euros) [14], while in 2013 the FDI flow increase slowed down to a total of 59.958 million euros, growing by a mere 1.4% in comparison to the previous year [15]. In 2014, the low growth trend continued, totaling 60.198 million euros, only 0.4 more than 2013 [16].

In regards to the orientation of foreign companies towards certain economic

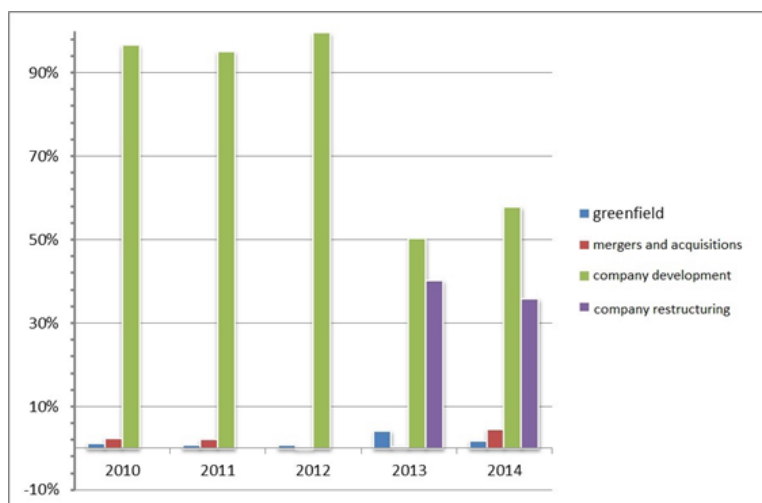
activities, in 2010, as in 2009, the highest contribution was made by the investments in the manufacturing industry (31.1% of the FDI flow in 2009 and 32% from the flow of 2010). In 2011 as well, the manufacturing industry recorded the highest share of the total FDI flow, precisely 31.5%, followed by financial intermediation and insurance (18%) and constructions and real estate transactions (10.7%) [13]. In 2012 too, the manufacturing industry (31.3%), and financial intermediations and insurance (18.5%) have been the highest contributors to the FDI flow, followed by commerce, with 11.4% [14]. In the following years, the first three industries that generated the FDI flow remained the same [15].

At the time being in Romania there are four methods that can be identified, in which the FDIs materialize, depending on the flow of foreign participants in the capital of the FDI companies: investments that don't have a previous infrastructure – the greenfield type, the fusions and acquisitions, company development and restructuring of companies [16]. If, generally speaking, foreign investments of the greenfield type, are

concentrating on the main technological branches and occupy a significant part in the total of the FDIs from certain countries, in Romania they have a lower share, approximately 1,8% from the capital participations (77 mil. euro in 2014). Nor in the case of fusions and acquisitions Romania does not excel, taking into consideration that in 2014, their share in the capital participation was approximately 4,5% (196 mil. euro). The development and restructuring of companies, meaning approximately 94% and having the predominant share in the total of the participants to the capital of the FDI in the year 2014 (3.949 mil. euro), reveal the potential loss of the companies, that are the result of the increased share of restructuring of the companies, more exactly 36% of the total of 94% [16].

It can easily be observed in Fig. 1 the relative lack of interest of foreign investors of establishing new companies, or of taking over certain companies from the residents, and in this situation, desirable being the proactive attitude of the investor, especially in the case of greenfield investments.

Figure 1. The participation of capital flows in FDI enterprises, 2010-2014



Source: BNR, *investițiile străine directe în România, annual editions*

6. Elements of the Romanian economy that attract or discourage Foreign Direct Investments

The interest of foreign investors manifests and migrates from one economy to another according to the economic advantages that it presents, but also taking into account the social and legislative aspects of each economy. The main macroeconomic factors that influence the decision to invest in a market are various and they depend on the socio-economic aspects of the host country.

The political factors are crucial to an investor's decision of choosing a country or another. If we analyze Romania from political stability point of view, we can note that joining the European Union has recorded progress in all sectors of democratic reform. The problems within the judiciary system and the fight against corruption are Romania's main weaknesses according to the latest MCV report of the European Commission, but the same document notes "signs of sustainability" regarding the progress of the judiciary reform and in the fight against corruption through high level corruption trials. The same report, tells us that public acquisitions are exposed to conflicts of interest [17]. Romania was ranked number 37 of 189 countries in the Doing Business Report of the World Bank in 2016, status that places it on the level of emerging and developing countries from Europe [18]. However, the main obstacles in the way of the development of the business environment are, according to the same report: slow access to financing, high tax rate, inadequate infrastructure, corruption and inefficient government bureaucracy. Despite all of these issues some positive measures were taken to favorize the business environment in regards to tax payment via online

local tax systems, allowing bank operations for the payment of taxes, which has been appreciated by the business environment [17].

Economic factors usually attract an investors interest. The national economy presents a steady annual growth for the past years, a growth of around 3%. The medium term economic perspectives are favorable, even though Romania is a country in which the GDP per capita (adjusted to the standards regarding buying power) is only 55% of the EU average. EBRD specialists claim that values of 4 to 5% annual growth are achievable on the condition that structural reforms are accelerated and further investments are attracted [17]. It is also worth mentioning that Romania is also confronted with transition difficulties in most of the economy's sectors. Although once joining the EU, the gap in comparison with the other member states was supposed to be narrowed, the current state of the infrastructure, the energy sector and real estate is deficient and it places Romania below the community standard. On the other hand, access to financing is limited due to the undeveloped state of the capital market that is not ready to take more risks, especially through loans to SMEs.

If we analyze Romania in regards to its resources, we will notice a series of benefits for investments. It possesses a vast array of natural resources and raw materials that even though are not present in large amounts, they are sufficient in order to maintain the continuity of production even in the times of tense international economic relations. The climate, the agricultural potential, the large forested area, the hydrographic network and the touristic potential can be determinant and highly attractive factors for foreign investors. The transportation network can present

a challenge for future foreign investors [19]. It's also worth mentioning the great potential of the human resources and their low costs, a great deal under the European standard and also the fact that the country's population constitutes an internal market of around 19 million consumers. Romania's geographic positions also offers an extremely favorable geo-economic position, at the crossroads of several important international trade routes.

The social and cultural factor are also very important for the investors in the Romanian economy, as the human and cultural development of a population determines the performance of the workforce that is targeted by a potential investment. According to the latest Human Development Index report made by the UNDP, Romania is a country with a high level of human development, ranking at 52, and from 2010 a noticeable and constant growth can be noticed [20]. There are still great differences between the occupational activities between genders, Eurostat data indicating that in 2014 women earned 9.7% less than men (the EU average is at 16.6%). There are rural areas with no access to any type of financing and only 37% of the rural population has an account opened at any financial institution; and from the urban population less than half has contracted credits. With regards to education there are also regional differences, only 58% of the people between 25 and 64 from the rural area possessing medium or superior studies in 2010, in comparison to the urban area where this percentage for the same age group rises to 91.1% [17].

The technologic factors are essential for the productivity of a business. An economy's access to technology not only reduces costs and improves efficiency, it also improves

productivity for the types of production that allow this. Romania's case can be characterized by reduced performance in innovation, as a result of a deficient national system of research-development-innovation, with a reduced transfer of the results of research and development to practical use, also caused by the reduced demand of innovation within the private sector. Also, "the lack of collaboration between the private sector and the research and development institutions halts the technologic transfer and also the potential to market the results of research through industry" [21]. The National Competitiveness Strategy defines technologic development and innovation as priorities in the effort to transform the Romanian economy in a competitive economy, in which scientific research is exploited in order to achieve the established objectives of economic development [21].

The environmental factors are also important, the exploitation and processing of the energy resources strongly influences them and also because sustainable development must be a priority for the country and for the commercial entities. In regards to these factors Romania should align itself to European standards. Although a new law regarding energy efficiency was adopted in 2014, according to EU directives with this purpose, for the increase of efficiency and the reduction of pollution the need for better laws and an improvement of infrastructure remains. Climate change also brings a new set of threats for several types of economic activities in Romania. More exactly, an increase of annual temperatures is foreseen that may cause hydrologic fluctuations, fluctuations that could interfere with important mining and agro-industrial projects. Furthermore, it's necessary to take into account the issue of

the irrigation systems, whose state may cause damage to the economy and the population.

7. Conclusions and suggestions

FDIs have constantly and significantly grown as part of the global economy, being intensely stimulated by the globalization phenomenon. Despite all this growth there are still major difficulties that sometimes are able to block investment projects of TNCs (transnational companies) or other investors. It is also worth noticing that the number of potential investment projects is significantly higher than the number of successfully implemented projects. Investors are confronted with delays when it comes to obtaining the necessary sanctions and even with the closure of some projects due to political hindrances, either administrative or legal. Investments are frequently blocked by state companies that produce similar goods and services, by conflicts between state authorities, government regulations that favor local investors, political and social protests against some projects, unclear procedure, corruption, denying the validity of some contracts signed during different political leadership, lack of liberalization of some sectors, the prevention of access of the private sector in some sectors of the economy, etc [22].

All of these issues are external to the beneficiary company, more exactly they are characteristic to the market that the company is active in or a market that it wishes to invest in. Specifically for this reason this study demonstrates the importance of the process of strategic management in the time prior to the investment of a foreign market, the analysis of the environment in the host country and the targeted industry being the first step

through which some of the risks of the investment may be eliminated.

More exactly, the economic, social and cultural environment of the host country is concerned, and on one hand the investors must include them in their analysis before choosing a location in which to invest, and on the other hand, the leaders of the host country must improve this environment before formulating a strategy to attract FDIs.

In order to at least minimize the risks caused by factors that are out of the control of the investing company, it must include in its strategic management process some detailed analysis before setting their sights on a new market, and it must also establish the size of the investment.

In the same time, countries that are interested in attracting FDIs must identify the elements that attract and those that discourage investors in order to concentrate strategies towards the areas of the economy that present certain or at least potential competitive advantages. Also, in order to attract FDIs, the executive of host countries must consolidate the social, educational, health and environmental sectors as investing companies are interested in the general development level of the country in which they wish to invest, besides the obvious economic and industry specific aspects.

In this study the factors on which the decision to invest in a non-resident entity were recorded, analysis that may be completed by further studies but also used as a guide concerning the aspects that need to be improved and taken into consideration when formulating the nations strategy of attracting foreign direct investments.

The latter part of this paper was dedicated to the FDI phenomenon within the

Romanian economy, as the relatively low level of these investments comparable to the considerable modernization and increase in efficiency demands of the economy determined us to diagnose the causes that prevent a more powerful FDI presence in our country. On the basis of a short analysis of the presence of FDIs in Romania and of the elements that attract or discourage that our country presents, we reached the conclusion that this theory is also validated on Romania's case. In the light of empirical

proof from other countries, we can identify most of the elements that are interesting for foreign investors and that make the internal market more attractive.

Beyond the benefits of Romania's geo-strategic positioning and of the existing resources, it must accelerate the process of its economic, technologic, human development, administrative and juridical performance with the purpose of presenting a space that is thoroughly attractive to foreign capital.

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Competition and Information Asymmetry

If one does not compete is a bad thing.
Competition always makes one improve oneself.
(Unknown author)

~ Ph. D. Student **Cristiana Matei** (The Romanian Academy, Romania)

E-mail: crismatei2002@yahoo.com

Abstract: *The paper highlights the fact that the market analysis is not fully based on information asymmetry, a concept highlighted by the theory developed in the 70's by G. Akerlof, Spence M., J. Stiglitz. Information asymmetry can often lead to negative effects on unfair competition and sustainable economic growth.*

The existence of information asymmetry often makes the uninformed buyer bear some additional costs. It is a situation where one must act and be aware that there may be valuable information and additional documentation which might reduce costs. Therefore, it is useful to analyse the relationship between information asymmetry and economic growth, especially as one of the perverse effects of information asymmetry is that there is not a clear obligation of the seller to voluntarily offer complete information, but on the other hand, he or she is obliged to correctly answer all questions.

Key words: asymmetric information; sustainable growth; degree of operational leverage;

Introduction

Three famous economists chose to explore alternatives to the unimpeded domination of public policies that have ruled markets in recent decades, respectively the vision on market deregulation, especially of those trained at the School of Chicago. They mainly sought an alternative to the economic thinking which was dominated by free market fundamentalism.

We must mention that economic theory was based for a prolonged period on the assumption according to which economic agents have equal and sufficient information needed in decision-making, and that was why problems related to the distribution of information on the markets were considered unimportant.

The economists mentioned above are famous; they are Nobel Prize winners in economics in 2001: Joseph Stiglitz, Michael Spence and George Akerlof.

In their approach, they studied and investigated the following phenomenon: there is a wide range of markets in economic activity where information is asymmetrically distributed and the way it spreads from one trader to another influences the behaviour of individuals in that market. If, within the traditional economic theory, the issues of the balance between supply and demand, how to distribute income during the exchange, or the efficient allocation of resources were firstly discussed, the new microeconomics suggested an original approach - many of the market shortcomings could be the result of an asymmetric distribution of information. The authors mentioned above are reputed economists; Joseph Stiglitz is more widely known by the public, especially because of the high positions with the IMF and World Bank but

also because of numerous appearances in the media; the other two spent most of their careers in academia, respectively Harvard for Michael Spence and University of California, Berkeley for George Akerlof.

George Akerlof's vision made him the most famous of the three economists, because of the metaphor chosen or the symbol from the daily activity he used to describe his vision; Akerlof wrote about the theory of "market for lemons", which was first used in an essay in the 70's to describe the information asymmetry between buyer and seller in a given market.

Each of the mentioned authors found one defining element of the asymmetric information market: Akerlof - adverse selection, Spence - signalling and Stiglitz - screening.

Like any new theory, Akerlof's was criticised, even from the finding that none of markets where "lemons" abounded did not disappear, nor were they sufficiently regulated so that the presence of "lemons" would become impossible.

This theory created effervescence and any discussion on information asymmetry favouring the seller at the expense of the purchaser was likely to make the devotees to a totally free market (or as free as possible) as a solution to all the problems in the economy face those considering the former's view simplistic and incorrect.

Trying to include among an economist's instruments the information theory, psychology and sociology, thus being able of delivering a more refined understanding of the markets was what made Akerlof famous.

We went further and considered that it was necessary to include other elements as well among the economist's instruments, such as law, theology and other sciences that

can contribute to better understand human behaviour today.

1. The importance of economic models analysis

Addressing a topic on competition and asymmetric information started from the fact that this was an extremely interesting area, worth thorough research, especially regarding the economic consequences of incomplete information.

As noted above the research of asymmetric information markets is an alternative approach to economic theory progress. This alternative explores the consequences of new behavioural assumptions. The 1970's were the beginning of the development of literature on the consequences of information imperfection; part of it regards "asymmetric information", the issue approached in this paper.

The novelty that can be seen from the specific results to be presented here is the introduction and development of this concept in the economic theory; it sketches some ideas that can develop studies to demonstrate how sustainable economic growth can eliminate information asymmetry, as the operating leverage may lead to the elimination of information asymmetry, or how the financial leverage can lead to the elimination of information asymmetry.

The unwritten rules by which in the economic models one should consider only the economic phenomena agents as individualistic, selfish maximization factors limiting the economic theory and, in some cases, even making the economics profession seem strangely absurd because, without relaxing these rules, some almost indisputable

economic facts, such as the existence of involuntary unemployment¹, become incompatible with the economic theory. It is about the well-known models of macroeconomic rational forecasts. These models are incompatible with permanently high unemployment rates as they occur throughout the business cycle, especially because these models are based on the market balance.

If we were to summarize, we could say that Economics theorists, like French chefs in the culinary field, have developed stylized models whose ingredients are limited to several unwritten rules. Similar to the French cuisine which does not use raw fish or seaweed, neoclassical models make assumptions derived from psychology, anthropology, sociology. We believe it is useful not to limit the nature of the ingredients in economic models.

The need for analysis is important especially as something went wrong and as it is a time when changes need to be made in order to advance in the direction in which the ordinary people are convinced that efforts will be rewarded accordingly or each effort should be rewarded by a payment corresponding to its importance.

In many cases, markets left to chance fail to deliver effective and timely, which makes the state assume a role in correcting these market failures by developing certain

¹ Involuntary unemployment is due to other causes related primarily to market products. It exists because of the mismatch between aggregate demand and aggregate supply, which on the labour market translates into a surplus of labour supply. Therefore, involuntary unemployment is represented by all those who wish to offer their services but cannot find jobs and who may be employed, part time or full time, only at certain times of economic development.

public policies (taxes and regulations) to align private incentives with social benefits. Of course, there is often disagreement about the best way to do this. But today only few believe in the unlimited freedom of financial markets and their failures require a cost too high from the rest of society or that companies should be allowed to exploit the environment without any restriction.

When government does its job well, the gains received by a worker or an investor are virtually equal to the benefits to society which he contributes to by his work. When they are not limited, it is called market failure, meaning that markets fail to produce effective results.

Private rewards and social benefits are not well aligned when competition is imperfect; when there are "externalities" – where one person's actions can have extensive effects, positive or negative, on the others, for which that person is not punished or rewarded; when there are imperfections or there is information asymmetry - when someone knows something significant about a market transaction that no one else is aware of; or where risk markets or other markets are absent - one cannot buy insurance for most risks one faces.

When companies honestly and vigorously compete, prices drop to the point where profits (exceeding normal return on capital) are pushed down to zero, which is a disaster for those in search of big profits.

When analysing the concept of competition one considers the hardships as well, including obstacles to market entrance, but also how such barriers are created, barriers that guarantee that profits will prevail. In fact, in the last three decades, attention was given not on how to make economy more efficient,

but on how to better ensure monopoly power or how to better avoid legal regulations intended to align social benefits with private rewards.

Taking advantage of information asymmetries (selling securities designed to cause loss to their holders, being fully aware that it is not known by the buyer; taking excessive risks) knowing that the state is ready to undertake the loss allows these "predators of economic rent" to borrow at lower interest rates than they would otherwise get and borrow money from the central banks with low interest, which is usually small or very small.

2.Asymmetry of information disseminates quality uncertainty and affects the market mechanism

As noted above, the existence of several categories of goods causes both interesting and important issues for the market theory. A first idea arises from the interaction between the qualitative differences and uncertainty as can be seen in the case of major institutions, especially in the labour market. The fact that business is difficult in countries with a lower level of development and the necessity to realize that we need a structure to determine the economic costs of 'dishonesty' lead the way to analysing how information asymmetry influences decisions, leading in many cases to substantial loss for those who do not have enough information, but also to the increase of sellers' revenues, turning them into "predators of economic rent".

The applicability of this draft theory can include comments regarding: the structure of money markets, the liquidity of durable goods, the notion of "what can be provided", but also the relevance of the brand.

There are many markets where buyers use market statistics to interpret the quality of future purchases.

In this case, there are incentives for sellers to market poor quality merchandise, since earnings for high quality generally accumulate at the level of the whole group and not individually, thus affecting the statistical situation of the group.

Therefore, there is a trend of lowering the average quality of goods and the market size. It is necessary to realize that individuals and social benefits differ on these markets and therefore, in some cases, the government's intervention may help increase all parties' welfare.

However, by their nature, these institutions are non-atomist and therefore concentration of power can occur, with all the unpleasant consequences hereto.

Continuing the approach in the first chapter we shall use the car market in the following example to illustrate and express ideas, invoking the famous theory of "the market for lemons". It should be noted that this market is chosen primarily for its concreteness and ease of understanding and not necessarily for its importance and realism. The model,

a. Car market

The example of used cars evokes the essence of the problem. Most of the time we notice the ongoing discussions on the price differences between fascinating new cars and those that already left the showrooms. The natural joy of having a "new" car faces its necessity. For a clear and simple example we shall assume that there are only four kinds of cars: new and used cars, good and bad cars. We must agree that new cars can be good or bad, and the same argument applies to used cars.

Individuals in this market buy a new car without knowing whether it will be good or bad. However, the q probability tells us that it is a good car and $(1-q)$ probability tells us it will be a bad one; we assume q is the ratio of good cars and $(1-q)$ is the ratio of bad cars.

After having a car for a certain period, its owner can have a reasonable idea about its quality, assigning a probability if the car turns out to be bad. This estimate is more accurate than the original one. This way an asymmetry of the available information arose, as vendors have now more information than the buyers about the quality of a car. But good and bad cars must be sold at the same price - as the buyer cannot differentiate between a good car and a bad one. It is obvious that the used car may not have the same value as a new car - had this been the case, it would have been more advantageous to sell an old car at the price of a new one and buy another new car with a q probability higher than to be a good car and a lower probability to be a bad one. This way the owner of a good car must be dedicated and consistent in actions. Not only is it true that he or she cannot receive the value of his or her car, but the buyer cannot even get the expected value of a new car. So Gresham's law² has been altered because most sold cars will be bad, and there is a possibility that good cars are not marketed at all.

"Bad" cars tend to eliminate "good" (the

² GRESHAM, Sir Thomas (1519-1579), English financier. Creator of the Royal Exchange in London (1571). Author of the famous economic theory (G.'s law) according to which „bad money drives out good“ (where two currencies circulate at the same exchange value, the one considered to have a lower intrinsic value tends to eliminate the currency with intrinsic high value due to the tendency to be amassed).

same way that bad money drives out good money). But the analogy with Gresham's law is not complete: bad cars drive out the good ones because they are sold at the same price as the good ones. Similarly, bad money drives out good money because the exchange rate is equal. But bad cars are sold at the same price as good cars since it is impossible for the buyer to distinguish the differences between a bad car and a good one; this is known only by the seller. However according to Gresham's law, it is assumed that both the buyer and the seller can make the difference between good and bad money. So, the analogy is instructive, yet not complete.

b. Asymmetric information

It could be noticed that good cars can be eliminated from the market by bad cars. But continuing the explanation on different categories of goods, there may be worse situations. It is very likely that evil may chase the least evil away; in its turn, it drives away average evil which eliminates the not-too-good one and it ultimately drives the good away, in such sequence of events that the market no longer exists.

One might assume that the demand for used cars depends mainly on two variables - car price, p , and the quality of used cars sold, μ , or: $Q_d = D(p, \mu)$.

Both supply and demand for used cars and μ , the average quality, will depend on the price, or $\mu = \mu(p)$ and $S = S(p)$. In balance, the offer must be equal to the demand for a certain level of average quality, or $S(p) = D(p, \mu(p))$. As the price gets lower, normally quality will decrease as well. It is quite possible that no goods are sold at any price level.

Such an example may result from the utility theory. Suppose there are only two groups of traders: group a and group b. We

allocate a utility function to group a:

$$U_a = M + \sum_{i=1}^n x_i$$

where M represents consumption of goods other than cars, x_i is the quality of cars, and n is the number of cars.

Similarly, let us consider:

$$U_b = M + \sum_{i=1}^n 3/2 x_i$$

where M , x_i and n are defined above.

One can make three observations regarding these utility functions:

(1) Without linear utility (let us say with logarithmic utility), we would be lost in non-sensical algebraic complications.

(2) Using linear utility allows a focus on the effects of information asymmetry, with a concave function of the utility we should cope with a combination of both the unusual effects of uncertainty risk variation and the special effects we wish to discuss here.

(3) U_a and U_b have the strange feature per which by adding a second car or the k car, utility is increased by the same amount as the first car.

Again, we ignore reality to avoid deviation from the main goal.

To continue, it is assumed:

(1) that both a and b groups of traders are Von Neumann-Morgenstern maximizing probable utility factors;

(2) that group a has N cars with uniformly distributed quality, x , $0 \leq x \leq 2$ and b group has no cars;

(3) that the price of "other goods" M is unitary.

We note with Y_a the revenues (including those obtained from selling cars) for all types of traders in group a and with Y_b the

revenues obtained by traders in group b.

The demand for used cars will be the sum of both groups' demands. When indivisibilities are ignored, group a's demand for cars will be:

$$\begin{aligned} D_a &= Y_a/p & \mu/p > 1 \\ D_a &= 0 & \mu/p < 1. \end{aligned}$$

The car offer provided by a type traders is:

$$\begin{aligned} (1) \quad S_a &= pN/2 \quad p \leq 2 \\ \text{average quality,} \\ (2) \quad \mu &= p/2 \end{aligned}$$

The uniform distribution of car quality is used to deduce (1) and (2).

Similarly, for type b traders the demand is:

$$\begin{aligned} D_b &= Y_b/p & 3\mu/2 > p \\ D_b &= 0 & 3\mu/2 < p. \end{aligned}$$

and

$$S_b = 0$$

Thus, the total demand $D(p, \mu)$ is:

$$\begin{aligned} D(p, \mu) &= (Y_b + Y_a)/p & \text{if } p < \mu \\ D(p, \mu) &= (Y_b/p) & \text{if } \mu < p < 3\mu/2 \\ D(p, \mu) &= 0 & \text{if } p > 3\mu/2, \end{aligned}$$

However, for the price p the average quality is $p/2$ and therefore there will be no transaction at any price, despite the fact that at any given price between 0 and 3 there are type a traders who are willing to sell their cars at a price that type b traders are willing to pay.

c. Symmetrical information

Those mentioned above contrast with cases of symmetric information. Let us assume that all cars are evenly distributed in

terms of quality, $0 \leq x \leq 2$. In this case, the demand and supply curves can be written as:

The offer:

$$\begin{aligned} S(p) &= N & p > 1 \\ S(p) &= 0 & 1 < p \end{aligned}$$

And the demand curves are:

$$\begin{aligned} D(p, \mu) &= (Y_b + Y_a)/p & \text{if } p < \mu \\ D(p, \mu) &= Y_b/p & \text{if } 1 < p < 3/2 \\ D(p, \mu) &= 0 & \text{if } p > 3/2, \end{aligned}$$

In balance,

$$\begin{aligned} (3) \quad p &= 1 & \text{if } Y_b < N \\ (4) \quad p &= Y_b / N & \text{if } 2Y_b / 3 < N < Y_b \\ (5) \quad p &= 3/2 & \text{if } N < 2Y_b / 3 \end{aligned}$$

If $N < Y_b$, there is more utility compared to asymmetric information. If $N > Y_b$, type b traders' income is insufficient to buy all N cars, then there is a utility gain of $Y_b / 2$ units.

In conclusion, we must mention that in this example, if the merchants in a and b groups have the same probabilistic estimate on the quality of each separate car - although they may vary from one car to another - (3) (4) and (5) shall continue to describe the balance, with a slight modification: in this case p will be the forecast price per quality unit.

Example,

a. In insurances:

It is well known that people over 65 have serious problems with the purchase of health insurance, due to the increased risk.

A legitimate question arises: why not increase the price to cover the risk?

The answer would be that as one increases the price, the insured people will be those increasingly convinced that they need insurance against medical errors, physicians' pity for the elderly, etc., facilitating the

assessment of the risks involved more for the applicant than for the insurance company. The result is that the average health of insurance applicants deteriorates with increasing price levels, which proves that insurance sale cannot be done at all costs³. This is similar to the example above regarding cars, where the average quality of used cars lowered with the decreasing proper price level. This is consistent with the explanations given by insurance textbooks:

In general, policies are not available for ages older than sixty-five... For everyone, except for the most pessimistic person (let us admit he or she is the least healthy), term insurance premiums are too high to be attractive. Thus, there is a serious problem of adverse selection at these ages⁴.

If one would search the statistics one would find that they do not contradict the conclusion.

b. The costs of dishonesty:

Starting from the market for lemons theory mentioned above we can make certain clarifications on the cost of dishonesty. If we consider a market where goods are sold honestly or dishonestly, quality can be correctly or incorrectly represented. The problem the buyer faces is identifying quality. The presence on the market of those willing to offer inferior goods tends to push the market toward extinction, as in the case of bad cars. This possibility itself is the major cost of dishonesty - as dishonest transactions tend to eliminate fair market transactions. There is a possibility of potential buyers for quality goods and there could be potential sellers of such products at an appropriate price level, however the presence of people who are willing to risk offering inferior quality goods as good quality tends to eliminate legitimate

business from the market. Consequently, the cost of dishonesty is not only the amount by which the purchaser is cheated with, this cost must also include the loss resulting from the elimination of legitimate business.

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3 Arrow K., Uncertainty and Medical Care, American Economic Review, vol 53., 1963.

4 O.D. Dickerson, Health Insurance, Homewood, Ill, Irvin 1959, page 333

Dishonesty in business is a significant problem in developing countries.

The pattern illustrated above provides a possible structure to this statement and outlines the nature of the 'external' economies involved. In particular, in the economy of the model described, dishonesty or misrepresentation of car quality cost 1/2 utility unit per car; moreover, it reduces the used cars market size from N to 0. Thus, we can evaluate the costs of dishonesty, at least from a theoretical point of view.

Therefore, this prejudices **fair competition and sustainable economic growth and contributes to the increase of inequalities, the diminishing of the role of markets and their disappearance** as shown above, which is why strategies are needed to restore the market mechanism.

Conclusions and suggestions

In order to counter the negative effects of information asymmetry we consider it necessary to undertake research so as to develop competition and ensure sustainable growth to eliminate information asymmetry.

Therefore, it is necessary to undertake research to signal that allow net distinguishing

the good companies from bad ones, signals that cannot be copied by companies with underperforming management:

a) Sustainable growth: a company with effective investment projects will be recognized by reinvesting profits and through major participation of managers in funding investments. Being better informed on the performance of the new projects, they will be the first to invest their money in such projects. The managers of distressed companies, who would mimic the behaviour of the former, see their own money at risk and will not endanger such an investment.

b) The operating leverage: a modern company would not hesitate to renew technology and management, thus recording an increase of the fixed costs and operating risk. The turnover increase will bring higher profits compared with a company technically and managerially less equipped.

c) The financial leverage: a solid company is one that can afford a high rate of indebtedness to finance ambitious investment projects. It can repay debt and pay interest and maintain the ability to pay. Copying this structure by a distressed company is risky, because it accelerates the company's entry into default and even bankruptcy.

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The Management Of Structural Funds For The Energy Sector In Romania

~ Ph. D. **Luciana Stan** (*The Romanian Academy, Romania*)

E-mail: **Luciana_A_stan@yahoo.com**

Abstract: As tools through which the European Commission acts to eliminate economic and social disparities between regions, the structural and Cohesion Funds (SCF) are designed to achieve economic and social cohesion with other Member countries of the European Union, having thus a vital importance for each country. Although we are already in the period of post-accession financial allocation, Romania still faces difficulties in the process of absorption of EU funds. At this point, the needs of modernization and infrastructure development are becoming more and more acute, making mandatory the absorption of structural funds. However, we are already close to the middle of the period 2014-2020 financial allocation and the majority of funding have just launched the call for proposals. The national energy system, like all infrastructure systems in our country, has an acute need for financing, especially as regards the technological modernization of transport and energy production. Our country needs an integrated strategy on economic absorption in interinstitutional levels but especially increasing the prevention capacity of the system that will help to avoid financial corrections and projects. Among the measures to be taken at the governmental level in order to improve the absorption of European funds include the simplification of working models, calls for projects and efficient organization of staff. This paper objective is to analyse the effects and efficiency of the policy of the structural funds in the field of energy and to identify measures needed to increase its capacity to absorb these funds.

Keywords: *structural funds, energy sector, absorption of European funds, modernization, infrastructure development*

JEL Classification: *G23, Q48, P18*

1. Introduction

With regard to structural funding, the priority sectors for absorbing European funds are the infrastructure and transport, regional development, development of administrative capacity, human resource development and economic competitiveness, agriculture and fishing. The main Community funding mechanisms are the Cohesion Fund, the European Social Fund and European Regional Development Fund.

The structural funds have contributed to achieving economic and social cohesion since the establishment of European coal and Steel Community[1]. The Treaty establishing the European Economic Community (EEC), signed on 25 March 1957, included, in addition to the Elimination of customs duties between Member States and establishing a common customs tariff for imports, the introduction of a common agricultural policy and a policy in the transport sector, and also the establishment of a European Investment Banks. Thus, the European Social Fund and the European Fund for agriculture guidance and guarantee have been set up. After joining the community of Great Britain, Ireland and Denmark, created the European Regional Development Fund, the first time in the history of the European Union when he stressed the importance of the concept of redistribution between rich areas and poor areas.

Between the years of 1986 și 1987 emerged the concept of economic and social cohesion, in order to support the latest incoming States (Spain and Portugal) to integrate into the single market. In 1988 the financial allocations for the structural funds have doubled and the least developed countries in the Union have drawn, over the course of nine years, about 154 billion ECUs. The revolution

of the system arose in 1989, when it was introduced the principle of multi-annual programming, establishment of system of partnerships between Member States and the prioritization of funding objectives. In 1992, the budgets for disadvantaged regions have doubled, and in 1993 the "Cohesion" has become a priority objective for the Union.

In the early 1990s, following the fall of the former Soviet bloc, the European Council discussed the enlargement of the European Union in Central and Eastern Europe. To this end, the candidate countries have concluded the association agreements with the EU. Romania has signed the Association Agreement on 1 February 1993, ratified by law No. 20/1993, the following general principles: creating the institutional framework for conducting an intensive political dialogue; supporting the efforts of Romania on the path of market economy development and strengthening of democracy; the liberalisation of the movement of commodities, services, capital and persons. Official application for EU membership of Romania was handed in on 22 June 1995, along with Latvia, Lithuania, Bulgaria, Slovakia and Estonia. In June 1999, Romania have submitted to the national programme for Accession to the European Union, and the European Council in Helsinki decides, in the same year, the opening of accession negotiations with Romania along with the other five candidate countries. Negotiations on the accession of Romania to the European Union were officially launched on 15 February 2000. In December 2003, at the European Council in Brussels, it was determined the timing of accession of Romania to the European Union, which had set for 2004 the completion of negotiations, the signing of the accession treaty in 2005 and effective membership in 2007.

For the period 2007-2013, Romania had scheduled to receive from the EU 31 billion euros through financial instruments: structural and cohesion funds; funds for the development of agriculture and fisheries; the European social fund. For the structural funds and cohesion (FSC), totalling EUR 19.7 billion was assessed a co-financing by the State budget, local budgets or private contribution of about EUR 5 billion. Given the slow pace of absorption of EU funds in the period 2007-2013, Romania has benefited from being able to access and implement projects funded from this financial allocation also in the years 2014-2015. According to the Ministry of European Funds, at September 30, 2016, the total amount of payments to beneficiaries in the European allocation was 15.29 billion euros, i.e., 80, 23%, of which current absorption value was 14.42 billion euros, i.e., 75, 69 %.[2]

The national strategy for Romania's Development includes the national development plan (NDP), in which are presented the strategic objectives, the actions planned and funding sources from the multi-annual perspective. The National Strategic Reference Framework (NSRF) is based on the national development plan and identifies the connection between national priorities and regional and community priority supported by the European Commission. The NSRF specified annual allocation of EU funds on each target, on each instrument and on each operational programme. National Strategic Reference Framework (NSRF) is implemented through operational programmes, drawn up by its objectives "Convergence" and "European Territorial Cooperation". Operational programmes are managed by the Management Authorities and Intermediary Bodies (IB). IB are not mandatory under the institutional

structures for the implementation of operational programmes, being at the discretion of The Management Authorities the option to organize or not the Intermediary Bodies. NSRF includes an overview of the Operational Programmes in the framework of the objective "Convergence".

After the fall of the Communist regime, Romania has received three periods of financial assistance:

- during the period 1992-2006 pre-accession instruments (Poland Hungary Aid for Reconstruction of the Economy-PHARE, Instrument for Structural Policies for pre-accession ISPA and the Special Accession Programme for Agriculture and Rural Development -SAPARD)
- for the period 2007-2013 structural funds of accession
- in the present moment we are in the period of post-accession financial allocation, for 2014-2020.

Between 1992 and 1999, the financial assistance given to Romania amounted to about 1.2 billion euros. In 2000, the European Council decided on doubling funding allocated in order to achieve the objectives proposed in the pre-accession strategy for the applicant countries and the creation of structural instruments for pre-accession. In the period 2000-2003, Romania had attracted 660 million euros each year, through the three pre-accession instruments[3]: PHARE, ISPA and SAPARD. Following the European Commission's proposal to enhance the considerable aid for the candidate countries, starting in 2004, to support them in the completion of the last stages necessary for attaining the criteria for accession, Romania has received additional funding, EU financial assistance for the period 2004-2006, reaching approximately 1.8 billion euros.

Within the framework of the programming period 2007-2013, the main financing programs were Regional Operational Programme, Sectoral Operational Programme for Improve the Economic Competitiveness, Environment 1 Operational Programme, Transport Operational Programme, and Human Resources Development Sectorial Operational Programme, Administrative Capacity Development Operational Programme, National Program for Rural Development, Transnational Programmes.

Regional Operational Programme for the period 2007-2013 had the overall objective of supporting economic and social development of sustainable and balanced territorial Regions of Romania, appropriate to their needs and specific resources by focusing on urban growth poles, improvement of infrastructure and conditions of the business environment to make all regions of Romania more attractive places for investment, visits, residence and employment.[4] The programme's priorities were supporting the sustainable development of cities (infrastructure), improving transport, social infrastructure (health, social services, education, emergency situations), the development of the business environment, sustainable development and promotion of tourism.

The sectoral operational programme for the increase of economic competitiveness (POSCCE), the overall objective is to increase the productivity of the Romanian enterprises for bridging the gap toward productivity average at Union level. The specific objectives of consolidating and developing POSCCE are sustainable productive sector, sustainable development of enterprises, increasing the capacity of research and development (R&D), capitalizing on the potential

of information and communication technology and the increase of energy efficiency and sustainable development of the energy system, by promoting renewable sources of energy.[5]

Environment Operational Programme[6] had the overall objective of bridging the gap between the European Union and Romania concerning environmental infrastructure both in terms of quantity and quality. This should materialise in effective public services, with due regard to the principle of sustainable development and the principle of "the polluter pays". Expanding and upgrading water systems, development of integrated waste management, pollution reduction and the mitigation of the effects of climate change through the rehabilitation of urban heating systems in order to achieve energy efficiency targets, the implementation of the systems for the protection of nature and the implementation of infrastructure to prevent natural risks were the priority axes of the Environment Operational Programme 2007-2013.

The overall objective of Transport is to promote a sustainable transport system, enabling fast, efficient and safety movement of people and goods, with services at a level corresponding to European standards, nationally, within Europe, between and within regions. The Transport Operational Programme's targets are modernisation and development of the TEN-T priority axes for the development of a sustainable transport system and its integration with the EU transport networks, upgrading national infrastructure development and transport outside the TEN-T priority axes for the purpose of creating a national system of sustainable transport (road, rail, air, inland waterway),

and the modernisation of the transport sector in order to increase environmental protection, public health and the safety of the passengers.

HRDOP sets out a systematic approach to training as an integral part of the strategy for the development of human resources, in accordance with EU policies and practices. By promoting the development and implementation of active employment measures, the program follows the development of human capital and competitiveness, correlating education and lifelong learning with the labour market and ensuring greater opportunities for future participation in a market of modern and flexible labour.

European Fund for agriculture and rural development (EAFRD) is a financing tool created by the European Union to support member countries in the implementation of the common agricultural policy. The common agricultural policy regulates the production, processing and marketing of agricultural products in the European Union and attaches great attention to rural development. EAFRD represents an opportunity for rural financing, worth about EUR 7.5 billion since 2007 until 2013. EAFRD is based on the principle of co-financing investment projects. European funds for agriculture can be accessed on the basis of the key document, the National Rural Development Program (NRDP).

2. Forecasting of structural funds intended for energy sector

Under the 2007-2013 financial allocation, the Sectoral Operational Programme "Economic Competitiveness" (POS-CCE) is one of the seven instruments (sectoral

operational programmes) for the achievement of the priorities of the National Strategic Reference Framework (CNSR). Framework document of implementation of POS CCE (DCI) contains a detailed description of operations eligible under each of the priority axes (AP), of the major areas of intervention (DMI). DCI defines EU structural funds in the field of economic growth and establishes priorities of Competitiveness and criteria for the selection of applications for funding. Each priority axis is composed of major areas of intervention (DMI) and includes their financing conditions.

The Framework Document of Implementation of POS CCE (DCI) comprises the financial allocation for each area of intervention, the eligible expenditure, beneficiaries, as well as the eligible areas, thus identifying the following priority axes[7]:

- Priority axis 1: Developing of an innovative and eco-efficient production system
- Priority axis 2: Research, technological development and innovation for competitiveness
- Priority axis 3: Information and Communication Technology for public and private sector
- Priority axis 4: increasing energy efficiency and supply security in the context of the fight against climate change
- Priority axis 5: Technical Assistance

Energy efficiency is an important objective at national and European level, as a factor of economic competitiveness. Improving energy efficiency is a priority of the National Energy Strategy and contributes to the achievement of the three major objectives of EU energy policy: competitiveness, security of supply and sustainable development. In this context, within the DMI 1 have supported

projects of investment in plant and equipment for businesses in the industry, which will lead to a reduction in energy consumption. In terms of the infrastructure for transport and distribution of electricity, much of this have far exceeded the duration of operation and recorded significant losses, that increase the need of investments in transmission and distribution networks in order to ensure the safe operation of the National Electricity System (NES). At the same time, the expansion of the transmission and distribution networks allow access and production capacity of renewable energy in NES[8]. The transmission and distribution of natural gas, as well as the transmission of crude oil and petroleum products also requires investments in order to achieve safe transport services and distribution.

Indicative operations financed under Priority Axis 4 - Increasing energy efficiency and supply security in the context of the fight against climate change are supporting investment in plant and equipment for businesses in the industry leading to energy savings, in order to improve energy efficiency, supporting investments in expanding and modernizing the transmission system for the electricity, natural gas and oil, and the distribution networks of electricity and natural gas and the investments in low NOx plants burners and filters for Large Combustion Plants.

The activities eligible for support for investment in machinery and equipment for industrial enterprises, in order to improve energy efficiency are[9]:

- investment in specific plant/equipment to enterprises in the industry, in order to obtain a specific energy savings based on energy balance;

- investment in units of high-efficiency cogeneration for industry

enterprises-rehabilitation/modernization of power plants, cogeneration or building new ones;

- Acquisition and preparing the land necessary for the equipment;

- Civil engineering for equipment/installations of the project;

For supporting investments in expanding and modernizing the transmission system for the electricity, natural gas and oil, and the distribution networks of electricity and natural gas, in order to reduce network losses and achieving safe and continuity of service of transport and distribution, eligible activities were:

- Improvement of quality parameters of networks, through investment in power lines, gas pipelines and oil transformation, compression stations, gas-measuring and control stations.

- The extension of the transmission of electricity, natural gas, petroleum, correlated with the modernization of the network's activities;

- Expanding the distribution networks of electricity and natural gas to allow the introduction of electricity in SEN obtained from renewable energy resources;

- Acquisition and fitting equipment/installations affected land;

- Civil engineering for equipment/facilities project.

For investments in installations for flue gas desulphurisation, low NOx burners and filters for the IMA group upgraded/retooled, eligible activities set out in the applicant's Guide are:

- Land acquisition and fitting equipment/installations affected by the project;

- Civil engineering for equipment/installations affected by the project;

- Acquisition of flue gas desulphurisation facilities;
- Purchase of a NOx installation facility from power plants;
- Purchase filters for dust reduction.

Major field of intervention for the DMI 2 The Capitalizing of renewable energy for the production of green energy, in the Operation Supporting investments in modernization and the development of new capacity for the production of electricity and heat by harnessing renewable energy resources: the resources of biomass, hydropower, solar, wind, biofuel, geothermal resources, and other renewable energy resources, the projects funded were the type of new capacity for the production of electricity and heat by harnessing renewable resources of energy. The eligible activities under DMI 2 were:

- Acquisition of land for the purpose and location of equipment/facilities;
- building construction and related facilities needed to implement the project;
- Acquisition of equipment, including equipment for monitoring;
- Connection to the National power system downstream of the cut-off point.[10]

The interconnection of national networks of energy results in increased the possibility of integrating energy market from Romania in regional and European markets. Also strengthening the capacity of interconnection allows both reducing congestion, increased the exports in the region and better retrieval of wind sources in the region through the establishment of a regional balancing markets, which has the effect of reducing carbon emissions. The major field of DMI 3-Diversification of Intervention Networks for Interconnection in order to increase energy supply security, which contains the

operation Supporting investments for interconnection of national networks of electricity and natural gas with European networks shall cover the following eligible activities:

- Realization of interconnection capacities in electricity/natural gas pipeline interconnection for the purpose of connecting to energy transport networks of neighbouring countries;
- Implementation of systems of control and data acquisition (SCADA) interconnection capacity/interconnection pipelines;
- Land Purchase and arrange for the equipment/facilities;
- Realization of construction and related facilities.

The financial allocations within the new period 2014-2020, the energy sector benefits also from financing programs, however, this time, the structural instruments are carried out by the Large Infrastructure Operational Programme (LIOP), prepared in accordance with the partnership agreement with 2014-2020 Strategic Framework, and common position Document of the services of the European Commission.[11] The strategy is consistent with the objectives of LIOP Europe 2020 strategy, the National Reform Programme and the country-specific recommendations, targeted sustainable growth by promoting assumed an economy based on low carbon consumption through energy efficiency measures and the promotion of green energy, as well as through the promotion of environmentally friendly modes of transport with the environment and a more efficient use of resources. Funding priorities are established by contributing to the achievement of the objective LIOP general partnership agreement: the infrastructure and Resources

within the sectors of transport, environment, risk management and adaptation to climate change, energy and energy efficiency. In order to achieve the objectives proposed in the framework were established 8 priority axes, including the energy sector benefits from three priority axes namely Priority axis 6-promote clean energy and energy efficiency in order to support an economy with low emissions of carbon. Within this axis are provided for the following purposes:

- 6.1 Increasing energy production from renewable resources less exploited (biomass, biogas, geothermal)
- 6.2 reducing energy consumption at the level of industrial consumers
- 6.3 reduction in average consumption of electricity at the level of housing
- 6.4 the increase in savings in the consumption of primary energy produced through high efficiency cogeneration

Priority axis 7-Increasing energy efficiency at the level of centralized heating system in selected cities, states:

- 7.1. Increasing energy efficiency in centralized systems of transport and distribution of thermal energy in selected cities
- 7.2 Increasing energy efficiency in centralized heat supply in Bucharest

Priority axis 8-smart and sustainable Systems of electricity and natural gas, provides:

- 8.1 national power System capacity Growth for energy produced from renewable resources
- 8.2. increasing interconnection of the national system of natural gas Transportation with neighbouring countries

As financial allocations within the new 2014-2020, the energy sector benefits from the structural instruments through Large Infrastructure Operational Programme receiving a financial allocation OF 11.8 billion Euros, of which[12]:

- 6.94 billion. Euro cohesion fund
- 2.48 Bil. Euro the European Regional Development Fund

- 2.46 billion. Euro Co-financing

In order to achieve the objectives proposed in the framework were established LIOP 8 priority axes, including the energy sector benefits from three priority axes namely:

- Priority axis 6-promote clean energy and energy efficiency in order to support an economy with low emissions of carbon, the sum allocated-197.33 million euros
- Priority axis 7-Increasing energy efficiency at the level of centralized heating system in selected cities, the sum allocated-249.48 million euros
- Priority axis 8-smart and sustainable Systems of electricity and natural gas, the sum allocated-68.02 million euros

3. Organization of administrative system of management of the structural funds for energy

In accordance with the decision of the Government No. 980/2015, The Energy Ministry fulfils duties of the Intermediary Body for Energy(IBE), according to the agreement concluded with the Ministry delegation of EU funds as a management Authority for sectoral operational programme "competitiveness" economic or Large Infrastructure Operational for the establishment of the institutional framework for coordination and

management of the structural funds and the European Investment Bank and for ensuring the continuity of the institutional framework for coordination and management of the structural instruments and of the 2007 – 2013.

Ministry of EU funds-MFE performs duties in the field of coordination and management of EU funds. LIOP is managed by the Department of EU funds as a Management Authority and addresses the needs of development in the following sectors: transport infrastructure, environmental protection, risk management and adaptation to climate change, energy and energy efficiency.

The Managing Authority for Large Infrastructure Operational Programme, part of the Ministry for European Funds, shall draw up a national plan of action, in close liaison with the action plans for the sectoral operational programme for the promotion of interventions in Romania in order to increase economic competitiveness in a coordinated strategy. In addition, the managing authority shall ensure that the beneficiaries fulfil the obligations laid down in the regulations. The authority carried out the contracting projects financed by the structural funds, applications for reimbursement payments, the activity control and programme management.

Intermediary Bodies- IB are those entities that fulfil the duties delegated by The Managing Authority for the purpose of effective implementation of operational programmes, at the central level, and IRB- Intermediary Regional Bodies are intermediate bodies at regional level for the eight development regions (approximately, because, unfortunately, the regions are not falling like ten operational programmes different and sometimes within the same

operational programme). At the level of intermediate bodies it is implemented the programme with its various Axes. At the level of Intermediate Regional Bodies it is carried out the assessment and monitoring of the implementation and post implementation bodies, that are faced with a shortage of personnel, as well as The Management Authorities.

In the process of preparing the institutional framework for coordination, the management and implementation of the community's financial assistance has become necessary for the establishment of an Intermediary Body Energy. Along the years the IBE has worked either in the Ministry of the Economy, or be subordinated to the Ministry of Energy, or the Department of Energy.

4. The coordination and control system of the structural funds for energy

The Ministry of European Funds cooperate with the institutions from the field of public procurement in order to ensure that an appropriate framework of public procurement procedures are carried out within the framework of projects financed from the structural instruments. The Ministry also cooperate with The Audit Authority in order to ensure permanent conformity and control management systems and specific, and with The Certification Authority for establishing and implementing the measures necessary to achieve an effective and rigorous financial management.

At the level of the IBE, there have been submitted in the period 2011-2014 about 600 projects, of which 146 were contracted, as evidenced by the data of the Ministry of European funds. From the allocation of

approximately 700 million euros, the total amount actually paid and reimbursed up to this point is uncertain, there is a risk of returning the funds reimbursed for projects which will not be completed, which will decrease the absorbing capacity.

The beneficiaries have problems with securing the co-financing, technical problems leading to changes due to the interval between the time of the project and that have been evaluated, contracted and in implementation, which has a potential impact on the amounts reimbursed and the degree of absorption. European project practice shows that there are numerous delays which occur not out of guilt of the beneficiaries, and correction decisions in this regard, rigid and exaggerated from our point of view that can affect the degree of absorption of EU funds.

The Audit Authority of the Court of Accounts of Romania is a national authority which operates independent of the Managing Authority and the Certifying Authority designated by the Member State for each operational programme. It is responsible for verifying the effective functioning of the management and control system. Under the law, it has the following main tasks:

- audit system, sample-based verification and audit;

- checks and external audit over the structural funds that will benefit Romania since 2007;

- verification of eligible expenditure declared, on a representative sample;

- verification of the existence and correctness of the co-financing.

The Fight Against Fraud Department (FAFD), support and coordinate the fulfilment of Romania's obligations concerning the protection of the financial interests of

the European Union, in accordance with article 325 of the Treaty on the functioning of the European Union. In carrying out its functions, the Department performs the following main tasks:

- a) to ensure and facilitate cooperation between national institutions involved in the protection of the financial interests of the European Union in Romania, between them and the European Anti-Fraud Office and the relevant public authorities of the other Member States of the European Union or of States benefiting from financial assistance from the European Union;

- b) perform or coordinate control actions to identify irregularities, fraud and other wrongdoing in connection with the management and use of funds, and of the related co-financing, as well as any other funds which are within the scope of the financial interests of the European Union, including the loans and guarantees granted by the European Investment Bank;

- c) Perform or coordinate control actions to identify irregularities, fraud and other illicit activities that bring the financial interests of the European Union in Romania by reducing illegal of own resources;

- d) collect, analyse and process data and perform statistical research in the field of protection of the financial interests of the European Union in Romania;

- e) Initiates or advises normative acts on the protection of the financial interests of the European Union in Romania;

- f) Develops and coordinates programs of professional training and education in the field of the fight against fraud;

- g) Resolves requests for administrative assistance, as the central unit in accordance with the agreements on international

cooperation aimed at protecting the financial interests of the European Union to which Romania is a party;

h) Coordinates, ensure and monitors reporting irregularities between national institutions and the European Commission, in accordance with the provisions of EU law.

As a rule, at least one of the IB carries out check ON spot during project implementation. In accordance with the provisions of the regulatory acts, the beneficiary is obliged to archive and keep in good condition all documents relating to the project (10 years from the date of the last aid granted under the scheme, but no less than 3 years from the date of the official closing date of the programme) and to provide national authorities with access control and auditing, as well as of the services and of the European Court of Auditors to all documents relating to the project funded. The beneficiary is obliged to grant the right of access to places and spaces in which they are implemented or has been implemented project, including access to computer systems, as well as all documents and computer files relating to technical and financial management of the project.

In the event of these provisions, the beneficiary shall repay the full amount received in respect of the project, representing the non-reimbursable financial assistance.

The beneficiary shall comply with all the recommendations contained in the report of the verification on the spot remained permanently and take all measures to resolve the irregularities within the timescale.

Irregularities are reported to the OIE by various complaints, through follow-up reports, audit reports, via other controls or IB, AM, ACP, EC or other institution with

responsibilities in this area. In the event of suspicion of fraud can take precautionary measures which consist, firstly, in the suspension of financing non-refundable during the research conducted by the IBE. In the event of the detection of irregularities, recovery will be made in accordance with the provisions of ORDINANCE No. 66/2011 on preventing, finding and sanctioning the irregularities appeared in accessing and using EU funds and/or the relevant national public funds.

The control system plays an essential role and critical role at the same time, and if there can be identified solutions that could lead to avoid the failure situations of European projects, as well as the unifying of the procedures and supervisory practices of responsible institutions, Romania would have much to gain

5. Conclusions and proposals

The obstacles and deficiencies in the area of absorption of the structural funds for energy system are extremely slow processes of launching calls for proposals, evaluation, contracting, procurement and actual payments, the lack of trained staff and the lack of motivation due to low incomes, the lack of training opportunities, and the lack of training and expertise in the field.

An assessment of the structural instruments in Romania, carried out by the Ministry of Finance, concluded that the number of officials of management "is not sized according to the complexity of the intervention". For a long time, therefore, the evaluation of projects and the situation uncertain regarding secure co-financing, cause many of the beneficiaries at the time of approval of the

contract to quit the signing of the financing contract. The problems that have plagued the activity of the management system of structural funds in the field of energy were:

- a low institutional capacity, so there is not enough staff or lack the necessary powers,
- regulatory issues and public policy still unresolved, particularly for energy,
- a complex legislation and procedures, and cumbersome procurement and financial control.

All these items had the consequence of delays in the evaluation of projects, also in slow progress of implementation and a very high level of likely costs. Simplifying administrative procedure has been made to improve the problems encountered, including the flexibility of financial eligibility, use of payment mechanisms, and procurement procedures. It should be noted that a special effect in unlocking the absorption of the structural funds in the period 2014-2020 had claims for payment mechanism, whereby the beneficiaries had the opportunity to implement projects without compulsory insurance of capital for the cash-flow. Thus, one of the main causes of termination of contracts, the lack of financial resources, was avoided in most of the lines of financing.

The main recommended solutions, and which should have been complied with, including the implementation of the operational programmes for the period from 2014-2020 financial allocation:

- Launch calls for proposals for yet unreleased operations, particularly those with large financial allocations must be made in the shortest time possible.
- Simplification of procedures for the submission and selection.

- Unifying the implementing procedures of the institutions responsible with verification of the projects financed from the structural funds, in order to avoid situations when referring to the same question some institutions may have different views.

- simplify and unify the verification procedures of public procurement.

- improve access to co-financing for beneficiaries, including the creation of tools dedicated to national funds;

- Increase the quality of applications represents a solution to increase absorption. Technical assistance should be used to provide support for both beneficiary's information and advice. Supporting beneficiaries through the provision of technical assistance necessary for the compilation of projects could be a feasible solution, with financing by the axes of the structural funds technical assistance.

- institutional capacity management system and implementation should be increased through the training of personnel, access to specific expertise

- outsourced technical assistance, on as many activities and stages of the implementation process in order to fastening the payments to beneficiaries, by covering the high volume of procedures that can create the blockage at the administrative level;

- payments: the large number of appeals and applications processed will not contribute to the absorption of the funds if they are not coupled with an increase in the level of payments. In this respect, it is necessary to simplify the procedures for checking and approval of payments, pro-active support for beneficiaries, by monitoring at the project level and by estimate the payments to be made;

- consultancy market Regulation in such a way that consultants and experts involved in the process of accessing and implementing European projects should be formed first, and then tested in order to obtain the authorisation required. This would diminish the cases of misleading to beneficiaries, as well as the incidence of poor quality projects.

- Early Warning informational warning mechanism to prevent the type of situations that may lead to the failure of a project (delays in procedures, complaints, delays in activities and reports, etc.). You can deploy within a single system of interlocking projects MYSMIS.

In what it concerns, The Large Infrastructure Operational Programme (LIOP) has been focused on the improvement of cooperation between the departments of programming, providing outsourced

support for AM and beneficiaries for situations requiring specific expertise; applied training and coaching for staff performance; development of a tool for monitoring the level of contract, with intermediate stages and early warning mechanism. Also, on the new period, 2014-2020, there are visible improvements in implementing integrated strategies through the operational programmes, as well as higher standards requirements on the quality of the projects submitted. If the process of submitting and evaluating of the projects will be carried fast enough, the Energy System has a good chance of modernising through structural funds. It seems that the mistakes of the past have been a good lesson for the Authorities, and this time we have a much better structured financing priorities, that represent the chance of covering important needs of the National Energy System in Romania.

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Risk Management In The Romanian Energy Sector In An Increasingly Uncertain European Context

~ Ph. D. **Cristina Necula** (*Advanced Studies, Romanian Academy, Calea Victoriei, Bucharest, Romania*)

E-mail: cristina.inecula@yahoo.com

Abstract: *On the current European context, the development of the renewable energy sector stays under the sign of the subsidies from the state. The renewable energy sector is developing fast, but needs subsidies to be competitive. The renewable technology is not mature enough and cannot compete with the classic power plants technology based on fossil fuel. The European energy sector is in a process of restructuring aiming to a carbon free and clean energy. The energy transition aims to reduce the greenhouse emission in order to limit the global warming to maximum 2°C until 2030.*

As part of the European Union, Romania has a role in the battle with decarbonization and has to participate to the reduction of greenhouse emissions by contributing at the European Energy Union common targets.

The management process has to be developed by the government. The state policy implementation involves a laborious undertaking planning objectives in the context of available technologies and energy market competition accentuation.

Keywords: state policy, energy security, energy union, renewable energy, greenhouse emission, energy security risks, green certificate scheme.

JEL Classification: Q21, Q28, Q54, M38

1. Introduction

The Energy Union and Climate is one of the ten priorities of the European Commission and its aims to make a more secure, affordable and sustainable energy [1]. The European Energy Union ensures that Europe has a climate-friendly energy. The Energy Union is about the supply diversification and connections, as well as about being a driver to the economy modernisation and investing in jobs and growth for the benefits of businesses and citizens, while fighting against climate changes [2].

The EU's (European Union) Energy Union strategy is made up of five closely related and mutually reinforcing dimensions [3, 4]: , :

1. Energy security, solidarity and trust dimension targets the diversification of energy sources, suppliers and routes, making a better and a more efficient use of the energy produced within the EU. Also, a better cooperation among Member States helps Europe to have a stronger role in the global energy markets [5, 20].

2. A fully integrated internal energy market aims that energy should flow freely across the EU, without any technical or regulatory barriers, through interconnections. In this way the energy suppliers can freely compete and provide the best energy prices. A fully integrated internal energy market can be achieved by connecting markets and upgrading their software [6].

3. Improved energy efficiency aims at securing energy supply by moderating energy demand. Consuming less energy in order to reduce pollution and preserve domestic energy sources will reduce the EU's need for energy imports. The energy efficiency measures are successfully applied in

the buildings and transport sectors. In order to meet 2030 targets, energy efficiency is sustained by directives and different programs such as Energy Efficiency Directive, EPBD, Energy Labelling & Ecodesign, Strengthened financial instruments, Heating and Cooling.

4. Decarbonisation of the economy is made by renewing the EU-ETS (Emissions Trading System), leading to a global deal for climate change and encouraging private investments in new infrastructure and technologies. This are the most important steps. Regarding this aim, the EU must become the global hub for developing the next-generation renewable energie tenologies [7].

5. Research, innovation and competitiveness dimension is focused on renewable energy and energy storage and in supporting breakthroughs in low-carbon technologies by coordinating research and helping to finance projects in partnership with the private sector which are main drivers of the European energy market competitiveness [20].

In order to maintain a global leadership Europe needs to focus on becoming the world leader in RES (renewable energy sources) and energy storage, empowering consumers, having efficient energy systems, sustainable transport systems and additional priorities like CCS (Carbon Capture and Storage) and safe nuclear energy.

The new electricity market design foundation of 2030 framework Europe is going to move from today's 16% (27.5% of its electricity requirements coming from RES) to at least 27% renewables share (around 50% of RES produced electricity). This new electricity market design should use the least cost concept by removing the remaining obstacles to better integrate renewables into the internal market [4].

In February 2015, the Commission adopted “A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy”. This strategy created a new opportunity to bring in discussion the transition to a low-carbon, secure and competitive economy and to deliver one of the ten priorities of the Juncker Commission [8].

2. European energy targets

As regarding climate changes, the long term goal agreed to limit the global average temperature increase to below 2°C compared to pre-industrial levels, which guides the EU’s climate action. In line with scientific findings reported by the International Panel on Climate Change (IPCC) in the fourth Assessment Report, the European Council stated in 2009 that the EU’s objective, in the context of necessary reductions by developed countries as a group, is to reduce GHG emissions by 80-95% in 2050 compared to 1990. The European Council also endorsed the objective to ensure that global emissions reach a peak by 2020 and are reduced by at least 50% compared to 1990 in order to increase the chances of avoiding climate change [9].

The European Commission proposes new rules for consumer centred on clean energy transition. [10]

Many times, the European Council has encouraged the Commission to review and develop legislation for renewables to underpin the agreed 2030 target. The European Parliament has also called upon the Commission to present the renewable energy legislation and to increase even further the ambition level to at least 30%. [14]

“A policy framework for climate and energy in the period from 2020 to 2030” and “the

Renewable energy progress report” documents, favoured a binding Union 2030 target of at least 30% of total final energy consumption from renewable energy sources, stressing that that target should be implemented by means of individual national targets taking into account the individual situation and potential of each Member State [14].

The Energy Union Members should lead the clean energy transition, not only adapt to it. This is the reason why the EU has committed to cut CO₂ emissions by at least 40% by 2030 while modernising the EU’s economy and delivering on jobs and growth for all European citizens. The proposals have three main goals: putting energy efficiency first, achieving global leadership in renewable energies and providing a fair deal for consumers. The consumers are active and central players on the energy markets. Consumers across the EU will have a better choice of supply and access to reliable energy prices and the possibility to produce and sell their own electricity (prosumers) [10]. [

„The 2016-2017 winter package will boost the clean energy transition by modernising our economy” [11][].The Commission’s “Clean Energy for All Europeans” proposals are designed to show that the clean energy transition is the growth sector of the future [10].

The package of measures will keep the European Union competitive as the clean energy transition is changing the global energy markets.

A 30% energy efficiency target, efficient buildings, clarified ecodesign framework and measures, smarter finance will help Europe grow while meeting its climate goals easier. The proposal for an EU level binding target of at least 30% by 2030 will reduce the EU’s fossil fuel import bill.[12].

Renewable electricity, cleaner heating and cooling, decarbonised transport, empowered consumers and at least 27% renewables in the EU will bring clean energy. Renewables are at the centre of this package. The transformation of global power markets is ongoing. According to the IEA (International Energy Agency), renewable energy surpassed coal as main source of power capacity in 2015. In 2030, half of the EU's electricity generation will come from renewables. By 2050 our electricity should be completely carbon-free. Renewables will play a major role in the transition to a clean energy system. Europe wants to reach a share of at least 27% renewables in the final energy consumption by 2030. It has spearheaded global efforts to fight climate change, and has been leading global efforts with a commitment to cut emissions by at least 40% by 2030. It has successfully turned solar and onshore wind technologies from niche technologies into central players in the European power sector. This has also helped global access to cheaper and clean technology. The Renewable Energy Directive, together with the proposals on the New Electricity Market Design the investor are lead to a level of certainty and to a level playing field for all technologies without jeopardising our climate and energy targets by design and governance and a set a regulatory framework [14].

In order to better accommodate the rising share of renewables, wholesale markets have to further develop and in particular provide adequate rules allowing shorter term trading to reflect the necessities of variable generation. Renewables producers will be able to earn revenues from the market, including system service markets that are required to maintain grid stability and security.

By introducing trading closer to the time of delivery well-integrated short-term electricity markets will also reward flexibility in the market both for generation, demand or storage [14].

Renewable energy will be increasingly market-based, untapped potential needs to be exploited, and certainty and visibility for investors ensured. New rules will allow renewable electricity generators to earn increasing shares of their revenues from the market. The clean energy package will also guide the design for national support by setting out framework principles to facilitate a cost-effective, market-oriented and Europeanised approach. These principles include cross border opening of support schemes, non-retroactivity and long term visibility for the support. [14]

The Commission's proposals sets a regulatory framework that allows a level playing field for all technologies without jeopardising the European climate and energy targets. The new regulatory framework will make sure that renewables can participate fully in the electricity market, but also that the market related provisions do not discriminate against renewables. Priority dispatch will remain in place for existing renewable installations, small-scale renewable installation and, projects demonstrating innovative technologies. Other installations, independent from the technology applied, will be subject to non-discriminatory third-party access rules. In addition, curtailment of renewables should be done last. [14]

To ensure that the Energy Union Strategy objectives across all five dimensions, and in particular the 2030 energy and climate targets are met, a robust Energy Union Governance is needed. A partnership is put

in place with Member States to monitor the progress towards the 2030 target [14].

This governance system leads to a process of regular surveillance in which the Commission assesses the National Energy and Climate Plans to be developed by Member States. In case the Commission detects that there are gaps in particular as regards renewables and energy efficiency, it can propose the necessary measures to avoid and fill any such emerging gap [14].

Consumers are the drivers of energy transition and with the help of the new technologies like smart grids, smart homes, increasingly competitive roof-top solar panels and battery storage solutions make it possible for energy consumers to become active players on the market [13].

The Renewables Directive will enable consumers to self-consume renewable energy without facing undue restrictions, and ensure that they are remunerated for the net energy they inject into the grid [13].

3. Energy security risk

Energy security is defined in the Green Paper as the “uninterrupted physical availability of energy products on the market, at a price which is affordable for all consumers (private and industrial)”. Energy supply can be named „secure” if it is adequate, affordable and reliable [15].

Whether availability and distribution of resources, variability and reliability of energy supply are two main lines that are relevant to energy security for current systems or for the planning of future renewable energy systems. The access to a stable energy supply is a major political concern and a technical and

economic challenge facing both developed and developing countries, since prolonged disruptions would create serious economic and basic functionality problems for most societies [16].

Energy security risks can be divided into [15]:

a) Energy market instabilities caused by unforeseen changes in geopolitical or other external factors, or compounded by fossil fuel resource concentration;

b) Technical failures such as power “outages” (blackouts and brownouts) caused by grid or generation plant malfunction;

c) Physical security threats such as terrorists, sabotage, theft or piracy, as well as natural disasters (earthquakes, hurricanes, volcanic eruptions, the effects of climate change etc.).

The impact and perception of energy security risks differ across the UE Member States.

In order to prevent significant impacts from energy insecurity, the governments should diversify their energy sources.

In the long run, the potential for fossil fuel lack and decreasing quality of fossil reserves represents an important reason for a transition to a sustainable worldwide renewable energy system [16].

Renewable energy can contribute to the security of supply of all these energy forms and in addition reduce greenhouse gas (GHG) emissions when displacing fossil fuels. This makes it all the more important to pursue policies for research, development and deployment that can progressively reduce the costs of renewables so that, with appropriate credit for carbon saving, they can be established as technologies of choice.

A critical component of energy security in the short term, is the limited availability

and distribution of resources. Being equal, the more reliant an energy system is on a single energy source, the more susceptible the energy system is to serious disruptions. Examples include disruptions to oil supply, unexpectedly large and widespread periods of low wind or solar insolation (e.g., due to weather), or the emergence of unintended consequences of any supply source [16]. Extremely cold weather is likely to have an impact on the fuel supply of solids and/or natural gas power generating facilities. Imports play a critical role in the success of the Romanian electric power system to handle this situation, but this represents a potential source of energy insecurity for both developing and industrialized countries [16].

The implications of renewables for energy supply security differ between the electricity, heat and transport sectors [15].

For electricity, introducing a large portfolio of renewable energy sources, like hydro, geothermal, bioenergy, solar and wind energy generating plants into the system and establishing a decentralised power generation system can provide more security [15].

The geopolitical security risks are reduced using RES by contributing to fuel mix diversification.

Their risks of RES are different from those of fossil fuel supply risks. Biomass can be an exception although imported bioenergy feedstocks usually diversify import portfolios.

The big advantage of renewables is that they can address environmental as well as security objectives [15].

Energy efficiency improvements through demand side management and technological innovation can cost-effectively mitigate the large-scale impact of energy supply

disruptions in the electricity and heat sectors, and to a limited degree in the transport sector too. Demand side management and energy efficiency measures can reduce dependence on conventional fuels for the production of electricity, heat and transport fuels [15].

Renewable energy can also make a contribution to increasing the reliability of energy services, in particular in remote and rural areas that often suffer from insufficient grid access [16].

Also, economic development has been strongly correlated with increasing energy use and growth of greenhouse gas emissions. Renewable energy and energy efficiency help decouple the GDP from the energy consumption, contributing to sustainable development.

“Access to modern energy services, whether from renewable or nonrenewable sources, is closely correlated with measures of development, particularly for those countries at earlier development stages [16].

Countries at different levels of development have different incentives and socio-economic sustainable development goals to advance renewable energy. The creation of employment opportunities and actively promoting structural change in the economy are seen, especially in industrialized countries, as goals that support the promotion of renewable energy” [16].

4. Romanian renewable energy sector

The growth of renewable energy sources has come in correlation with the onset of substantial government support schemes which began in the 1990s and have increased at an accelerated pace over the 2000s and 2010s. The growing prices for conventional energy

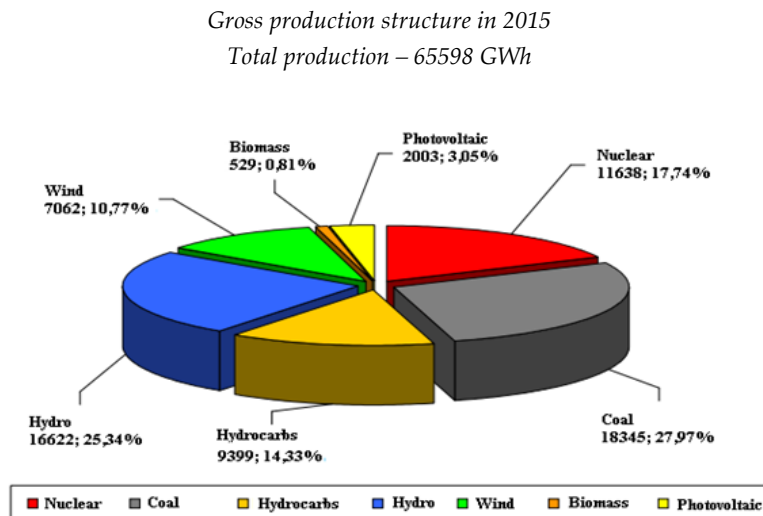
together with the steady price decrease for renewable technologies contributed to an investment boom in RES of about 1 trillion dollars globally. But renewable energy has considerable associated costs and difficulties.

Wind farms, solar parks, and other kinds of RES were developed insofar as they could rely on support schemes. The technologies have not yet reached the stage of economic maturity to withstand market forces by themselves. Second, RES produce sizeable quantities of electricity, but mostly in a discontinuous manner; neither wind nor

sunlight generate the kind of continuous and predictable power that hydrocarbon fired or nuclear power plants do.

Romania has rich resources and diverse renewable energy distributed throughout the country.

They will be exploited more widely as performance-price ratio of the technologies will improve the maturation of new generations of equipment and facilities related. The electricity mix of Romania is and will be balanced and diversified, as you can see in the below figure [17].



Source: Annual report of TRANSELECTRICA SA -2015

Now, the Romanian renewable energy sector is supported by the green certificate scheme which has been operating since November 2011. In principle, it awards green certificates (GC) to accredited plants using RES for each MWh of generation from RES for a period of up to 15 years from first generation under the scheme. The number of certificates awarded varies depending on technology. GCs trading value is limited by

the law at a price within a maximum and minimum range in order to protect both investors and consumers. Suppliers redeem the certificates to discharge a quota obligation based on their share of total sales. Green certificates trading is done on the domestic market of green certificates and is independent of electricity trading. The cost of the scheme is therefore borne by electricity consumers through increased price of electricity.

Electricity from RES is taken primarily on the electricity market [17].

Demand for green certificates is a function of the quota and the demand for electricity. The latter is driven by consumer wealth and so can be forecasted, based on projections of GDP, adjusted for electricity intensity, which falls as GDP increases.

This support mechanism resulted in a few years in the sharp rise in investment in new capacity for the production of renewable energy. Given that short-term impact of uncontrolled increase of electricity bills due to the contribution to promoting renewable energy affordability raises both the households and consumer industrial, promotion system has undergone several changes [17].

Given the effect of uncontrolled growth of energy prices to final customers, the initial scheme has undergone several changes in order to reduce costs [18]. The wind, solar and hydro plants which obtained accreditation after December 2013 have received less green certificates for the energy produced in order to avoid the risk of overcompensation. This

led to a decrease in RES technology costs to prevent that new plants to do not receive a return on capital in excess [18].

From November 2013 to March 2017 a number of green certificates was temporarily postpone. The share of GC deferres according to the technology form as follows:

- 1 GC per MWh for new hydro plant up to 10 MW in capacity
- 1 GC per MWh for wind power plants
- 2 GCs per MWh for solar power plants

This measure lead to a diminished potential of oversupply certificates, but would have affected the cash flow of investments compared to expectation at the time of investment, reducing the discounted return on capital. The resulting projected breakdown of GC by category for 2016 is shown in table below. Because of the limited period of validity, unsold GCs will expire at various points during 2017. It is possible that some of the GCs unsold in 2016 will find a buyer before expiring [18].

Forecast flow of 2016 GCs

	Wind	Solar	Biomass	Hydro
GCs awarded	11,357,783	10,061,337	2,128,281	2,254,691
GCs deferred	8,821,560			
GCs redeemed	12,566,051			
GCs expired (2017)	4,414,480			

Source: ECA

The cost of support to suppliers from 2014 was diminished, compared to earlier expectations, by reduction the quota for suppliers.

The reduction in obligation for energy intensive users essentially transferred the cost obligation towards other consumers.

These changes have led to imbalances in the functioning of the support scheme and lack of predictability for future investors.

The access to the current support scheme by green certificates is though coming to an end as of December 31st, 2016.

Romania is aimed at further attracting investment in RES, capitalizing the high natural potential, respectively in the related industry of energy transition [17].

5. Conclusions

The management process has to be developed by the government. The state policy implementation involves a laborious undertaking planning objectives in the context of available technologies and energy market competition accentuation.

Romania participates in an extensive process of integration of energy markets in the EU, with the effect of a more open competition between Member States' national actors. This raises the question of competitiveness in electricity and ancillary services in Romania in a regional context, the impact on cross-border flows and profitability generating capacity holders.

By developing strategies, policy-making and regulatory decisions, the state holds powerful levers for steering investment of resources by the mix of electricity in order to meet its strategic objectives and obligations (legislation, treaties and international agreements) [17].

Development and implementation of support schemes for renewable energies requires economic realism, including the evolution of technologies, taking into account international competitiveness of industrial consumers and affordability for households. The objectives targeted by Romania have been met without over-compensating producers, but the lack of stability or a low level of the support schemes may jeopardize the support of an appropriate pace of investment.

„The GC scheme began with a probably over-generous payout to generators, based on expectations of high IRRs, likely compounded by higher wholesale market price expectations. This led to high generator expectations and rapid investment. This inevitably had a cost to be borne by consumers [18].

Subsequent policy adjustments to reduce the impact on consumers had the effect of negatively impacting generator cash flows, with an additional adverse effect of many certificates being unsaleable, because demand had reduced faster than supply [18].

In terms of policy measures, this means playing off reasonable expectations of generators against reasonable cost expectations of consumers. The negative cash flows faced by generators generally in recent years (which is unevenly split with some generators facing a disproportionate share of unsold GCs and so a much worse income than others) will almost certainly have to be alleviated to the extent that policy changes against their reasonable expectations were instituted, but this can only be done at the expense of consumers (or taxpayers). [18]

The most likely policy combinations will see improved cash flow for generators, but at a reduced return as compared to initial expectations; for consumers it would be

through delaying payments into later years. Achieving positive but steady cash flows requires a combination of increasing the quota and either forced banking of certificates (through deferred trading of them) or voluntary banking by extending the tradable life of certificates. The “targeted obligation” methodology in combination with extended reinsertion of deferred GCs indicates positive cash flows are just about achieved from 2017 or 2018 for all technology and year-of-accreditation groups with the exception of wind plant accredited in 2014 and 2015 (comprising under 12% of wind capacity). Even this case, however, requires a substantial increase in the impact of the GC scheme as a proportion of consumer bills, peaking at over 11% in 2017, while real MIRRs for many technology-year groups remain under 4.5%” [18].

The key policy issues in the Romanian electricity sector are based on three fundamental strategic objectives: security, affordability and emissions. [19]

The security of supply – both short term and long term, must maintain a balanced, diversified power mix for the foreseeable future and strengthen/ modernise the grid (transmission and distribution), expand interconnection capacity [19].

The affordability – competitive price for industry/ services; affordable price for households. This means a competitive, liquid, efficient power market – based also on functional natural gas market. Also, a gradual decommissioning of the remaining old, inefficient power plants/ CHPs, market-based investments in new capacities, with limited

state interference are necessary. Other important aspects to take into account are the careful prioritisation and timing of grid investments, avoiding excessive cost and grid tariffs and predictable and equitable taxation and subsidies in the electricity sector [19].

Emissions – fair contribution to EU GHG targets; limit air, water and soil pollution, while preserving biodiversity like future of RES – gradual expansion of hydro, wind, solar PV and biomass/ biogas, future of nuclear energy – Cernavoda 3 & 4 (CANDU 6 technology), extension of lifetime for 1&2, future of natural gas – gradually taking over from coal, balancing friend of RES alongside hydro and future of lignite and sub-bituminous coal – declining competitiveness in regional market (ETS) [19].

Romania is bound in its power sector development by EU commitments and it needs to consider long term electricity scenarios [19].

The issues related to network development are essential in a regional perspective - EU financing for interconnections between all countries in the region in order to ensure security of supply.

Also there are issues related to regional market coupling and integration - Regional market for ancillary services/ balancing, including demand side management [19].

However, it is essential to first ensure a competitive level playing field through environmental compliance – same standards for SO_x, NO_x, dust, Hg and participation in the ETS market by all countries, with similar, if any, derogations [19].

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Institutional management in fighting against undeclared work.

Considerations on some selections from notable studies in the matter.

~ Ph. D. Student **Marilena-Nicoleta G. Balabuti** (*Advanced Studies, Romanian Academy, Calea Victoriei, Bucharest, Romania*)

E-mail: balabuti@yahoo.com

Abstract: *Fighting against undeclared work represents a task that most of the countries need to do. Regarded as a phenomenon which undermines the economy of a country, the undeclared work became subject of analysis and debate in European Union, more and more, mostly after 2001.*

In the research that aims to analyze the institutional management of the fight against undeclared work, first we must see some selections of notable studies made by important bodies and organizations. The role of the European Commission and the International Labour Organization in the research is important; what those institutions were released in the matter has strong impact on national policies and also in the targets that management of the national authorities is considering to implement.

The European Commission had made some research on the undeclared work, focusing on the forms and on the tools that national institutions could or should use to fight efficiently against this phenomenon. According to some research made by European Commission¹, “undeclared work may come in different forms. The most common type is work carried out in a formal undertaking, partially or fully undeclared. Partially undeclared work is sometimes also called “under-declared work”, “envelope wages” or “cash-in-

¹ See <http://ec.europa.eu/social/main.jsp?catId=706&intPageId=2983&langId=en>.

hand". Another type is undeclared "own account" or self-employed work, where self-employed persons provide services either to a formal enterprise or to other clients, such as households. Undeclared work occurs in all kind of economic sectors, both within countries and across borders. It is often carried out in sectors like construction, renovation or repair works, gardening, cleaning, provision of childcare or HORECA (Hotel / Restaurant / Catering – food services)".

Most of the member states in E.U had implemented a national system of labour inspection that is enforced to tackle the phenomenon of undeclared work and to diminish it.

Definitely, the undeclared work creates an unfair competition between employers, who are positioned on different levels regarding the costs of the labour that are taking into consideration when their profit is analyzed. Also, it creates a discriminatory situation between legal employed workers and those workers who performed undeclared work, because the latter are not properly and equally ensured in the national insurances systems that protects them from unemployment, sick and loose of the working capacity.

For this reason, the institutionalized fight against undeclared work is subject to proper management, starting from the legal tools that national system provides for the organizations that are entitled to do this. In this regard, we must consider the general background that comes from the European Commission and the ILO, and the national background, that comes from the national law and administrative system and from the national policies that are deriving from European in this aspect.

Keywords: institutional management, undeclared work, labour administration

1. General background

In March 2014 European Commission had released a Report on Undeclared work in European Union¹, referred to as the Report, relying on a fieldwork from March – April, 2013. According to this Report, "undeclared work is defined as paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory system of Member States. This definition has been used systematically by the Commission since its 1998 Communication on undeclared work. The definition notably excludes criminal activities which are defined in national law. Crime and tax fraud as such are outside the scope of employment policy".

As the undeclared work was introduced in the European Employment Strategy and

since 2001 has been taken to the second pillar of the employment guidelines, the member states had committed to combat undeclared work,² and that was considered by a 2008 Report conducted by European Commission on two ways: (1) a focus on deterrence (by improving detection or increasing penalties) and (2) encouraging compliance by preventing people from taking up undeclared work, enabling the legitimization of previously undeclared work and changing attitudes.

The first way of combating undeclared work is considered by most of the Europeans respondents to the Survey made in the frame of the Report as a proper one, as "the majority of respondents (56%) say that if someone was discovered to be receiving income from work which was not declared to the relevant

¹ See http://ec.europa.eu/public_opinion/archives/ebs/ebs_402_en.pdf.

² See also "Undeclared work in the European Union" page 2, European Commission, March, 2014. For further information, see http://ec.europa.eu/public_opinion/archives/ebs/ebs_402_en.pdf.

authorities the sanction would be the normal tax and social security contributions, plus a fine. A fifth (21%) thinks that the punishment would be to pay the normal tax and social security contributions. Only a small minority (6%) imagine that the person would be sent to prison. Around one in eight respondents (12%) say they “don’t know” what sanction would be imposed.³ As we can notice, Europeans are regarding the undeclared work as socially dangerous, as the majority of the respondents consider that the contributions and taxes payment must be supplemented by a fine, the main responsibility in this matter – meaning the recovery of the contribution and the fining - being transferred to the national authorities. The fight against undeclared work relies mostly on three types of enforcement bodies:

- Labour inspectorates addressing abusive behavior regarding working conditions and/or health and safety norms;
- Social security inspectorates fighting fraud on social insurance contributions;
- Tax authorities dealing with tax evasion⁴.

Normally, the main deterrence which comes from the fight against undeclared work lies with the powers of the labour inspectorates and the tax evasion authorities, whose role is to prevent and to punish

such a phenomenon⁵. The International Labour Organization issued a study in 2013 comparative study on Labour Inspection Strategies for Combating Undeclared Work⁶ that, according to the Preface of that study, was carried out during the biennium 2012-13 and was coordinated by the ILO, Labour Administration and Inspection Programme (LAB/ADMIN) in cooperation with the EC Unit EMPL-B2/Labour Law. Taking into consideration the purpose of this study, which was to consider the role of national labour inspection systems in the EU within the strategic policy response to undeclared work, we can conclude and also notice that the whole member states deterrence policy is relied on the labour administration and for that reason the way the management is conducted must be in accordance.

Regarding the role and the capacity of the labour inspection, the ILO Study results consider that this institution is an important ally for dealing with the problem of undeclared work, but also the same study takes into consideration the lack the necessary resources, tools, procedures and coordination

⁵ According to the 2013 ILO Study several institutions address the diversity of issues related to undeclared work, mostly labour inspectorates, social security, tax and immigration authorities. Although labour

Inspectorates are among the leading agencies, some countries tend to focus more on compliance with tax laws rather than on protection of workers’ rights. In Austria and Germany, for instance, the function to supervise undeclared work was transferred to the Federal Ministry of Finance in 2002 and 1991, respectively. The 2013 ILO Study we refer here is available at http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_220021.pdf.

⁶idem

³See supra, page 96.

⁴See <http://ec.europa.eu/social/main.jsp?catId=706&intPageId=2983&langId=en>.

with other relevant authorities to prevent, identify and remedy such cases. The ILO notes that the credibility of any inspectorate depends to a large extent on its ability to advise employers and workers on the most effective means of complying with the legal provisions within its remit in all areas. However, consider the study, it also depends on the existence and implementation of a sufficiently efficient labour inspection system⁷.

As for the European Council, this body has posted on its web page a short information that announces that the Commission proposed the creation of a European platform against undeclared work on 9 April 2014. The platform will bring together the Commission, social partners and EU national authorities in charge of combating undeclared work, such as labour inspectorates and social security authorities. They will exchange information and best practices on fighting against undeclared work. The platform will also promote training for staff from various countries and identify common principles for inspections. What is interesting in this post is that there are the negative effects of the undeclared work such as: (1) for workers, it's said, undeclared work translates into lower pension rights, less access to healthcare, poor working conditions and potential breach of employment rights, (2) for businesses it creates unfair competition since companies that do not declare their workers gain an unfair advantage and (3) for governments, it means lost tax and social security revenue.

The Commission takes into consideration that the fight against undeclared work belongs to the member states. Nevertheless, creating a common platform to ease the co-operation between member states in fighting

undeclared work - who tends to take an over-broad dimension - represents a step to a centralizing policy in the matter.⁸

2. Romanian National background

In Romania, The Law 108/1999 regarding the establishment and organization of labour inspections regulates that the Labour Inspection is an authority of the state central administration, under the subordination of the Labour Ministry⁹. The main characteristic of this institution is that it has its own juridical personality – that means it can represent itself – and has under subordination, in its own turn, the labour inspectorates that are organized at county level.

According to the Article 1 (4) and Article 5 of the Law 108/1999, “the Labour Inspection acts in order to ensure the social protection of labour, based on the provisions of art. 41 of the Constitution of Romania, republished, and, respectively, the provisions of International Labour Organization Convention No. 81/1947 concerning labour inspection in industry and commerce, which has been ratified by the State Council Decree No. 284/1973 and the Convention of the International Labour Organization No. 129/1969 on labour inspection in agriculture, ratified by the Decree of the State Council No. 83/75. The Labour Inspectorate performs the following general functions:

a) as State authority, to ensure the exercise of monitoring compliance with the legal provisions in its fields of competence;

⁸See <http://www.consilium.europa.eu/en/policies/labour-mobility/platform-against-undeclared-work/>

⁹Now, the Ministry of Labour, Family, Social Protection and Elderly.

⁷idem

b) communication, ensuring the exchange of information with the authorities of Central and local public administration, as well as natural and legal persons subject to inspection work, inform them and citizens on how they respect and apply the provisions of the legislation in the areas of competence;

c) representation, ensuring, on behalf of the Romanian Government and the Romanian Government, representation of internally and externally in its areas of competence;

d) training, which is achieved through training and further training of its staff, in accordance with the law;

e) cooperation, ensuring the pursuit of collective action, domestically and internationally, in the fields of competence;

f) administration, to ensure the management of the assets in the public domain, i.e. private State or, as the case may be, of the administrative-territorial units of the administration or the use, of the funds allocated for the purpose of functioning according to the law, and organizing and managing the information systems necessary for their own activities."

In Romania, the legal system is relying on the written form of the labour contract. As such, the national law is regulating that all employees¹⁰ must have concluded the written form of the labour contract before the

work is coming to be performed¹¹. The work performed by up to 5 workers without a written labour contract concluded for each is considered an undeclared work and is punished with a fine¹². What overpasses the 5 person limit is considered an felony and is sanctioned under the Penal Code. Supplementary, the Labour Code punishes with a fine the person who performs undeclared work, so the legal system fights on both directions, sanctioning both employer and employee.

The policy of the state regarding the way the undeclared work is tackled is in continuous change, due to the intervention of the national bodies among the courts are playing an important role. For example, in a Decision of the High Court issued in 2016 is concluded that "the regulation, to the labour code, of the rules on proof of legal relationship can work and method of use thereof to

¹¹ See article 16 (1) – (3) of the Labour Code – Law 53/2003, where is regulated that the individual labour contract shall be concluded on the basis of consent of the parties, in written form, in the Romanian language. The obligation to conclude individual labour contract in written form belongs to employer. The written form is required for the conclusion of the contract valid. Prior to the commencement of the work, the individual labour contract shall be registered in the general register of employees, which shall be sent to the territorial Labor Inspectorate. The employer is obligated, prior to the commencement of the activity, to give the employee a copy of the contract of employment.

¹² See article 260 (1) e) of the Labour Code, where is regulated that to work up to 5 people without the conclusion of an individual labour contract, concluded in accordance with art. 16. (1) is considered contravention and must be sanctioned by a fine from 10,000 to 20,000 lei lei for each identified person.

¹⁰ We mean here of those who have the juridical relations regulated by the Labour Code. Others that are under a special Law, should have the form regulated by that Law.

establish internship contribution in social insurance law has experienced a certain evolution, as follows: Until 3 April 2011 (date of entry into force of law No. 40/2011 for the modification and completion of the law No. 53/2003 on the labour code), the written form of the contract of employment was required *ad probationem* (article 64 of law No. 10/1972 on labor code of the Socialist Republic of Romania, with subsequent amendments and additions to article 16 of law No. 53/2003-labour code the previous amendment of law No. 40/2011). Thereafter, written form of the contract of employment is provided for *ad validitatem* (article 16 of law No. 53/2003 on the labour code, which took place after the amendment of law No. 40/2011 in force and currently). Therefore, by the year 2011, the legal relationship of employment could be proven with documents, but also with any other means of proof. According to the adopted legislation in matters of social security, by 1 April 2001, the date of entry into force of law No. 19/2000, length of period of contribution was (article 9 of law No. 3/1977 on the pensions of State social insurance and social assistance, as amended, paragraph 1, and article 160. (5) and article. 161 of the Law nr. 19/2000, as amended and supplemented). Thereafter, the qualifying period of contribution shall be calculated in proportion to the contributory period (art. 8 of the law No. 19/2000, as amended and supplemented, art. 19 para. (1) of Law No. 263/2010, with subsequent amendments and additions). In conclusion, for the period worked prior to the date of entry into force of law No. 19/2000, i.e. April 1, 2001, recognizing seniority in the workplace takes effect in respect of qualifying period of contribution of the insured person. The reasoning of previous relevant

legislation was picked up in the same terms, and in accordance with law No. 263/2010 with amended and supplemented, in accordance with art. 391. (1) (a). a). After April 1, 2001, constitutes contributory period those periods of contribution of the insured persons".¹³

For that reason, the national policy must rely now also on the fact that undeclared work is affecting the recognition of the contributory periods that are used in establishing the right to pensions, health and unemployment indemnities. The fact that the person who works in an undeclared labour relationship loses its rights to further social benefits must be highlighted in the state policy that prevents this phenomenon.

3. Some considerations on the subject

Taking into consideration what we had in mind with this research, as well as European and national level of the phenomenon, we must agree that tackling undeclared work must include the new effects that this phenomenon implies, as well as the continuous reasons why the parties in a labour relation are regarded when choosing this form. For that reason, the improvement of the way the public money is spent and the increase of the public trust in the public procurement, the improving of the fight against corruption and illegal activities and improvement of the transnational cooperation must be issues that should be introduced in general perspective of the fight against undeclared work.

¹³ See point 19 of the Romanian High Court 2/2016.

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Tourism Business Management: Challenges And Incertitudines

~ Ph. D. **Camelia Surugiu** (*Faculty of Business and Administration, University of Bucharest, Bucharest, Romania, National Institute for Research and Development in Tourism, 17 Apolodor Str., Bucharest, Romania*)

E-mail: cameliasurugiu@gmail.com

~ Ph. D. **Marius-Răzvan Surugiu** (*Institute of National Economy-Romanian Academy, 13 Calea 13 Septembrie, Bucharest, Romania*)

E-mail: mariussurugiu@yahoo.com

Abstract: Globalization brings pressure on tourism businesses who now must develop in a more complex environment. In this framework, there is a need for a new vision, new tools for businesses to manage various aspects of the economic life. The companies must consider some changes in the way they operate, to better understand all stakeholders, the local communities and the influences from the world economy.

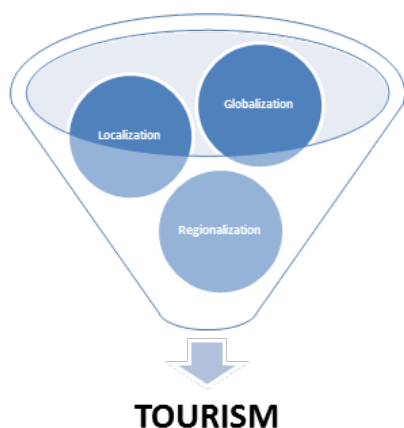
Key words: tourism supply, tourism demand, business management, globalization, Romania

JEL Classification: L83, M10, Z32

1. Introduction

Tourism sector is nothing but a reflection of globalization-localization polarization process that occurs in all socio-economic systems and in all its component structures. Globalization process is increasingly present in tourism and travel industry, raising the number of multinational and transnational companies which cover most of the trading volume in the field (e.g. travel, accommodation, mass tourism).

Figure 1 Tourism links with globalization, regionalization and localization



Source: authors' contribution

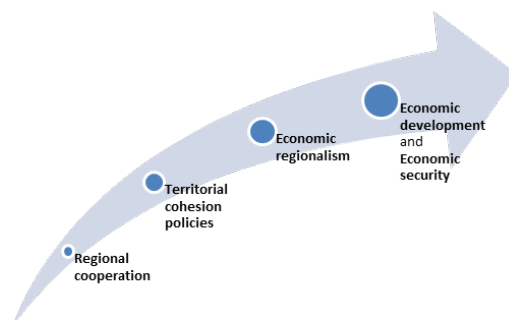
In contrast, niche operators offer products, services, unique experiences for tourists and tourists groups with special preferences and desires. These operators respond to the globalization process through location, developing unique, unusual, nature and culture linked experiences, addressing to mature tourists with a high educational level, extensive travel experience, concerned about the environment, interested in social and cultural traditions of the visited places.

Globalization has forced more and more regions and enterprises to adapt to the

market, the pressures becoming greater, and thus regional and local economies have been forced to restructure. On the other hand, in tourism, increasingly distinction between mass tourism, or in other words, globalized tourism, and community-based tourism in which the benefits accrue to community and the sustainability of the region are not affected in the long run is made. In the recent years, trends and characteristics of tourism development and the latest theories of tourism development emphasize that community-based tourism will get, in the coming years, an important counterweight to mass tourism.

However, we are witnessing an international regionalism as a form of globalization. Economic regionalism can be seen in two perspectives, de facto and de jure, it is not a government driven policy, but the level regionalism represents an institutional driven national and sub-national cooperation, ranging from business committees to private sector developed networks (Hall, 2001). Regional cooperation, at international level, has become increasingly obvious in recent years, and in Europe, the territorial cohesion policies have a major responsibility.

Figure 2 Factors supporting regionalization



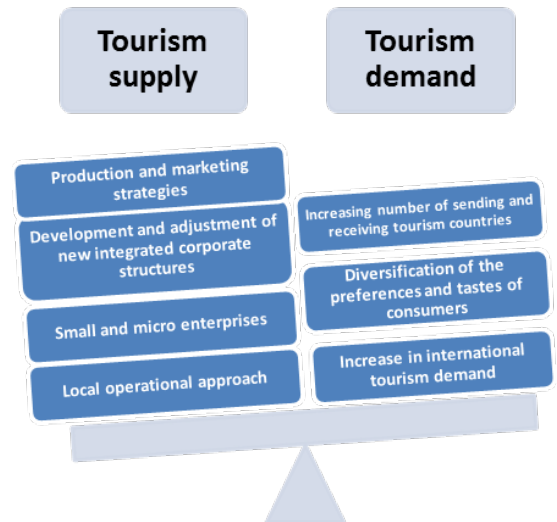
Source: authors' contribution

More evidences stress the need to return to the location, but history has shown that the “extreme game” did not lead to progress. Globalization process yields if it is accompanied by a complementary process of regionalization, aiming to complete the first one when some global development trends fail to reach the purpose.

The process of tourism globalization is felt both on tourism demand and on supply side, although in the case of demand is more pronounced. Tourism demand is the first to react, showing a clear trend to globalization, otherwise proved by the diversification of the preferences and tastes of consumers and supported by other aspects of globalization, namely access to information and services, expansion of the Internet, reduced political barriers and international travel visa barriers decrease, etc. Although currently, international tourist flows still remain mostly regionalized and concentrated on three continents, Europe, North America and Asia-Pacific region, there is obviously an increase in international tourism demand, but also of the volume of inter-regional tourist flows.

In terms of tourism supply, competition has become globalized, being necessary for businesses and tourism operators to be more competitive in order to survive on the market. Under the pressure of globalization, the competition will cover a new path, tourist destinations being forced to change the conditions of production and marketing strategies.

Figure 3: Globalization in terms of tourism supply and demand



Source: authors' contribution

2. Tourism as driver of development

Tourism industry should be regarded as important for economic recovery, domestic tourism development stimulating consumption and economic activity growth, with indirect impact on all productive sectors (Jucan and Jucan, 2013). Tourism represents a “tool” for growth, not a full policy, and in the European Union the tourism policy is clearly formulated since 2007 and promoted by the European Commission (Estol and Font, 2016). The experience of developed countries shows that, based on innovation, restoration, recognition and participation processes, tourism can become a success factor in supporting sustainable development, even if, apparently, the potential does not exist or it is considered unimportant. Tourism development should be planned taking into account the wider economic framework and

the overall objective of sustainable development (Telfer, 2002), so that the tourism activity to turn into a sustainable one, responsive to the needs of tourists and host regions, in the spirit of resources conservation for future generations (Surugiu, 2008). Bramwell and Lane (1993, cited by Liu, 2003) consider sustainability as a positive approach aimed at reducing tensions and misunderstandings created by complex interactions between the tourism industry, tourists, the environment and host communities, so that long-term ability and natural and human resources to be maintained.

European Union stresses the need to “promote a more business-friendly legislative and regulatory climate” as a measure to promote growth and development through tourism. In the absence of a regulatory framework is likely that region with a lower level of development to be disadvantaged, as competition between tourist destinations becomes more powerful, especially to attract investment in tourism and to obtain profit, being likely eventually to involve the emergence of new socio-spatial patterns of inequalities within and between regions (Bianchi, 2002).

Tourism represents a major global industry and alternatives to mass tourism are emerging, such as ecotourism, which can support the local communities’ development, but policies, strategies, processes, business culture, stakeholders working together and so on, are necessary to become an important alternate type of tourism (Felicetti, 2015).

The public-private partnership and stakeholders’ interaction represent an important model for managing tourist destinations, all partners wishing to benefit from sharing resources and objectives, but for a correct partnership management the identification

of critical success factors is of great importance (Shkira and Gabeta, 2012).

Positive or negative impact may appear from tourism, underlying the importance of the planning, development and management, and to reach to the sector’s full potential the prioritization of this activity and developing a strategic agenda are important, in a framework where individual countries work in cooperation to make a more sustainable tourism (Athanasopoulou, 2013).

Still, there are some opinions of critics of tourism activity who question whether the overall balance of impacts is positive, mainly regarding large holiday complexes and international hotel chains, even if there is an evidence of the tourism beneficial impact and companies’ good practices, for tourism companies being important to find out how to adapt the business practices for long-term commercial sense and to deliver greater benefits to local economies (Ashley et al, 2007).

3. Changes in the management of Romanian tourism business: risks associated with business activity

In the last 26 years, Romania has made considerable progress in the development of public and private institutions and the transition to a market economy. Joining the European Union (EU) in 2007 represented a driving force for the reform and modernization of the Romanian business environment (World Bank, 2016).

According to the Travel & Tourism Competitiveness Report 2015, Romania in 2015 was on 66th place out of 141 countries in terms of competitiveness index, with a value of 3.78 (1 - minimum, 7 - maximum) registering above average levels for health and

hygiene (5.94), safety and security (5.42), the infrastructure of tourism services (5.01), price competitiveness (4.89).

Figure 4: Travel and tourism industry competitiveness index, Romania



Source: World Economic Forum (2015), *The Travel & Tourism Competitiveness Report 2015 - Growth through Shocks*, Geneva

Romanian economic operators in the tourism sector are forced to operate in a turbulent and dynamic economic environment, in which to the internal competition is added a stronger international one, coming from some companies that offer good quality services at competitive prices in countries such as Bulgaria, Turkey, and Greece.

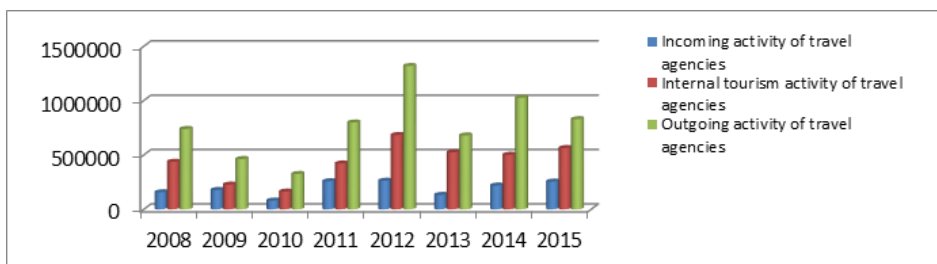
Many of the specific tourist material

bases have deteriorated in the transition period, due to a lack of investment, a delayed privatization, or even failed in some cases. Seaside accommodation units lost their brilliance and ability to provide quality accommodation, economic operators eroding the competitive position, if we compare them with accommodation units from neighboring countries.

Despite spa potential that Romania holds with mineral and thermal waters, with mud, mofettes, temperate climate (ionized air and tonic moderate or gentle bioclimate), saline water of the Black Sea, the beach and air ionization specific to coastline, salt mines, etc., many of health facilities deteriorated. The mountainous area has attracted most investments through the construction of hotels, guesthouses and villas, although in certain mountain areas losses were recorded or some damages to tourism infrastructure.

Thus, Romania of the last two decades has become an outgoing tourism country in which the foreign departures represent more than 50% of total activity conducted by travel agencies.

Figure 5: Tourism actions organized by travel agencies, by tourism activities (%)

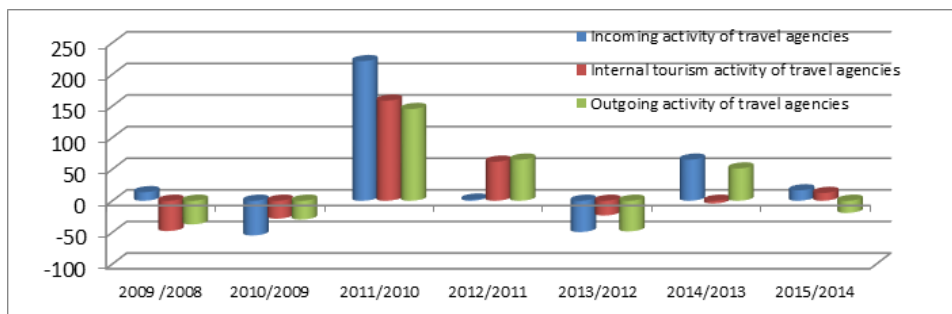


Source: <http://statistici.insse.ro/shop>, accessed on 13.07.2016.

Romanian tourism offer continues to remain at a quality-price level yet uncompetitive compared with main direct-competitive destinations, although in the past years some progress has been recorded in terms of the number of foreign tourist arrivals in

accommodation units. Travel agencies intensified their incoming activity, so in the last two years, it has increased by 65% and 16.5% respectively. Internal tourism activity of travel agencies fluctuated, with an increase of 12.4% in 2015 compared to the previous year.

Figure 6: Evolution of tourism actions organized by travel agencies, by tourism activities (%)



Source: <http://statistici.insse.ro/shop>, accessed on 13.07.2016.

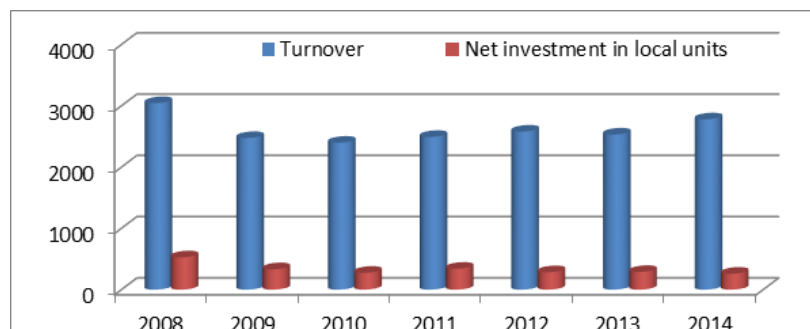
The beginning of the economic crisis, which significantly reduced family budgets and thus the travel budgets, have affected the tourism businesses. Only businesses that have managed to adapt to market requirements and came with attractive promotional offers during the period 2009 - 2010 have survived to an unstable and turbulent market environment. The development of promotional offers meant not only reducing the tariffs but also the fees charged by the travel agencies, and the profit margin was reduced by 15-25% in 2010 compared to 2009, although for certain client segments the turnover registered increases (Iftime and Podina, 2013). The year of 2010 was difficult for travel agencies in Romania, as their sales declined by 15%, and

about 10% of travel agencies, members of the National Association of Travel Agencies in Romania, have been closed.

To cope with a reduced tourism demand, travel agencies had to adapt by allocating larger budgets for advertising and by renegotiating tariffs of charter flights to Spain, Turkey and Greece, so they can meet the consumer's needs through attractive prices (Iftime and Podina, 2013).

Economic activity of hotels and restaurants declined significantly during the period 2008 - 2009, in which the turnover fell by 18.7% and 3.1% respectively, while net investment contraction was deeper by 36.9% and 17.4% respectively.

Figure 7: Turnover and net investments in hotels and restaurants (million euro)



Source: <http://statistici.insse.ro/shop>, accessed on 13.07.2016.

Price competitiveness index value indicates that Romania is an attractive country for foreign tourists especially from the perspective of prices for accommodation, ticket taxes, and airport charges. According to the Travel & Tourism Competitiveness Report

2015, Romania was placed in 2015 on the 54th place out of 141 countries in terms of price competitiveness, with a value of 4.9 (1 – minimum level, 7 – maximum level), recording competitive values particularly in terms of hotel price index.

Table 1: Prices competitiveness

Indicator	Value	Position/141
Prices competitiveness	4.9	54
Ticket taxes, airport charges (0-100 best)	81.2	58
Hotel price index (US \$)	88.9	9
Purchasing power parity	0.5	66
Fuel price levels (US \$ cents / litre)	170	97

Source: World Economic Forum (2015), The Travel & Tourism Competitiveness Report 2015 - Growth through Shocks, Geneva.

4. Romanian tourism industry: risks and uncertainties

The extent to which the government prioritizes the travel and tourism industry has an impact on its competitiveness. A government involved in supporting tourism, which makes it clear that this is a sector of major interest to the country, send an important message for investors, since itself is an investor concerned to support various development projects, but also involved in coordinating the actors and necessary resources.

According to the Travel & Tourism Competitiveness Report 2015, Romania is placed in 2015 on the 88th place out of 141 countries in terms of prioritization of travel and tourism industry, with an index value of 4.3 (1 – minimum level, 7 – maximum level), well above the world average. In Romania, the government does not play an important role regarding national marketing campaigns and in attracting tourists through them. Regarding the assessment of the brand strategy of the country, Romania seems to

occupy a good position internationally, being on 32nd position out of 141 countries.

All these factors mentioned above put their mark on economic operators in general, but also on those who work in the tourism industry. Thus, the lack of labor force, loss of local values, and increased crime is putting pressure on tourism entrepreneurs, which are also under economic pressures, due to the fact that the country went through a long transition, and recovery and growth period

was too short, being affected by the economic crisis from 2008 - 2010. While Romanian tourism industry has grown over the last few years, both in terms of tourist arrivals, and in terms of receipts, the specific structural problems of the sector put the economic operators to additional risks of operating, related to still unstable economic and political context, and to other social, juridical, technological, natural risks existing in Romania - as a tourism destination.

Table 2: Prioritization of travel & tourism

Indicator	Value	Position/141
Prioritization of travel & tourism	4.3	88
Government prioritization of T&T industry	4.3	117
T&T gov't expenditure (% gov't budget)	1.8	114
Effectiveness of marketing to attract tourists	3.6	120
Comprehensiveness of T&T data (0-120 best)	92	21
Timeliness of T&T data (0-21 best)	19.5	7
Country Brand Strategy rating (1-10 best)	78.6	32

Source: World Economic Forum (2015), The Travel & Tourism Competitiveness Report 2015 - Growth through Shocks, Geneva.

Tourism and tax evasion. Often the media drew many signals related to common situations of tax evasion, bribery, nepotism, embezzlement and corruption, reinforcing the idea that informality is a pervasive phenomenon in Romanian tourism sector. The "black market" of tourism can be an obstacle to official registration as a licensed operator and law-abiding business. Tourism business owners should keep prices higher than other operators who are not registered, and this often means attracting fewer tourists (Rădan-Gorska, 2013).

Romania has made significant progress in recent years in terms of reducing the level of corruption. According to the

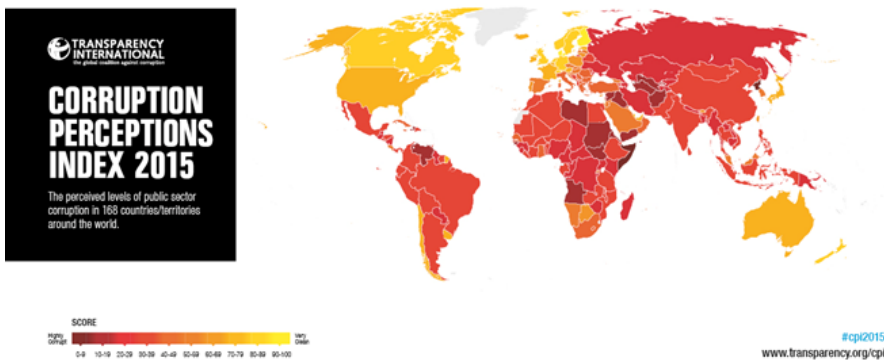
Index of Corruption Perception estimated by Transparency International, Romania is ranked 58 of 168 countries and territories worldwide, with a corruption index of 46 (0 - highly corrupt, 100 - very clean), placing our country under the international average.

A large number of international companies have been in the spotlight, with investigations involving now names like Microsoft, Fujitsu Siemens and EADS Deutschland GmbH. Operating in a changing business environment poses new challenges for investors already present in the country and for those who have considered investing in national businesses. It is important for investors to be able to obtain an independent assessment of

the situation, which would enable them to prevent reputational and financial damage to the company (ControlRisks, 2015). Problems of corruption in Romania led to the suspension of EU funds for economic development

in 2012 of approximately 500 million euro (\$ 648 million) (Freedom House, 2013), including investments in tourism on the short and medium run being affected.

Figure 8: Corruption Perceptions Index 2015



Source: <http://www.transparency.org/cpi2015#downloads>, accessed on 13.07.2016.

On the other hand, the shortcomings of companies' management in the tourism industry have to be mentioned, or the reduced propensity of stakeholders in the tourism industry for collaboration and cooperation with a view to seek solutions to crisis management and other effective methods of risk control (Talmaciu et al, 2015).

5. Tourism business and other associated risks

The quality of the overall business environment is very important for the tourism sector and companies' ability to grow and expand locally and nationally. Thus, according to the Travel & Tourism Competitiveness Report 2015, in 2015, Romania was on the 96th place out of 141 countries in terms of

business environment, with an index value of 4.1 (1 - minimum level, 7 – maximum level), not being one of the most attractive countries in the world in attracting and retaining investors. Indicators such as protecting intellectual property rights, the effectiveness of the legal framework does not encourage the country economic development. The distortions in taxation and competition policy, both at domestic and international levels, as measured by facilitating foreign direct investment (FDI) are negatively influencing the efficiency and productivity of the country, the value of specific indicators placing Romania in the second tier of countries that encourages economic and tourism development at national level. Neither the values of indicators regarding the cost and the time required to obtain building permits do not support tourism

development. Only indicators of the time and the costs of starting a business record values above average, placing Romania among

the countries attractive for tourism business development.

Table 3: Business environment

Indicator	Value	Position/141
Business environment	4.1	96
Property rights	4	79
Impact of rules on FDI	4	105
Efficiency of legal framework settling disputes	3.2	106
Efficiency of legal framework challenging regulations	3.1	93
Number of days to deal with construction permits	255	128
Construction permits cost (%)	2.3	81
Extent of market dominance	3.8	61
Number of days to start a business	8	42
Cost to start a business (% GNI/capita)	2.1	36
Effect of taxation on incentives to work	2.5	137
Effect of taxation on incentives to invest	2.9	126
Total tax rate (% profit)	43.2	94
Labor and contributions tax rate (% profit)	31.5	125
Profit tax rate (% profit)	10.7	42
Other taxes rate (% profit)	1	37

Source: World Economic Forum (2015), The Travel & Tourism Competitiveness Report 2015 - Growth through Shocks, Geneva.

Country risk. In terms of government stability, Romania has a B level country risk, due to political and economic uncertainties and sometimes to difficult business environment which can affect corporate payment behavior. Business environment is acceptable, being at A4 level. Sometimes, the corporate financial information are not readily available or sufficiently reliable. Debt collection is not always efficient and the institutional framework has shortcomings. Therefore, transactions between companies may face significant difficulties in an acceptable environment but occasionally unstable (GlobalEdge, 2016). All these aspects affect the operators in the tourism sector.

Taxation. In Romania, in 2016, the standard VAT rate is 20%. Until 2016, there was

a VAT rate of 24%, introduced in 2009 as a result of the austerity measures implemented by the government during the economic crisis, to reduce the budget deficit. In Romania there is a reduced VAT rate of 9%, which was introduced in 2008 for the hotel sector.

With the tax policy easing, the government deficit is expected to increase, which will cause a slight increase in public debt. In addition to reducing VAT, all public sector wages will increase (15% for the teaching staff and 25% in public healthcare sector), and the dividend tax will be reduced from 16 to 5%. The additional revenue resulting from economic growth, reduction of tax evasion, linked to the informal economy, and the restructuring of public companies, often with losses, will not offset the budget deficit (COFACE, 2016).

The forecasts of Romania's economic rebound and increase in purchasing power of Romanians provides a positive outlook for tourism development but it should be supported by a promotion policy underlining the benefits of domestic tourism, otherwise existing the risk of loss of visitors who will be attracted by external tourism offers with which they are already familiar from previous years and which are increasingly tempting in terms of quality-price ratio.

Exchange rate. According to Euler Hermes, the exchange rate will remain elastic. The exchange rate leu/euro has been fairly stable since 2012, fluctuating by only $\pm 4.5\%$ around an average of 4.45 lei/euro. Sales in emerging markets from mid-2013 and beginning of 2014 affected the national currency similarly to other currencies in the European Community. Exchange rate volatility must be connected with the banking sector vulnerabilities and potential political turmoil specific to election periods (Euler Hermes, 2016a).

Risk of inflation. National Bank of Romania (NBR) aims at a certain degree of stability of the currency and, since 2009, is trying to focus towards credit growth and liquidity growth. Since September 2013, the overall consumer price inflation declined rapidly and was below the NBR inflation target of $2.5\% \pm 1\text{pp}$ from early 2014 (established in early 2013). Moreover, the inflation fell in June 2015 as a result of reducing VAT by 9 pp for food products. Deflation has deepened since January 2016, further reflecting the reduction in VAT at the beginning of the year. At the same time, domestic demand and the minimum wage increase in 2016 should exert pressure on prices. Inflation may return in the second half of the year, to around $+0.5\%$ at the end of 2016 and $+2\%$ at the end of 2017 (Euler Hermes, 2016b).

Thus, the tourism sector may face a currency exchange risk, especially as an importer

of tourist services, widening the trade deficit. On the other hand, as an intermediary sector, using inputs from other sectors intensively, such as food industry, textile industry, transport, communications, banking, etc., tourism is vulnerable to any changes in prices coming from operators, with results such as positive or negative (though rare) fluctuations of prices for travels. Therefore, the risks for tourism businesses are even higher as the general economic context interdependencies and vulnerabilities to economic fluctuations are more pronounced.

Conclusions

The tourism of the 21st century needs that organizations and managers to understand how to operate globally and be able to open the horizon of knowledge and to coordinate global processes, anticipating future market developments, drawing on local advantages, implementing technological progress at sector level, in order to offer viable and sustainable solutions and long-run quality service. The future tourism manager will have to manage globalization and not to be dominated or carried by the wave of globalization.

The competitiveness of operators, the regulatory framework of public authorities, multinational corporations, marketing strategies and policies, labour force, consumer preferences, and competitive and innovative partnerships will exert profound reciprocal influence of globalization trends in tourism, but in various extents.

In conclusion, globalization brings many challenges to tourism management, marketing, employment and labour, regulations, etc. Tourism management challenges are paradoxical, but relevant to the practice of this sector.

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Metallurgy – an industry between traditional and sustainable management

~ Ph. D. Associate Professor **Cornelia Nistor** (University of Bucharest, Faculty of Business and Administration, Bucharest, Romania)

E-mail: cornelia.nistor@faa.unibuc.ro

~ Ph. D. Lecturer **Radu Herman** (University of Bucharest, Faculty of Business and Administration, Bucharest, Romania)

E-mail: radu.herman@faa.unibuc.ro

Abstract: Currently, the industry is a very important economic branch because the industrial products have a high share in the total final and intermediate consumption. Apart from the positive effects on the global consumption, the industrial activities have some negative economic and social effects and also on the environment. The sustainable management in industry should increase efficiency and reduce waste, should find new production methods so that the economic growth can be made with fewer natural resources, fewer materials - especially the rare ones, with less energy consumption from traditional resources and with more efficient technologies, with less negative effects on the human health and on the environment. The transition to a greener industry is an important issue for all the national economies and it is very important to adapt the legislation to the new trends and standards, to adopt new payment schemes, grants and green funds schemes, so as to encourage the industrial enterprises to increase the efficiency of the total resources consumption, to make the transition to greener activities, to use more green capital inputs, to produce more green products, to increase the collaboration with the public and the private sector.

Keywords: sustainable management, metallurgy, steel industry, industrial policies, energy consumption, greenhouse gases.

JEL Classification: A12, D24, D62, F18, L52, L61, L72, M21, O10, Q25, Q42, Q52, Q57

1. Introduction

The sustainable management must be a priority in all national present economies and in all economic activities. By practicing the sustainable management in all the industry sub-branches, the production activities can be more efficient and friendlier to the environment, will improve living conditions and will reduce social inequalities in the long run between the consumers of the industrial products and between the employees or those that are looking for a job in industry. Together with the management strategies applied by the individual industrial enterprises the State's decisions are also very important in order to achieve the sustainable economic growth, which must take into account the concern for the resources such as energy or raw materials.

This article aims to underline the importance to introduce together with the elements of the traditional management, the new principles of the green economy, the sustainable management, which will improve the resource efficiency, especially in the resource-intensive industrial sub-branches. The metallurgy uses a large amount of raw materials, which determined prices increase since the XXI century. An important issue, together with the high consumption of energy, is related also to the industrial water consumption, which, worldwide, will increase with an average of 20% until 2030. In: "Towards a Green Economy. Pathways to Sustainable Development and Poverty Eradication", it is underlined that "This applies, in particular, to the highly resource-intensive value chains such as metals and car manufacturing. But for the manufacturing industries to make this transition they need to receive the appropriate policy and price signals." [4]

The paper presents the most important issues concerning the transition to a greener industry, especially metallurgy, because, currently the industry is a very important economic branch because the industrial products have a high share in the consumption of the households and of the enterprises.

Also at the European Union level, the industry was considerate a very important economic activity. The European Union has acted continuously on the industrial activity through trade policies, scientific research policies and cohesion policies. The goal was the conversion of the industries that have no longer enough chances to develop, maintain and increase the European Union's comparative advantage in the international trade of the sub-branches which are considered to have much potential in the future.

In Romania, metallurgy is one of the basic sectors of the national industry because this branch can provide 90% of the metals national consumption. In our country, such as at the global level, among the industries, metallurgy is on the fourth place for the energy consumption after the electric power industry, oil and gas, chemical / fertilizer.

The sustainable management in industry should increase efficiency and reduce waste, should find new production methods so that the economic growth can be made with fewer natural resources, fewer materials - especially the rare ones, with less energy consumption from traditional resources and with more efficient technologies, with less negative effects on the human health and on the environment. All these transformations can be made with all the support of the owners, the managers and the states, which must understand the importance of these measures and realize that these transformations can cause an increase in the long-term efficiency.

2. Literature Review

Regarding the importance of the industry for the European Union countries, the "Eurostat regional yearbook – 2016 edition", page 130, [6] underlines, "The latest information available from national accounts suggests that gross value added from the EU-28's manufacturing sector accounted for 15.5 % of total gross value added in 2015. In its communication (COM (2014) 14 final), titled, 'For a European Industrial Renaissance', the European Commission set a target of taking the share of manufacturing back to 20 % of GDP by 2020, calling on EU and national decision-makers to recognise the central importance of modernising the industrial base, raising industrial competitiveness, and promoting production and investment as key drivers of economic growth and jobs. The communication also called, among others, for:

- mainstreaming industrial competitiveness in other policy areas;
- maximising the potential of the internal market;
- implementing the instruments of regional development in support of innovation, skills, and entrepreneurship;
- promoting access to critical inputs in order to encourage investment."

The industrial policy of Romania is focusing also on the metallurgy because it is an important branch of the Romanian industry. The Romanian Ministry of the Industry [7], underlines some objectives for the first years of the XXI century. „The period 2003 - 2005 was a milestone for the Romanian steel industry, which was marked by the following events:

- Completion of the privatization, through penetration of the global steel

known groups, of which MITTAL STEEL, the first steelmaker in the world;

- Completion of negotiations and mutual consultations with the European Commission on the Closing Chapter 6 - Competition and agree on all the strategic elements to this: capacities, production, investment, state aid, viability program;
- Approval by the Romanian Government of the Sector Restructuring Strategy and of the Individual Viability Plans and their appropriation by the European Commission;
- Agreed with the European Commission on the calendar to monitor the implementation of the restructuring process; Romanian side will draft and will submit to the Commission twice a year the Monitoring reports.

According to the above, the Romanian steel capacity is 9.1 mln. T / year and rolling capacity is 9.2 mln. T / year. In 2004, steel production was 6.1 million tons.

Implementation of the restructuring process, respecting all the strategic elements stipulated in the restructuring plan and agreed with the European Commission, will lead to the end of the period 2008 to viable steel plants, which meet all the criteria of viability practiced today in the developed steel industries."

The situation of Romania's metallurgy it is described by the Ministry of the Industry: "Metallurgy of Romania is privatized 100%, while the share of foreign capital is about 80%. The steel industry in Romania is a very important industry for the national economy because it is a multiplier of: added value, industrial production, jobs, generating taxes, etc. In 2012 realized $\approx 2\%$ of European Union steel production and contributed to

the country's macroeconomic indicators: $\approx 8\%$ of the industrial production, $\approx 11\%$ of the export 22,500 employees at the end of the year. Non-ferrous metallurgical industry is represented mainly by the largest aluminum producer in Central and Eastern Europe (excluding Russia). Over 80% of its output is sold to the international market through the London Metal Exchange and under the direct long-term contracts with customers in 25 countries, representing approximately 30% of exports made by metallurgy. Although the main companies in the metallurgy have been restructured in terms of technological, financial and social, the international economic and financial conjuncture meaning the stagnation or the decline in the construction market in the European Union, the increase of the energy tariffs, the rising of the raw materials prices, the currency devaluation etc. they have directly affected the financial results, the account of profit / loss being negative. In order to consolidate the financial statements, namely the reduction of the losses for four consecutive, the management teams from most companies were forced to implement restructuring measures such as stopping production capacity with decreased load factor, the shift in conservation / decommissioning of some flows, the sale of some assets unessential to the basic process flows, the implementation of staff mobility schemes, the reduction of working hours, the reduction of the staff by applying for voluntary departure schemes / layoffs etc. Also, several companies have requested the insolvency to find solutions for reorganization / restructuring. " [11]

According to the National Institute of Statistics: „In 2014 compared to 2013 the consumption of the cast iron was increased by 1.8% - total (including old cast iron)

accompanied by an increase in production of crude steel converter by 0.1%. They have observed an increase in the consumption of iron ores and concentrates, and the increase in the consumption of agglomerated iron (+ 3.4%) and pellets (+ 0.5%) led to an increase in blast furnace iron production by 2.0%. Also, there is a decrease in consumption of ferro-alloys for the production of crude steel electric, with 6.7%, registering an increase, however, for the crude electric steel production 9.9% compared to 2013." [12]

In „Towards a Green Economy. Pathways to Sustainable Development and Poverty Eradication" [4], it is underlined the important role of the industry in greening the economy: „The manufacturing sector can make a significant contribution in greening national economies by producing goods that are more resource-efficient and have lower environmental impacts over their life-cycles. This applies, in particular, to the highly resource-intensive value chains such as metals and car manufacturing. But for the manufacturing industries to make this transition they need to receive the appropriate policy and price signals. Under certain conditions it also needs institutional support from governments, in particular insuring that supportive investments in physical infrastructure and education are sufficient to enable a transition that requires new systems and skills."

3. Characteristics of the metallurgy

Currently, the industry is a very important economic branch because the industrial products have a high share in the consumption of the households and of the enterprises. In the last century, the total industrial production increased significantly, such as the sub-branches production.

Apart from the positive effects on the global consumption, the industrial activities have some negative economic and social effects and also on the environment - global industry consumes between 20 – 30% of the total electricity and of the total primary natural resources consumption and produces a fifth of the total CO₂, provides over a fifth of the total employment and contributes with 17% to the health problems of the population.

In the total energy consumption of the European Union, the industrial one was, on average, over 35% during the last 21 years, this value being greater than the consumption made by households or by other economic branches. In Romania, the manufacturing consumption, on average, is a half of the country's total energy consumption, the main source being the hydroelectricity resulting from domestic production.

Worldwide, in 2014, the industry contribution to the total emissions of greenhouse gases was 21%, the industrial main activities which contribute at these emissions being burning of fossil fuels, general energy use, chemical industry, metallurgy and waste management activities. European Union industry's contribution to the greenhouse gas emissions is less than 10% as average because the European Union applied some green industrial production methods and, on the other hand, because the share of the industrial activities in the total European Union GDP is declining.

"Metallurgy includes mineral processing, extraction of metals from ores, metal refining, producing metal alloys, metal pressure manufacture, metal parts castings, heat, thermo-chemical and thermo-mechanical processing, welding and soldering metals and alloys, surface coating with metals."

Metallurgy can be ferrous, from which it results the steel, or nonferrous. [15]

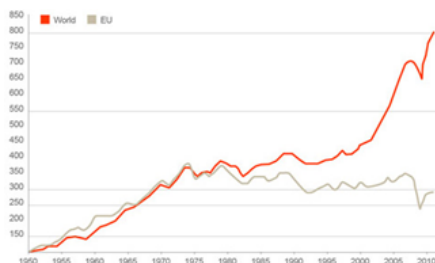
The negative effects resulting from the metals use are: the growth of solid, liquid and gaseous or radioactive waste; toxic emissions from the chemical industry and from the transport; acid rains, affecting the water, the forests and the buildings; gases emissions; using large areas of land over a long period of time for mining, for passageways, for industrial constructions and for waste storage; noise, vibration and radiation.

It has been estimated that if the development of the economies will continue in the current manner, based on existing traditional management, the methods for cost controlling policies of industrial pollution of air, water and soil will increase by 3 times until 2030. The share of the water consumption in the steel industry is very high. The steel industry is one of the largest activities which causes toxicity problems by the emitted metals form the high temperature processes.

One major problem is that the metallurgy uses a large amount of raw materials. For some metals does not exist yet the shortage problem - such as iron or bauxite - as worldwide it exist a large quantity of those metals and, in addition, they were discovered new products that may substitute them. However, their use should be done in a sustainable way. The quick development of the industrial activities in some countries, especially in the emerging economies, increased significantly the global metal demand, so worldwide it appeared the necessity to use deposits with a low-useful metal content. The increasing demand of metals determined prices increase in the last 15 years. Because the raw materials have a low-useful mineral content, it takes more energy to extract it.

One way to reduce the amount of raw materials and to consume less of the resources is to increase the product life-cycle. It has been demonstrated that the increase by a certain percentage of the product life-cycle determines the same percentage reduction of the extracted natural resources. One of the most affected natural resources is water, from which a half is used as cooling water. Worldwide, the average of the water consumption in industry will increase by 20% until 2030. From some sub-branches (such as steel production and metal finishing), the water results polluted and requires future treatments involving high costs.

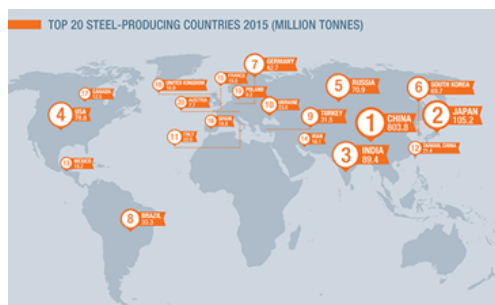
Chart 1. Raw steel production since 1950



Source: http://www.arcelormittalinfrance.com/our-business/historyofsteelmaking.aspx?sc_lang=e

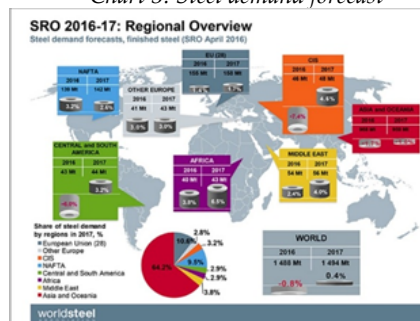
Between 1950 and 2000, steel production increased by 6 times. Between 1980 and 2000, aluminum production increased by 2 times. There are over 2,200 types of special steels. China consumes 25% of world steel production. The highest consumption per capita of steel production is in South Korea.

Chart 2. Top 20 steel producing countries in 2015



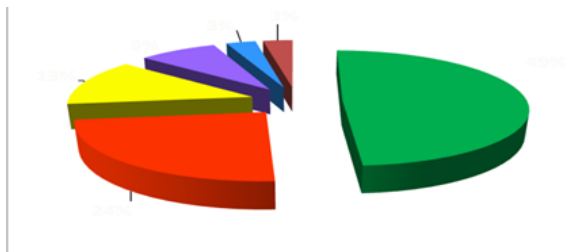
Source: https://www.google.ro/search?q=steel+production&espv=2&biw=1127&bih=787&source=lnms&fbm=isch&sa=X&ved=0ahUKEwigsqPezabQAhWBtRQKHbKaA9kQ_AUIB#b#bm=isch&q=world+steel+production&imgsrc=2mGvsyqZhmXYLM%3A

Chart 3. Steel demand forecast



Source: <https://www.worldsteel.org/media-centre/press-releases/2016/worldsteel-Short-Range-Outlook-2016-2017.html>

Chart 4. World steel consumption in 2008

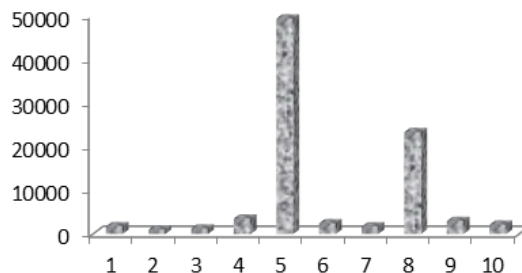


Source: *Towards a Green Economy. Pathways to Sustainable Development and Poverty Eradication*, www.unep.org/greenconomy, ISBN: 978-92-807-3143-9, Layout by UNEP/GRID-Arendal, www.grida.no, Version -- 02.11.2011, Copyright © United Nations Environment Programme, 2011 - - processed by the author

Aluminum is one of the most used metals. It was first discovered and obtained in 1825 and since 1886 it began to be produced on the electrolytic way from the bauxite. Aluminum is found in nature only in combinations, and the industrial one is obtained from bauxite. Probable world's reserves of bauxite are about 55-75 billion tons, concentrated at a rate of nearly 70% in the first three countries where it exists.

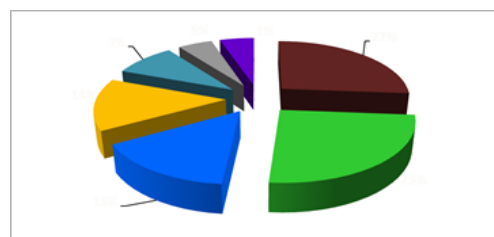
Aluminum is used in: aeronautics, ship-building, cars, automobiles, aerospace, nuclear reactors, electric transmission cables, construction, household goods, packaging, furniture etc.

Chart 5. Top 10 aluminum producing countries in 2014



1 = Australia, 2 = Bahrain, 3 = Brazil, 4 = Canada, 5 = People's Republic of China, 6 = India, 7 = Norway, 8 = Russia, 9 = United Arab Emirates, 10 = United States of America
Source: https://en.wikipedia.org/wiki/List_of_countries_by_aluminium_production- processed by the author

Chart 6. World aluminum semi-finished products demand in 2015



Transport 27%, Constructions 25%, Packaging 15%, Electric Engineering 14%, Machinery and Equipment 9%, Durable consumption goods 5%, Other 5%

Source: <https://www.statista.com/statistics/280983/share-of-aluminum-consumption-by-sector> - processed by the author

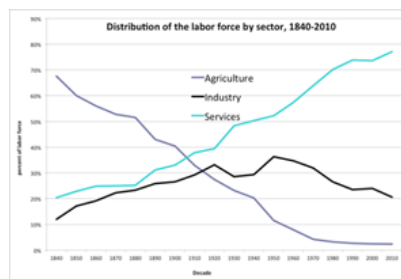
In 2014, the world leading producers are:

- Australia, followed by China, Brazil and Guinea for bauxite
- Chile, followed by China, Peru United States of America for copper
- China, followed by Australia, Russia, United States of America for gold
- China, followed by Australia, Brazil, India for iron
- Mexico, followed by China, Peru, Russia for silver
- South Africa, followed by Russia, Zimbabwe, Canada for platinum.

Regarding water consumption, the problem is more serious in those countries that have a physical deficit of water, but an efficient use of water is required worldwide. The industrial water consumption is a more serious problem in those countries which have developed water-intensive industries, such as China. If the enterprises can be built near the shores, the sea water can be used as a coolant.

Regarding the number of jobs in the whole industry, they will grow where industries will have a significant grow, especially in the developing countries. In the developed countries, the labor force will refocus on service branches. The trend in the number of jobs is keeping constant or decrease in certain industries, including the steel and iron processing, along with paper and cement industries. In addition to increase the labor and capital productivity, one explanation for reducing the number of jobs in metallurgy is the hazardous working conditions.

Chart 7. Distribution of the labor force by sector, 1840 - 2010



Source: <https://www.google.ro/search?q=world+raw-materials+consumption+in+metallurgy&espv=2&biw=1127&bih=787&source=lnms&tbn=isch&sa=X&ved=0ahUKEwjvtduDndjQAhXsa5oKHcseB7oQAUIBgB&dpr=1.1#tbn=isch&q=world+employment+in+industry&imgsrc=IY2ggAfKgnednM%3A>

4. Industry and metallurgy in the European Union

The industry was a fundamental activity for the majority of the countries during the last century. Although the European Union industry was always an important economic activity, but the Treaty of Rome has not provided a common industrial policy. References to the industrial activities can be found only in the Treaty of Maastricht, where it is recommended that all the member countries have to promote cooperation between enterprises and structural adjustments, based on scientific research and innovation's stimulation. The European Union has acted continuously on the industrial activity through trade policies, scientific research policies and cohesion policies. The goal was the conversion of the industries that have no longer enough chances to develop, maintain and increase the

European Union's comparative advantage in the international trade of the sub-branches which are considered to have much potential in the future.

"80% of European Union exports and registered patents are the result of the industrial activities. For every 100 jobs created in the industrial sector, it is estimated that between 60 and 200 jobs are created in the rest of the economy" [14]

According to the European Commission, the main actions that have to be followed in the period 2014 - 2020 refer to:

"1) Markets for advanced production technologies for the organic production

2) Markets of the Key Enabling Technologies (industrial microelectronics, photonics, nanotechnology and advanced manufacturing systems)

3) Markets of the organic products

4) Sustainable industrial policy, construction and sustainable raw materials

5) Ecological vehicles and boats - marketing the green vehicles (hybrid vehicles, electrical etc.) by providing the necessary legal framework and measures to improve the specific infrastructure, including alternative fuels

6) Smart grids for energy transmission and distribution." [14]

The most serious problems of the European Union industry in the XXI century are considered to be the deindustrialization by the migration of the labor force in other

sectors and the relocation. Currently, the loss of jobs caused by relocation are not worrying, but it is believed that may be a problem in the future, especially because this matter affects other areas related directly or indirectly to the industry, such as outsourced services by the enterprises. The most developed sub-sectors of the European Union industry are chemical, automotive, pharmaceutical and engineering industry. It has been demonstrated that the European Union industry, whose development should be encouraged, should be based more on the new member states where, although productivity is not very high, the efficiency can result through the low labor costs.

One of the most regulated industrial branch is the European steel industry, even since the Economic Community of Coal and Steel was founded, in 1951, by the Treaty of Paris, which ended in 2002. The European Union steel industry was affected by discovering the ways to substitute steel with other materials such as aluminum and plastic and by increasing the total supply of steel on the world market because of the emerging economies. European Union regulations were multiplied beginning with the ninth decade of the previous century, by the intermediate of the Etienne Davignon Plans, in order to reduce the production capacity, to modernize the capital, to reduce the imports from other countries, especially from Eastern countries.

Table 1. The goals of the European Union Davignon Plans in Steel Industry:

Davignon Plans	Period	The quantity that had to be cut from the total production	The quantity that had to be cut from the total jobs
The First Plan	1981 – 1985	32 million tons	250.000
The Second Plan	1988 - 1990	30 million tons	80.000
The Third Plan	1993 - 1995	30 million tons for crude steel and 19 million tons for laminated	50.000

Source: M.-A. Barthe (2011), "Economie de l'Union europeenne", 4e edition, Editura Economica, Paris, pag 141, ISBN 978-2-7178-6007- processed by the author

After 2002, the balance of the European steel production was achieved due to the large increase of China's steel demand. The liberalization of the steel market requires careful commercial policy measures, especially against USA, which often applies protectionist policy measures.

It should be noted the RESIDER Community Program, which ended in 1999 and which has the goal to realize the economic and social conversion of the steel basins. Currently, they still exists only the aids for the environmental protection and those for the scientific research and the development activities.

Since one of the most important goals of the European Union is to become an advanced knowledge economy, the research and the development policy becomes a major economic common policies. In this framework programs for research and development are included elements of the transition to a more efficient and greener economy.

For example, "the Seventh Framework Program for the period 2007 - 2013 contains measures on priority areas such as - health; food agriculture and fisheries; biotechnology; information and communication technologies; nano-sciences, nanotechnologies,

materials and new production technologies; energy; environment, including climate change; transport, including aeronautics; the space; security; socio-economic sciences and humanities; EURATOM." [1]

The European Commission aims to increase the employment rates, to ensure that 75 % of 20–64 year-olds are employed by 2020, by focusing "in four priority areas:

- improving the flexibility and functioning of labour markets (flexicurity) to reduce chronically high structural unemployment;
- equipping people with the right skills for the jobs available in the labour market, in particular by ensuring the labour force can benefit from technological changes and adapt to new patterns of work organisation, while ensuring that skills mismatches are eliminated, for example, by promoting intra-EU mobility and non-member migrant inflows;
- increasing the quality of jobs and ensuring better working conditions, in an attempt to promote labour productivity gains and higher employment participation;
- promoting policies which encourage job creation, in particular, among those enterprises which require high skills and R & D-intensive business models" [6]

The average share of non-financial

business economy employment is 0.1% for mining of metal ores, 0.2% for other mining and quarrying, 0.8% for manufacturing of basic metals and 2.7% for manufacturing of fabricated metal products.

5. Industry and metallurgy in Romania

In Romania, metallurgy is one of the most important sectors of the national industry because this branch can provide 90% of the metals national consumption. In our country, such as at the global level, among the industries, metallurgy is on the fourth place for the energy consumption after the electric power industry, oil and gas, chemical / fertilizer, with a total average energy consumption of 1904890 toe / year.

The share of the total energy consumption in the production cost was, in 2013, about 15% in metallurgy, lower than the corresponding share of the cement industry, which had a maximum value of 23.5% and higher than the corresponding share of the automotive industry, which have the minimum value of 2.7%.

In Romania, the industrial policy measures after 2000 have provided “amplification of the remodeling process capacity and production structures, restructuring of energy-intensive industrial sub-branches”, [2] given that Romania’s industry was, for the most part, energy-intensive. As regards the steel industry, restructuring means promoting the production processes with the highest added value, such as production of stainless steels.

“In the “National Strategy on Climate Change of Romania 2013 - 2020” are established the following objectives assumed by Romania by 2020 (compared to 1990):

- reducing the greenhouse gas emissions by 20%;
- reducing the final energy consumption by 20% through increased energy efficiency;
- generate 20% of the energy needs from renewable sources” [10]

The most used raw materials in Romania in the metallurgy, which demonstrates a large quantity of natural and produced resources, are:

Table 2. Raw materials consumption in metallurgy in Romania in 2014 –base 2013

Product	Iron ore and concentrates	Cast iron, including old cast iron	Iron alloys	F e r r o u s conglomerate	Pellets
F e r r o u s conglomerate	1936	-	-	-	-
Furnace cast iron	35	-	-	2166	425
Crude converter steel	-	1625	28	-	-
Crude electric steel	1	16	28	-	-
Cast iron molded pieces	-	2	-	-	-

Source: <http://www.insse.ro/cms/files/publicatii/publicatii%20statistice%20operative/Activitatea%20sectorului%20metalur%20in%20anul%202014.pdf> – processed by the author

In 2015, the resident labor force in the Romanian metallurgy was around 35,000 people.

The Romanian steel industry has an increasing demand for its products, due to increased consumption within other industries. The advantages of the Romanian steel industry are that most of the enterprises were restructured and modernized, they are almost evenly distributed all over the country's territory, having a various production and this is an area of interest to strong economic foreign investors. Because steel industry is a traditional industrial branch in Romania, the workforce is adequately qualified.

As negative aspects, the prices of the steel industry product are affected by the increase of energy resources prices and by the competition, on the national, European and global level, by steel industry products coming from other countries, especially from China. This issue is due also to the full liberalization of the trade with steel products, which disadvantage Romanian producers and exporters, while national raw material scarcity increases the dependence on imports.

6. Greening the metallurgy

In the future, given the worldwide trend of the population growth, sustainable economies should apply a sustainable management, should find new production methods so that the economic growth can be made with fewer natural resources, fewer materials - especially the rare ones, with less energy consumption from traditional resources and with more efficient technologies, with less negative effects on the human health and on the environment. But, all these transformations through a greener industry which can

increase efficiency can be made only if the owners and the managers understand the importance of these measures and realize that these transformations can cause an increase in the long-term efficiency. Also the awareness of the industrial products consumers, such families, enterprises, the State it is important because they can orient their consumption to the green industrial products.

The most important issue in the modern industries refers to the energy consumption, the consumption of natural primary resources used as production factors, to the pollution and the health problems. The green development of the industry means that mankind must find ways to increase the product life-cycle and to produce more based on the green energy. In order to complete the transition to a greener industry, it is very important to develop the secondary activities, such as recycling, remanufacturing, repair, reuse, reconditioning.

Of all existing metals (about 80 are pure), only 30 were fully exploited and only 20 are very important. The greatest variety of metals exists in Australia and Russia.

For an industrial sustainable management, recycling metals is an important present and future activity because of the requirement of growing the industrial activities efficiency given that the useful content of the metal ores is decreasing. Recycling metals will allow save energy and not extract a quantity of primary resources. Metals have different recycling rates. Currently the recycling rate for steel is between 80-90%, for copper between 30-40%, for aluminum and lead between 90-100%.

The only disadvantage of the metals recycling process is that some recycled metals do not preserve the original properties,

meaning they do not have the same degree of malleability, but they can be used with success for other type of products.

As the "International Panel on Sustainable Resource Management of UNEP" underlines: „Policies and practices that could stimulate improved recycling need to consider:

- Taking a holistic view on life cycles and recycling chains in order to identify interactions and interlinkages between different metal cycles and also between product and metal cycles
- Measuring discard streams to identify what is actually being lost
- Managing materials through the recycling sequence
- Employing effective and appropriate technologies
- Carrying out each step of the recycling sequence in an environmentally sound manner
- Enhancing interregional stakeholder cooperation to more effectively track global material flows." [5 – page 23]

In some countries, recycling is already an important activity. percent in the total of the inputs. For example, in the USA, a half of the inputs used for the carbon steel production is represented by the scrap. Remanufacturing is an increasingly important activity in some fields like electronic goods, machinery, equipment, office furniture etc.

Remanufacturing means "rebuilding of the product to the specifications of the original manufactured product using a combination of reused, repaired and new parts. It requires the repair or replacement.. of some components of the product. [13]

Some of the major companies, wanting to get the lowest possible production cost,

they produce the remanufactured components in other countries, where they find a lower price of the employment. Sometimes even the different parts of the replaced component can be produced in several countries. A challenge that must face this process is that the new parts should fit perfectly with the existing ones, so that, from the technical point of view, they can work well together with the existing components. Another issue is that many of the products are sold to the customers by the intermediate companies, and if these intermediate companies are running the remanufacturing activity, it is impossible for the company that originally produced the goods to take the responsibility for remanufacturing.

A barrier for this sustainable activity is that some of the enterprises are hesitant to promote remanufacturing because they does not wish that the remanufactured products, even if there are their own products, compete with the new modern products that they want to launch on the market. In addition, consumers are encouraged through advertising means and through the education that they receive, to replace the old products with completely new products.

For the developing countries, the government decides to import old products in order to remanufacture them, so in these countries remanufacturing offers a large possibility to create jobs and the possibility for the consumers to find on the market some useful products at a lower price that the new ones.

Doing a sustainable management which can provide a greener metallurgy the managers can also contribute to the increase of the number of jobs in the greener activities. Because of the hazardous working

conditions, the sustainable management of metallurgy means increasing the number of jobs in the secondary activities such as collection, sorting, recycling.

According to the foresights, in the next half of the century, the greatest development will have chemicals and plastics industry, followed by the steel industry, paper, textile, leather and aluminum. Transition to the green metallurgy will increase significantly the energy efficiency and will decrease the greenhouse gas emissions almost at a half. Developing the eco-parks is an important form of industrial development because they will enhance the links between the industries and will provide green jobs, which means also increasing government investment in infrastructure and waste processing activities. Another measure is the cogeneration of heat and energy that is appropriate especially for some industries, such the steel and aluminum industries.

In order to develop a sustainable management at the national level, it is very important to adapt the legislation to the new trends and standards, to adopt new payment schemes, grants and green funds schemes, so as to encourage the industrial enterprises to increase the efficiency of the resources consumption, to develop more green activities, to use more green capital inputs, to produce more green products. Not least, states should increase their collaboration with the private sector, especially with the small and medium enterprises which can carry out the actions to integrate the concepts of sustainability in their current work and to raise population awareness so that the consumers realize the importance of the green products.

Among the economic policy measures adopted in Romania in the first decade of

the XXI century, is streamline the mining industry and metallurgy, because they are considered to be vulnerable in economic and financial terms. Following the trade liberalization with the European Union, some Romanian industries have advantages, others were disadvantaged. Among the advantaged industries is metallurgy "for which comparative advantage in the trade with the European Union has remained relatively constant, to a positive value of 0.8 between 1992 and 2002, but lower than the trade with the rest of the world, which demonstrates a higher potential of this sector." [2 – page 171]

6. Conclusions

The transition to a more efficient and environmentally friendly economy, to a greenest one, must be an objective of all the individuals, all the industrial enterprises and of all the states. Sustainable management strategies should take into consideration the raw materials, the energy, the water and all the other resources that will need and benefit the future generations. There are necessary some new economic policy strategies, together with the population awareness and the voluntary action of the private sector enterprises. It is particularly important internal and international cooperation, national and international agreements between all those involved in the implementation of the economic policies.

It has been estimated that if, worldwide, the development of the economies will continue in the current manner, based on existing traditional management, the methods for cost controlling policies of industrial pollution of air, water and soil will increase by 3 times until 2030.

Regarding the number of jobs in the whole industry, they will grow where industries will have a significant grow, especially in the developing countries. In the developed countries, the labor force will refocus on service branches or on the secondary activities, on recycling, remanufacturing, reusing and repairing the industrial products. The trend in the number of jobs is keeping constant or decrease in certain industries, including the steel and iron processing industries. One explanation for reducing the number of jobs in metallurgy is the hazardous working conditions. The most serious problems of the European Union industry in the XXI century are considered to be the deindustrialization by the migration of the labor force in other sectors and the relocation.

One of the most regulated industrial branches is the European steel industry which was affected by discovering the ways to substitute steel with other materials such as aluminum and plastic and by increasing the total supply of steel on the world market because of the new industrialized economies.

In Romania, the industrial policy measures after 2000 have provided "amplification

of the remodeling process capacity and production structures ..., restructuring of energy-intensive industrial sub-branches" [2]

Since the modern industries are intensive-energy consumers, they consume a large amount of natural primary resources and they produce pollution and health problems, the sustainable management for greening the industry means that mankind must find ways to increase the product life-cycle, to produce more based on the green energy, to complete the transition to a greener industry, to develop the secondary activities, such as recycling, remanufacturing, repair, reuse, reconditioning.

The modern sustainable management in industry means, at the national level, to adapt the legislation, to adopt new payment schemes, to encourage the industrial enterprises to increase the efficiency of the resources consumption, to increase the number of the greenest production activities, to use more elements of green inputs, especially capital elements, to produce more green products, to increase the collaboration with the private sector, especially with the small and medium enterprises.

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The Importance of Leadership in Economic Organizations

~ Ph. D. Assist. Lect. **Eleonora Gabriela Conțu** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: eleonora.contu@faa.unibuc.ro

Abstract: Nowadays, leadership as a managerial and organizational process influences the activity at the organizational level. Obtaining performance at the organizational level is also influenced by the way in which the most participative leadership style is applied in order to create a close cooperation between leaders and subordinates. The main objectives of the study are: 1). explaining the role of the organization as a complex system in a contemporary context; 2). presenting the importance of applying effective leadership in economic organizations; 3). presenting new trends of today's leadership. That leader who is applying effective strategies, adequate for a participative leadership can get the expected results. He/she has to mobilize his/her team to work towards achieving the goals established. Successful leaders are those who "feel" their team and who are emotionally involved in activities because emotions are the "source of success".

Keywords: leadership, emotional intelligence, economic organizations, management, efficient leaders

JEL Classification: M31

1. Introduction

This study highlights the main aspects that characterize present leadership in the contemporary business context.

Society is continuously changing and nowadays it is important to notice how economic organizations adapt their activities according to new demands. So, leadership, like a revolutionary concept, is the "key" to success.

Since ancient times man has paired up with others in order to carry out joint activities that met their social needs with labour costs as low as possible. Thus, by setting specific goals and concrete objectives they cooperated and formed organized communities. But in order to achieve beneficial results, these communities were coordinated by people who were in charge and who led and controlled the activities. This cooperation between people helped establish the division of labour as a result of technological progress. Thus, leadership, which is a component of all collective activities, has continuously developed with the evolution of society. It can be mentioned that leadership is a practical activity dating from ancient times, just like human civilization (Cornescu, Mihăilescu and Stanciu, 2003, pp.1-2).

2. The organization and its role as a complex system

In all areas of society (economic, social, legal, political, etc.) leadership is a practical action that, in the contemporary context, is known as "management". Therefore, management represents the totality of actions that are undertaken in order to facilitate objectives' achievement of "organized human societies", which can be businesses, non-profit

organizations, schools etc. In the contemporary context, management can be seen not only as practical activity, but also as a science and art (Cornescu, Mihăilescu and Stanciu, 2003, pp.1-2).

In literature review it is believed that management represents a distinctive component of every organization (Drucker, 2010, p. 68).

It is important to note that modern management is currently experiencing a rapid evolution which is influenced by the following factors (Cornescu, Mihăilescu and Stanciu, 2003, p.12):

- the boom of technique and technology that generates an accelerated pace of innovation and brings about new challenges for organizations both at present as well as in the future;
- increased competition, on both national and international market, generates a complication of market mechanisms;
- the expansion of globalization processes and economic development at a regional level implies a restructuring of organizations' activities and accommodation to new conditions;
- implementation of macroeconomic management policies aimed at actions undertaken in order to ensure the protection of national firms.

Cornescu, Mihăilescu and Stanciu (2003, p.14) state that "the new management is a management of change" which not only means initiating and leading change, but also requires undertaking actions regarding the flexibility and adaptation of organizations to change. Thus, the same authors present the main issues to be considered in order to obtain managerial performance in the context of change (Cornescu, Mihăilescu and Stanciu, 2003, p.14):

- gradually introducing new elements into the structure of the organization and changing it for this purpose ;

- the organization's strategy must be re-formulated in accordance with the prospect of change;

- promoting and adopting a management style that not only facilitates change, but stimulates the organization's members to be creative and accept change.

Constantin and Ionescu (2007) state that " the transformation process conducted by management takes place in enterprises or institutions that are actually organizations". Organisations are communities that have formed over time in order to achieve certain objectives and which represent, along with the army and the church, big institutions of the society. These may be: enterprises, scientific societies, schools, foundations, etc. (Constantin and Ionescu, 2007, p.9).

For example, we will consider the analysis of the enterprise, as secondary organization. The question arises: what are actually enterprises and what functions do they have?

Enterprises are economic organizations that produce goods and services for the market in order to obtain profit (Kerbalek et. al.,1999, p.9).

In literature review it is considered that enterprises fulfil the following functions:

I). Research - development function - includes those activities by means of which an organizational framework of the company is analysed, built and developed. Thus, one can distinguish the following main activities (Constantin and Ionescu,2007,p.19): research development (scientific concept), technological engineering and enterprise development.

II). Production function - includes all activities (programming and launching

production, manufacturing, technical controls etc.) by means of which a final product is obtained (Constantin and Ionescu, 2007, p.20).

III). Commercial function - includes two sub-functions: supplying and selling. The supply sub-function supply aims to purchase materials needed by the company for the activities that will take place, and the selling sub-function focuses on identifying customer needs and launching on the market the goods that they need (Kerbalek et. al.1999, pp.164-165).

IV). Marketing function

In a free and competitive market economy, companies can conduct their work under optimum conditions only if they meet the requirements and needs of the market place. The marketing function has a strategic value, therefore the involvement of both manager and leader in achieving the enterprise's objectives leads to the projection of its efforts to obtain profit into terms and conditions of meeting demand as complete as possible. Thus, the importance and role of marketing was continuously emphasized in close correlation with the following aspects (Kerbalek et. al.,1999, p.167):

- o economic systems (competitive market economy);

- o the countries' level of development;

- o branches of activities.

V). Financial and accounting function - includes the financial sub-function and the accounting sub-function, having as "main object the provision and use of financial resources" (Kerbalek et. al.1999, p.168).

VI). The personnel function - serves to administer and manage human resources and comprises a series of activities such as human resource planning, personnel

recruitment, job descriptions, personnel selection etc. (Kerbalek et. al.1999, p.170).

3. The role of leadership in economic organizations

The economic organization is "an structural and processual component of the economy and the society, at the level of which economic goods that are oriented towards meeting social need are produced" (Horga, M.G., 2012, p.16).

V. Lefter cited by Horga (2012, p. 17) distinguishes the following elements of an economic organization:

- it is an open system closely linked to the environment in which it operates;

- is a completed system, defining its targets and having the freedom to accomplish them;

- it is a social entity, consisting of groups of people with particular interests, being also to mention that the organization's interests are not always common with those of the groups of people situation that creates major problems in the development of activities. Crețoiu, Cornescu and Bucur (2008) note that "economic operators are individuals or organized people' groups which participate in the economic life of the society, fulfilling certain roles and having similar economic behaviors " (Crețoiu, Cornescu and Bucur, 2008, p.58).

The literature states that the best known type of organization is the enterprise or company where people work together, regardless of the branch of activity, in order to achieve the objectives established (Horga, 2012, p. 17).

Thus, the company also represents the organizational framework adequate for the

manifestation of entrepreneur's spirit of initiative enabling to properly combine manufacturing factors (Cornescu and Platis, p.49).

Leadership has a major importance within the economic organization, because in order for an organization to perform its objectives in terms of efficiency, it requires the emotional intelligent leaders.

Nowadays, when organizations are continuously changing, leadership meets the problems they face by creating a system of relationships between leaders and subordinates, its role being to redirect the behaviour of established team at the level of departments in each firm in order to achieve the goals both individually as well as at the level of the organization in terms of efficiency and performance.

In literature we find several definitions for the concept of „leadership“. Therefore, the following definitions of specialists in the field are outlined (Horga, 2012, pp.19-22):

- “ Warren Bennis: „ Leadership is like beauty, hard to define, but you know it when you see it“.

- “ Ken Blanchard: "Leadership refers to a road in a certain direction, rather than to a walk with no purpose".

- “ Mary Parker Follet: "Leadership refers to fully controlling situations and the ability to organize people in order to achieve a common goal".

- “ James McGregor Burns: "Leadership rather implies transformation of people and organizations than motivating people with a salary".

- “ John Kotter: "Leadership is the process of guiding a group or groups of people through non-coercive means".

Thus, whatever the perspective from which one regards the concept of leadership

the following joint elements can be synthesized (Horga, 2012, p.22):

- "it is a process";
- "it involves influence";
- "it is performed within a group";
- "it involves achieving an objective";
- "managerial authority may exist, but it is not necessary".

Thus, organizational performance heavily depends on the leader's ability to trust in himself/herself, to find solutions, to have will and also on the way he/she leads the team towards performance. A leader is someone who can positively influence the team he/she leads, while having managerial authority, in generally, but not mandatory. In this context, the following question arises: Are people born leaders or do they become leaders by learning this on the way?

Warren Bennis (2002) noted that "leaders are not born in this way, but they become leaders", giving the following argument:

" (...) due to an intense transformational experience, people can express this option of becoming leaders". Therefore, people are not born leaders, but they learn this on the way, when choosing to be shown how they can become leaders and follow the pieces of advice received").

Stephen Covey (2008) also argues that

"people have the power to choose (...) . Leaders are people who have chosen to be leaders, following the answers they chose" bringing the following reasoning: „ (...) due to intense transformational experiences, people express this option to become leaders". Therefore, people are not born leaders, but in the process of learning when choose to express the desire to become leaders following the given advice"(Horga, 2012, p. 23).

Analysing the two viewpoints one can mention that leaders are not born, nor do they

become leaders by chance, they choose to be leaders through a sustained effort and perseverance, thus being able to develop their ability to lead. These people are not only leaders, but also "real" leaders.

Tan??u (2003, p. 115) notes that "in modern economy we must accomplish the scope of different economic systems goals: economic development in advantage of raising the general standard of living, ensuring employment, price stability, extra-economic balance and social security", and the company's success on the business market depends on the managers' ability to combine manufacturing factors in order to obtain the lowest costs.

4. New trends in current leadership

Nowadays, one can observe the evolution of leadership as a result of participative leadership exercising influence on organizational performance. Its main advantages are motivation, quality and acceptance, advantages that allow subordinates to take themselves decisions that concern them, but only within certain limits mutually agreed upon with the leader. Thus, the more freedom subordinates have to act in a certain extent, the more one can say that the leader practices a successful participatory leadership style.

An efficient leader is a leader who uses time as a precious resource, engaging with passion in everything he/she does, he/she is prompt in decision making, he/she is honest and appreciates the work of his/her subordinates, he/she makes constructive criticism and stimulates through adequate words those subordinates who do not may meet his/her expectations and respects the group of people he/she leads.

David Goleman, in his paper, „Emotional Intelligence” notes that “teamwork opens new lines of communication, cooperation, listening and direct expression - basic elements of social intelligence”, while also noting that “a knowing how to lead does not mean knowing how to dominate, but knowing how to get people to work for a common goal (Goleman, 2008, pp. 197-199).

In another paper entitled „Emotional Intelligence in Leadership”, Goleman, McKee and Boyatzis (2007, p.7) argue that “the primary leaders responsibility of is to induce positive feelings to those whom they lead”, which happens when a leader creates resonance, being “a reservoir” of positive elements which make people to be the best. The same authors argue that “emotional intelligence - the wisdom with which we live our emotions - matters as much to the success of management (...)” (Goleman, McKee and Boyatzis, 2007, p.7).

Thus, one can outline the main leadership skills in terms of emotional intelligence (Goleman, McKee and Boyatzis, 2007, pp. 314-317):

- self-knowledge (we refer to emotional self-knowledge, self-evaluation, self-confidence);
- self-control (we refer to self-control, transparency, adaptability, ambition, initiative, optimism);
- social conscience (we refer to empathy, organizational awareness, thoughtfulness);

- management of relations (inspiration, influence, training others, facilitating change, conflict management, teamwork and collaboration).


5. Conclusions

A modern organization is prosperous if the leader takes responsibility to positively influence his subordinates. He /She tries to achieve the expected performance acting in the right direction, guiding and influencing the emotions of the entire team he/she leads. Therefore, if his/her leadership skills (self-confidence, self-knowledge, initiative spirit, transparency, self-control, etc.) are used appropriately they manage to achieve the desired performance. But if leaders act in an inappropriate way, channelling emotions in a negative sense, subordinates become pessimistic and even angry, and thus fail to achieve the expected results.

David Goleman (2008, p. 215) stated in his paper entitled “Emotional Intelligence” that “in order to survive, companies should increase their collective emotional intelligence”. Thus, in the contemporary context, when business market is diversified and organizations try to gain supremacy in their field of activity it is important to take into account new trends in modern leadership, whose perspectives aim at an effective leadership based on another revolutionary concept: „emotional intelligence”.

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Voters' Behaviour and the Decision to Vote a Political Leader

~ Ph. D. Assist. Lect. **Eleonora Gabriela Conțu** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: eleonora.contu@faa.unibuc.ro

Abstract: In a contemporary context, the role of political marketing is essential in promoting a candidate, a political party or the political projects. Also, political marketing is a tool by means of which one can mobilize all resources in order to fully meet the voters' needs and wishes. The main objectives of the study are: 1).presenting the political leader's personality and its importance; 2). theoretical issues regarding the main endogenous and exogenous influences on voters' behaviour in granting a vote to a political leader; 3). a representative model of the influence of endogenous and exogenous factors on the voters' behaviour in an electoral context; 4). determining sample size and choosing sampling method; 5). analysis and interpretation of survey data. A set of themes and policies used by a candidate in a campaign that can influence the voters' behaviour are presented in this study.

Keywords: political marketing, political leader, personality, voters' behavior, emotional intelligence

JEL Classification: M31

1.Introduction

Political marketing is useful for political organizations when setting organizational goals and outlining tasks to be performed. According to a model from literature, the main themes and policies election eloquent for voters will be presented,we will identify events that may contribute to drawing a politician's image in the minds of voters and epistemic core values of the Romanian electoral market will be presented.

2.Political leader's personality and its importance

Lees-Marshment (2003) notes that "political marketing is not only interesting to study, but it is important to be studied" because "political marketing can help organizations meet demand", "although marketing has its origins in the business scope, its concepts and techniques have considerable applicability providing value to the political scope" (Lees-Marshment, J, pp.26-28). Political marketing significantly helps to meet the voters' needs, and what is more important is how some parties and politicians implement certain policies to meet these needs, in order to make parties and politicians more responsive to the needs of the electorate.

Alport și Scheldon quoted by Milca (2007, p.23) mention that personality represents "the dynamic organization of individual's cognitive and physiological aspects" (Milca, V., 2007, p.23). In this context, personality covers few essential characteristics, namely: "temperament, character traits , biological functions, body shapes and sometimes cultural conditioning"(Milca, V., 2007, p.23).

The connection between personality and politics is perhaps the essence of political leadership because one can say that a political leader is that leader who possesses a well defined personality, political skills and organizational competences. The internal factors but also the qualities acquired in time can be a starting point for a political leader when he/she is organizing his/her activity.

Goleman, McKee și Boyatzis (2007, p.62) mention the following areas of emotional intelligence as are shown in the below table:

Tabel no. 1 – Emotional intelligence areas and adjacent skills

Personal skills	Self-knowledge Self-confidence Self-control
Social skills	Social consciousness Managing the relationships

Source: adapted from Goleman, D., Boyatzis, R., McKee, A. (2007), *Inteligență emoțională în leadership*, Editura Curtea Veche, București, pp.62-63.

A good political leader must be an example through his/her behavioural traits for all those who gave him/her the final vote but also for the other part of the electorate who didn't have enough confidence in his/her political program. So, it is important to mention the fact that effective leaders create a resonance and harmony with the people they lead facilitating in this way concentration (Goleman, D., 2016, p.15).

When a leader has a social conscience - especially empathy – he/she can resonate and create a suitable climate for the team he/she leads. Similarly, the political leader who conveys empathy towards his/her citizens can only obtain good results because for each part communication is efficient.

3. Theoretical issues regarding the main endogenous and exogenous influences on voters' behaviour in according a vote to a political leader

Voters can involve emotionally when they answer to the political messages and they cannot get back the vote if after their decision appears a state of discontent, dissatisfaction, while in consumption decisions, if there is a cognitive dissonance, consumer can demand the product repayment. So, the decision to vote must be rational. Voters vote once a day and they need to use with their choice whether they like it or not. So, in political marketing enthusiasm and emotions are stronger than in commercial marketing. On the other hand, voters are also very rational and critically engaging more when they think about who to vote, then when they face with the experience of purchase / use of goods and / or services (Peng, N., Hackley, C., 2009, p.180).

Thus, voters can assume certain risks because any action will produce "consequences that cannot be fully anticipated, and some of them could be sometimes unpleasant" (O'Cass, A., 2003, p.65).

O'Cass (2003) considers that "probability and also the outcome of each event of the election is uncertain", "the perceived risk of the consumer being a subjective feeling that occurs following an election that could lead to an undesirable outcome", including "financial risk, physical, psychological or social" (O'Cass, A., 2003, p.65).

The main endogenous factors of influence on individuals' behaviour are: perception, learning, motivation, attitude and personality. There are presented the definitions, as it follows:

Kotler and Keller (2008) consider that perception is "the process whereby an

individual selects, organizes and interprets the information received, to create an image about the world that has a meaning for him" (Kotler, P., Keller, K.L., 2008, p.279).

Kotler et.al. (1998) consider that learning involves "the occurrence of some changes in the individual behaviour, changes that result from accumulated experience", being "the result of the combined actions of impulses, inputs, suggestions, answers and knowledge consolidation" (Kotler, P., Armstrong, G., Saunders, J., Wong, V., 1998, p.363). Cătoi and Teodorescu (2004) note that motivation is considered, in a general sense, as an "inside condition mobilizing a body, in order to fulfil a purpose" (Cătoi, I., Teodorescu, N., 2004, p. 19).

Schiffman and Kanuk (2007) specify that "an attitude is a learned predisposition which consists in manifesting a constant favourable or unfavourable behaviour regarding a certain object", "a considerable importance in understanding attitudes in the consumer's behaviour", consisting in "assessing the structure and composition of an attitude" (Schiffman, L.G., Kanuk, L.L., 2007, p.268). Cătoi and Teodorescu (2004) consider that personality represents "those features of a consumer that make him have a distinctive behaviour in purchase and consumption, compared to other consumers" (Cătoi, I., Teodorescu, N., 2004, p.71). The same authors consider that personality represents "those consumer's personality traits who make him/her to have a distinct purchasing and consumption behaviour compared to other consumers" (Cătoi, I., Teodorescu, N., 2004, p.71).

The same authors consider that personality represents "those consumer's personality traits who make him/her to have a

distinct purchasing and consumption behavior compared to other consumers" (Cătoi, I., Teodorescu, N., 2004, p.71).

Another approach to the concept of <personality> is specified by Schiffman and Kanuk (2007, p.144) : "personality can be described as constituting psychological characteristics that determine and reflect how a person answers her surroundings" so, "even though, the personality tends to be constant, it can change abruptly in response to major events in life" , and three prominent personality traits are gradually being considered in the study of consumer behaviour, namely: "psychoanalytic theory, neo - Freudian theory and the theory of traits".

The three theories can be described as follows : psychoanalytic theory - assumes that the unconscious aspects of personality "undoubtedly have an important influence on consumer behaviour - including consumer behaviour (...)" (Datculescu, 2006 p.82); neo-Freudian theory - "tends to emphasize the fundamental role of social relations in training and personality development" (Schiffman and Kanuk, 2007, p.144); traits theory - assumes that individuals have certain innate psychological traits" (innovation, the desire to seek, need to know, materialism) to a greater or lesser trait that can be measured by scales specially designed (...)" (Schiffman, L.G., Kanuk, L.L., 2007, p.144).

The main exogenous factors of influence on individuals' behaviour are: family, membership, group of reference, social classes, culture and subculture. There are presented the definitions, as it follows:

Cătoi and Teodorescu (2004) note that family represents "the exogenous variable exerting the strongest influence on the consumer's behaviour", this influence being significant "both for each individual member and at the level of the entire family" (Cătoi,

I., Teodorescu, N., 2004, p.79). The same authors note that the membership represents "a type of social structure where people have the awareness that they belong to such a group having: a common objective, a feeling of unity and certain common rules" (Cătoi, I., Teodorescu, N., 2004, p.81).

Kotler and Armstrong (2008) note that reference groups are "comparison or reference benchmarks, either direct (face to face) or indirect, in the formation of attitudes or behaviour of a person" (Kotler, P., Armstrong, G., 2008, p.191).

Kotler and Armstrong (2008) define social classes as "relatively permanent and hierarchically ordered divisions from within a society, whose members share similar values, interests and behaviours" (Kotler, P., Armstrong, G., 2008, p.190).

Kotler and Keller (2008) define the concept of culture as "the fundamental determinant factor of the desires and behaviour of a person", because "as it grows, the child assimilates by means of his family and other essential institutions from the society, a certain set of values, perceptions, preferences and behaviours" (Kotler, P., Keller, K.L., 2008, p.261). Cătoi and Teodorescu (2004) note that subculture is another exogenous influence on the behaviour of the individual consumer, in a society one being able to identify several cultures, respectively "distinctive cultural groups constituted based on geographic, ethnic, religious, age criteria" (Cătoi, I., Teodorescu, N., 2004, p.83).

4.Representative model on the influence of endogenous and exogenous factors on voters' behavior in an electoral context

The present study is based on the model of Ben-Ur and Newman (2010, p. 253).

The chosen model sets forth five separate and distinct cognitive domains that will determine voters' behavior, the key idea being that according to which one or more combinations of these areas will be operational in a given campaign. The model consists of the following five areas: a. topics and policies - this dimension refers to policies that the candidate promises to adopt if elected; b. social image - which represents a stereotype for the candidate to tempt voters to make associations between the candidate and a selected segment of society; c. the candidate's personality - according to this dimensions the candidate outlines personality traits to better strengthen his image in the voter's mind; d. current events - this dimension aims at hypothetical problems that are described by competing parties and candidates during the election campaign in order to influence a voter's voting decision; e. epistemic values - refer to the satisfaction that the voter feels as a result of the curiosity and need for new which a candidate could induce (Ben-Ur, J., Newman, B. I., 2010, pp.523-524).

5. Determining sample size and choosing sampling method

Research area consists of non-institutionalized adults from Bucharest, over 18 years old.

The research volume consists of 400 subjects from Bucharest, leading to a theoretical error margin of error is + / -5% at a confidence level of 95%.

The sample was stratified in proportion to the number of people on administrative sectors of Bucharest.

A random selection of survey areas (areas circumscribed to polling stations

within the sectors included in the sample) was performed.

The selection of households was made randomly through random route method around polling stations and that of individuals within households through first birthday method - subjects over 18 years old in the house chosen.

The interviews were face-to-face and were made at the respondents' house. The method of performing the questionnaire was implemented by the students of the Faculty of Administration and Business, University of Bucharest. The interview/ data collection was conducted at the beginning of the campaign for European Parliament elections in Romania in 2014.

6. Analysis and interpretation of survey data

From this study only few questions important for the subject of the article were chosen.

- Respondents answered to several questions, namely:

- Which are the most important values to you? (1)

- What do you consider to be the most respected values in the European Union? (2)

- What do you consider to be the most respected values in Romania? (3)

• The alternatives indicated to choose were the following: peace, respect for the environment, tolerance for those who are different, respect for family, individual's freedom, civic participation, equality of opportunity, Belief in God, self-achievement, prosperity, democracy, reliability beyond, patriotism, respect for the culture of other people, trust in other people. Respondents consider "peace"

as the most important value for themselves, the same value was outlined for the European Union, but for Romania, the interpretation of the survey data revealed that the value "equality of opportunity" should be the most respected value.

-To another question from the questionnaire respondents were asked to indicate which is the main source of information on politics.

Analyzing the lowest and highest percentages per district, was choose the highest percentage obtained for each source of information (discussions with relatives, friends, colleagues, school, workplace, newspapers, magazines, television, radio, internet etc.) and the conclusion was that television is the main source of information on politics (the highest percentage being 69.84% in district 4).

This means that respondents have more trust in traditional media than new media when discussing political issues.

-Respondents were asked at a different question to indicate to what extent they would vote a candidate if he/she has certain characteristics, such as: perseverance, entrepreneurial spirit, creativity, fairness and effective abilities of communication.

Following the analysis on districts the highest percentage (77.5% respondents district 6) was registered by option associated in the questionnaire with "fairness". These respondents probably voted with a candidate with this value, for them "fairness" being the most important trait of a successful politician.

-At another question respondents were asked to express their opinion on current events during the election campaign.

These current event presented in the questionnaire were:

- a).if during the election campaign he/she would be involved in a political conflict?
- b).if during the election campaign he/she is involved in an open conflict with the media?
- c). who comes from among the people?
- d). who have administrative experience?
- e). who claims to defend human rights?

The analysis on districts showed the highest percentage (60% of respondents from district 6) for option d (he/she has administrative experience) in the questionnaire.

This means that respondents would vote in a large number for a candidate with administrative experience, being important in their opinion for him/her to have the ability to lead and manage well material and human resources.

-Also, at the next question in the survey respondents were asked to indicate to what extent they would vote for a candidate who has certain epistemic values, such as:

- a).is he/she has an eccentric lifestyle?
- b).if he/she has a flexible attitude towards change?
- c).if he/she was an athlete?

Following analysis on districts the highest percentage (71.42% of the respondents in district 2) was obtained by option b ("he/she has a flexible attitude towards change") in the questionnaire. This means that respondents would vote in a large number for a candidate who has a flexible attitude towards change, which means that he/she is a politician who can adapt to any unforeseen circumstances and can take the best decisions.

It is important for the accuracy of the dates to mention in this study the following demographic dates.

The data in the above table reflects the interviewed respondents' age by each sector. The graphical representation is presented in Excel.

Respondents' Age: F3

	18-24 years	25-34 years	35-44 years	45-54 years	55-64 years	>65 years
	F3_18-24	F3_25-34	F3_35-44	F3_45-54	F3_55-64	F3 >65
SECTOR 1	7	4	7	7	4	16
SECTOR 2	13	13	13	21	8	3
SECTOR 3	19	20	17	16	2	5
SECTOR 4	18	9	6	13	9	8
SECTOR 5	15	10	12	11	6	3
SECTOR 6	23	24	8	6	10	7

7. Conclusions

Information obtained by marketing research have certain features that have been broadly analysed in the paper. Respondents mentioned key elements that contributed to obtaining relevant information on the subject of the study. Research objectives have been set according to the hypotheses established in the methodology of quantitative research. Knowing voters' behaviour is a priority for

political organizations. Although, lately, new marketing techniques and tools can be use by a number of specialists in the fields, participants in the political life if they are more and more interested in understanding voters' behaviour, in order to be able to satisfy more effectively their needs and desires. The results from this study can provide to specialists in the area key-elements about how to implement electoral marketing campaigns close to elections.

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The benefits of personal investment in education from the perspective of Academic Marketing

~ Ph. D. Lecturer **Emanuela Maria Avram** (Faculty of Business and Administration , University of Bucharest, Romania)

E-mail: emanuela.avram@faa.unibuc.ro

Abstract: Individuals acquire abilities and knowledge thanks to the education system and these are further used on the labour market, but the main purpose of education is to contribute to the individuals' intellectual development, to their creative spirit as well as their sense of responsibility, so that the higher education graduates become increasingly more capable of improving their quality of life and ensuring a decent future by making use of the knowledge gained during study years in their work. This paper tackles the problem of personal investment in education from the perspective of academic marketing, while the conclusions reflect the importance of personal investment in education to obtain benefits at individual, organizational and social levels on a competitive and globalized market, but also the major role of academic marketing in orienting higher education institutions towards consumers.

Keywords: personal investment in education, academic marketing, benefits.

Jel Classification: M31, I23, I26

Introduction

Over the last few years, education has been considered to be the key to ensuring a good and stable workplace. With the increase in the education level, the employees who hold higher education degrees tend to become more efficient in fulfilling the different tasks required by the labour market and the technological evolution. In spite of this, education does not give graduates the ideal job at the right time. (Pagés C., Stampini M., 2007, p. 2) As a result, it is often the case that the satisfaction of obtaining an undergraduate or a graduate degree is smothered by the later experience on the labour market. In any case, the quality of human resources and the individuals' acquired abilities depend on the quality of the knowledge gained during study years. But apart from knowledge, education provides a series of abilities and intense experiences, contributing thus to the individuals' personal development. A person who enjoyed quality education becomes capable of understanding different opinions from theirs, becomes more tolerant of others, more willing to offer support, more capable of developing optimal collaboration relationships. All these lead to the conclusion that education contributes to openness to diversity and work efficiency. At the same time, higher education institutions – aware of the education needs of modern society – make intensive use of marketing in their activity, not only in their relations with the academic stakeholders and especially with the business environment but also to attract quality students who would successfully ensure their role in the society, resulting in the generation of benefits at individual, organizational and social levels.

Literature review

In a globalised economy, education is not perceived as a national good, but rather an international one, which means that all the countries and regions depend on its performance, a phenomenon facilitated by the labour force migration. But access to education, especially to higher education is often made difficult due to its high costs. The education consumers work out its efficiency level before deciding to invest in their own instruction, because when an individual makes a decision for themselves aims at satisfying some needs and wishes to improve their life, to evolve and to reach a certain level of personal development. (Szymanski, D. M., Henard, D. H., 2001) Any decision to invest in one's own education "is based on the individuals' wellbeing – which actually lies in a unique set of purposes that can be achieved through the goods provided by the economic and social systems." (Mursa G., 2005/2006, p. 219) Michael S.O. (1997) defined universities as "communities with different academic ideologies, principles and traditions, organized under an institutional name and logo, where students were the main consumers." (Michael, S.O., 1997, p. 117, op cit. in - Jurkowitsch S., Vignali C., Kaufmann H. R., 2006, p. 10) Higher education institutions, like any other organizations, exist to meet the individuals' and society's needs (Maringe, F., 2006) with a view to promote progress through their main function, i.e. the education function, the creation of knowledge and its dissemination by means of specialised publications and research as well as the involvement in solving the community's problems. (Zaharia R., Avram E. M., Eftimie R. C., 2011, p. 356) Operating on a globalized market, universities are increasingly becoming relational

entities, being oriented towards a good communication with the market and towards the development of collaborations with the business environment. This being said, the mission of higher education institutions is one of extreme importance, that of individual and social development, and it refers to "the purpose for which a university exists and was created," (Smedescu I. (coord.), 2008, p. 111) but also to its research function which ensures progress and innovation.

But education also provides individuals with benefits at personal level, like better incomes and easier access to the desired job, but also at organizational and social level. Card (2001) identified a causality relation between education and incomes. Therefore, the increase in the number of study years through higher education enrolment leads to higher incomes. Arcalean C and Schiopu I. (2010) refer to the level of education passed on from parents to children, emphasizing that the new generations' investment in education is dependent on their parents' education. According to these authors, the investment in human capital is two-stage process: the first stage is mandatory and corresponds to secondary education, while the second one is optional and corresponds to higher education. The authors also point out that enrolling in higher education means that individuals must give up being on the labour market, therefore giving up the potential income they would get if they got employed. In exchange, however, by graduating university they acquire abilities and knowledge which will increase their future incomes.

It is well known that for many individuals, education is the springboard into life, an opportunity to find a better job and to get a higher salary. Nonetheless, in the

light of the above-mentioned, one cannot help but wonder if it is effective to invest in education. Meulemeester J. L and Rochat D emphasize the fact that "choosing to enrol in a certain mode of education will continue to be present among the investment needs and requirements to ensure a faster economic growth" (Meulemeester J. L. și Rochat D. 1995, p. 351), thus generating both social the organizational benefits by enhancing productivity and economic efficiency. At the same time, "education is recognized as a key factor that determines the economic growth of developing countries." (Kitaura K., 2009, p. 615)

The impact of education on income from the perspective of Academic Marketing

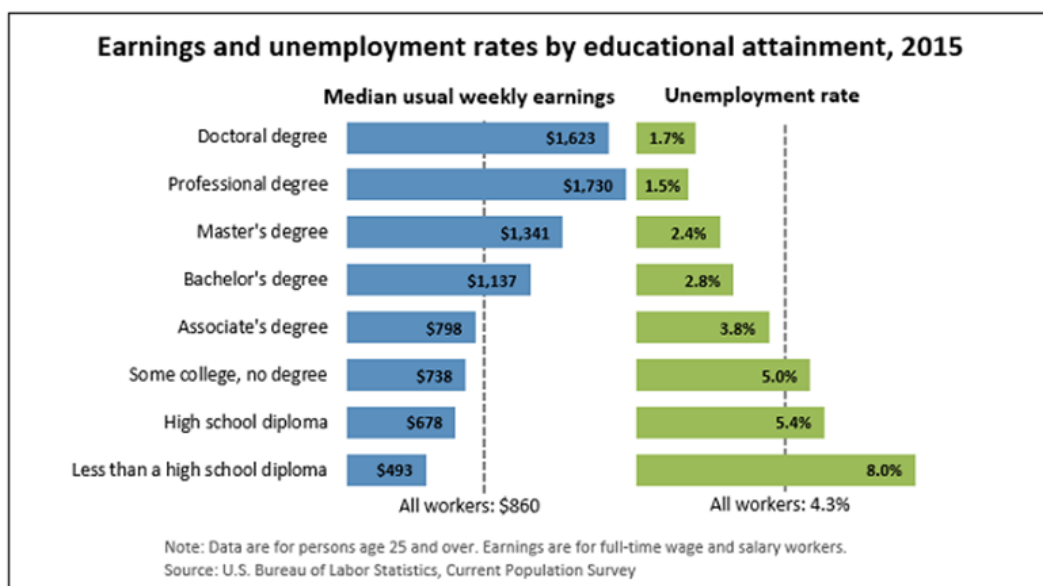
Academic marketing is a modern concept developed by higher education institutions. The correct implementation of academic marketing policies and strategies includes the analysis of the academic marketing mix which becomes an important part of any higher education institution. "The academic marketing mix is made of a controllable set of marketing tools which an institution uses to get the desired response from the target audience. The academic marketing mix consists of everything the higher education institution can do to influence the higher education demand." (Ivy J., 2008, p. 289) By combining the elements of the academic marketing mix, the organizations manage to meet as well as possible the consumers' needs. (Soedijati E. K., Pratminingsih S. A., 2011, p. 2125). Grönroos (1994) thinks that higher education institutions are clearly oriented towards consumers, establishing relationships

with them by providing quality education activities, and in Sharrock's opinion (2000), when it comes to education, the consumer comes first. Maringe F. (2006) argued that "the universities like any other organizations exist to fulfil the consumers' needs and a first objective of this mission is that of delivering

satisfaction through the specific academic products and services," (Maringe F., 2006, p. 130) at both personal and professional levels.

The main benefit of education is earning a certain income level as it can be seen in graphic no. 1.

Graphic no. 1 – The income and unemployment rate by educational attainment



Source: http://www.bls.gov/emplep_chart_001.htm

According to the data provided by the Bureau of Labour Statistics in 2015 in USA - an example of good practice in academia, PhD graduates earn \$1623 per week while the unemployment rate is as low as 1.7%. Master's graduates earn \$1341 per week and the unemployment rate is 2.4% while undergraduates make \$1137 per week and their unemployment rate is 2.8%.

But investment in education involves personal, organizational and social benefits, with true relations of inter-dependency between them.

The benefits of personal investment in higher education

Personal investment in higher education is as important as any other type of investment because the beneficiaries enjoy numerous advantages on the short and long term at individual, organizational and social level, as it can be seen in table no. 1.

Table no. 1 – The benefits of personal investment in education at individual, organizational and social level

	Individual level benefits	Organizational level benefits	Social level benefits
Short term benefits	<ul style="list-style-type: none"> - Employment opportunities - Obtaining a certain income level - Work satisfaction - Knowledge broadening through certain specialized courses 	<ul style="list-style-type: none"> - Increased productivity ensured by a better qualified workforce - Reduction of external recruitment costs (including the necessary time for integration and the risk of employing an unknown person to the company) 	<ul style="list-style-type: none"> - Savings on social benefits expenses (the unemployment benefit as a consequence of the transition from university to the labour market)
Long term benefits	<ul style="list-style-type: none"> - Flexibility and mobility - Lifelong learning (increased chances to get trainings and knowledge updates later in life) 	<ul style="list-style-type: none"> - Additional benefits (reputation improvement) - Savings (the lack of training needs for new employees) 	<ul style="list-style-type: none"> - Production externalities generated by higher education - A higher tax income thanks to a higher salary

Source: <http://janderson99.hubpages.com/hub/Education-Cost-Benefit-Analysis-Is-College-and-Higher-Education-Worth-It>

Given the findings of the specialized literature regarding the advantages of personal investment in education, I believe that all these help higher education institutions to better understand the target audience and to provide optimal and high quality services. They put an emphasis on the benefits of such a personal investment in education in order to attract as many valuable students as

possible with a view to ensure the long term success of higher education institutions but also an optimal collaboration with the labour market by providing specialists in all fields of activity. The first individual benefit of education is the chance to get employed after graduating a particular mode of education, as it is shown in table no. 2 below.

Table no. 2 – The employment rate based on educational attainment

Employment rates, by educational attainment (2015)
Percentage of employed 25-64 year-olds among all 25-64 year-olds

	Below upper secondary					Upper secondary or post-secondary non-tertiary		Tertiary				All levels of education
	Less than primary	Primary	Completion of intermediate lower secondary programmes	Lower secondary	Completion of upper secondary programmes	Upper secondary	Post-secondary non-tertiary	Short-cycle tertiary	Bachelor's or equivalent	Master's or equivalent	Doctoral or equivalent	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Australia	75	44	1	64	1	77	83	81	84	84	86	76
Austria	x(2)	28 ^d	1	54	1	76	80	84	77	89	89	75
Belgium	30	37	1	54	1	72	84	78	84	86	91	70
Canada	x(2)	45 ^d	1	59	1	71	80	81	83	83 ^d	x(10)	76
Chile ¹	53	55	1	66	1	72	1	81	85	94 ^d	x(10)	70
Czech Republic	4	6 ^d	1	43	1	79 ^d	x(6)	78	79	87	92	78
Denmark	x(2)	45 ^d	1	64	1	80	91	86	84	89	94	78
Estonia	m	34	1	61	1	77	78	82	87	86	89	78
Finland	x(2)	39 ^d	1	59	1	72	94	81	82	85	88	75
France ²	46	41	1	61	1	73	59	83	82	86	87	72
Germany	x(2)	48 ^d	1	62	1	79	85	89	88	88	94	79
Greece	26	44	49	55	57	55	61	66	67	79	91	58
Hungary	19	26	1	50	1	73	81	82	80	87	89	72
Iceland	x(2)	61 ^d	1	79	1	87	96	90	90	94	98	87
Ireland	20	38	1	56	1	67	72	78	83	86	88	71
Israel	37	40	1	57	1	73	1	82	87	91	92	76
Italy	31	28	1	55	1	70	74	m	69	81	89	64
Japan	x(6)	x(6)	1	x(6)	1	77 ^d	x(8)	77 ^d	86 ^d	x(9)	x(9)	79
Korea	x(2)	63 ^d	1	68	1	72	1	76	78 ^d	x(9)	x(9)	74
Latvia	7 ^d	29	1	55	70	72	72	86	84	88	93	74
Luxembourg	38 ^d	58	1	66	1	71	79	81	83	87	86	75
Mexico	57	63	70	68	75	71	1	73	80	87	87	68
Netherlands	37	52	1	65	1	78	88	86	87	90	96	77
New Zealand	x(4)	x(4)	1	69 ^d	1	79	86	86	88	87	92	80
Norway	48	43	1	62	1	80	82	84	90	93	99	81
Poland	6	42	1	46	1	67	70	62	83	88	95	70
Portugal	29	61	1	74	1	79	83	1	74	86	92	72
Slovak Republic	c	18	m	36	38	73	74	79	73	81	85	71
Slovenia	13 ^d	33	1	50	1	70	1	77	86	87	92	71
Spain	27	40	1	57	1	68	62	75	78	81	90	65
Sweden	x(2)	42 ^d	1	68	83	85	84	84	90	92	94	83
Switzerland	52	65	1	70	1	83 ^d	x(6)	x(9)	89 ^d	89 ^d	93 ^d	84
Turkey	34	50	1	59	1	62	1	68	78	86	92	58
United Kingdom	m	41	1	59	77	84	1	83	87	86	90	78
United States	52	58	1	54	1	69 ^d	x(6)	77	81	84	88	73
OECD average	33	43	m	60	m	74	79	80	82	87	91	74
EU22 average	25	38	m	57	m	74	77	80	81	86	91	73

Source: OECD Indicators (2016), *Education at a Glance 2016*, ISBN (print) 978-92-64-25979-9, ISBN (PDF) 978-92-64-25980-5, p. 103.

It follows that the highest rate of employment in the case of undergraduate studies can be found in countries such as Iceland, Norway, Sweden (90%), Switzerland (89%), Germany and New Zealand (88%). In the case of graduate studies (Master's level) the highest employment rate is in Chile, Iceland (94%), Norway (93%), Sweden (92%), Israel (91%), while in the case of PhD graduates the

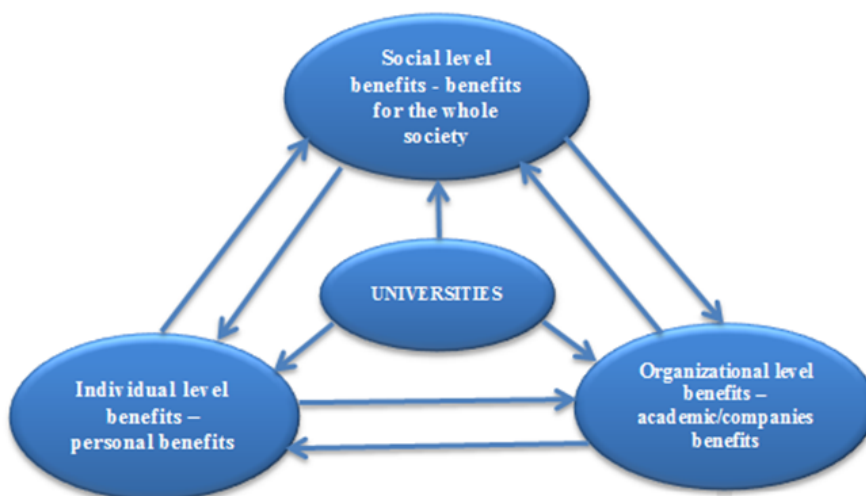
highest rates of employment are in countries such as Norway (99%), Iceland (98%), The Netherlands (96%), Poland (95%), Denmark, Germany (94%), Latvia, Switzerland (93%), the Czech Republic, Israel, New Zealand, Portugal, Slovenia, Turkey (92%), Belgium (91%), Spain and the United Kingdom (90%). Thus, in many countries, a high level of education leads to employment rate growth.

The development of a conceptual model on the benefits of personal investment in education from the academic marketing perspective

Higher education institutions through the education they provide are considered to be an extremely important resource for the future of a society because it contributes to

the development of knowledge. To this end, universities through their mission to create and disseminate knowledge have an innovative function in all fields of activity of a society and provide a series of benefits to those who hold degrees at individual, organizational and social levels due to the interdependency relations among these which can be seen in figure no. 1 below:

Figure no. 1 – The interdependency relations among education benefits



Source: own research, inspired by

<http://janderson99.hubpages.com/hub/Education-Cost-Benefit-Analysis-Is-College-and-Higher-Education-Worth-It>

Education benefits at individual level (personal benefits) – such as higher chances to employment, higher income, work satisfaction, ability to carry out sophisticated work, ability to perform the work in the required time, i.e. adaptation to deadline, ability to use modern technology, sense of responsibility, ability to work in team – generate positive effects not only at organizational level (academic/companies benefits)

– on the universities where the individuals studied through continued collaboration with alumni, on the companies/institutions where they work by increasing the number of skilled employees, on the collaboration between the higher education institutions and the business environment in order to ensure student internships, on the reduction of staff recruitment costs, etc. – but also on social level (benefits for the whole society)

– the reduction of unemployment rate, the increase in work productivity, the increase in the number of specialists in all areas of expertise. Universities through the education they provide contribute to the economic growth, which in turn have positive effects on individual level. Consequently, there are true relations of inter-dependency and mutual influence among these three categories of benefits.

Conclusions

The benefits of universities resulted from the increase in the number of students lead in time to positive effects on the one hand at individual level, such as the personal satisfaction of students when obtaining their higher education degree and the knowledge and skills gained during university, and on the other hand at the social level, considering the highly qualified workforce which will lead to the increase in the number of specialists on the labor market. Moreover, social level benefits - represented by the increase in work productivity in the specific fields of these specialists not only generate organizational level benefits - through efficiency and profitability improvements, but also individual level benefits, given the increase in income, permanent accumulation of knowledge through lifelong learning by attending trainings and professional satisfaction, reduction of unemployment rate.

Higher education by providing education, is the basis of an individual's professional

pyramid, becoming a development pillar of the global societies and generate individual, organizational and social benefits. The more innovative universities are, the richer a nation is. The economic growth depends on the usage of knowledge at global level, globalization being one of the elements that facilitate the international economic and social development, and consequently universities become the main actors. These have a few key values which ensure individual and social welfare: effective communication with all classes of public, high level of satisfaction when it comes to the consumers' higher education needs, the development of the entrepreneurial spirit and teamwork, the concern for the permanent development of quality and professionalism, the creation and implementation of innovation at all levels, the creation of partnerships with the business environment. This is why academic marketing orients the actions of higher education institutions towards consumers, represented especially by students, in order to meet as well as possible their knowledge needs but also those of the society as a whole by preparing specialists in all fields of activity.

Academic marketing plays a major role in generating benefits because its use involves quality, it leads higher education institutions to orient towards consumers, to better understand the market and society education needs, while the academic marketing mix analysis contributes to an in-depth understanding of the benefits of personal investment in education.

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Leadership and Economic Efficiency of Public Enterprises in Romania

~ Ph. D. Teaching Assistant MBA **Valentin Mihai Leoveanu** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: valentin.leoveanu@faa.unibuc.ro

Abstract: *The place and role of SOEs in a national economy was debated many years ago from the collapse of socialist economies when it came to the former communist countries to make a transition from the planned economy to an economy of free market, and even back in time to the early 80s, an example being the Thatcher government in the UK. The subject remains as important nowadays for Romania, given that there are still many problems in connection with the responsibility of the state towards various fields of economic activity, the leadership and the involvement of public authorities and, not least, the economic performances brought by this type of enterprise. This paper try to make a review of the scientific literature in order to reveal significant researches in the domain, a short presentation of Romanian SOEs and their economic environment in 2014 and an analysis of the economic efficiency of public enterprises in Romania that focuses on the evolution of the 2012-2014 period of the number of public companies, of the major financial indicators, of the number of insolvencies, of the outstanding payments and of the state subsidies, as well as correlation between these results and the type of management and leadership applied in public enterprises, and that reflects the importance of this study for actual research in Romania.*

Keywords: state owned enterprises, corporate governance, leadership, economic efficiency, financial indicators

JEL Classification: H54, H83, I32, I33

1. Introduction

The place and role of SOEs in a national economy was debated many years ago from the collapse of socialist economies when it came to the former communist countries to make a transition from the planned economy to an economy of free market, and even back in time to the early 80s, an example being the Thatcher government in the UK. The subject remains as important nowadays for Romania, given that there are still many problems in connection with the responsibility of the state towards various fields of economic activity, the leadership and the involvement of public authorities and, not least, the economic performances brought by this type of enterprise.

This paper try to make, first of all, a little review of the scientific literature in order to reveal significant researches in the domain, as a starting point for the subject developments. Secondly, the author makes a short presentation of Romanians SOEs and their economic environment in 2014 to have a brief overview about the economic and social importance of Romanians SOEs in the national economy. Another issue addressed in this study relates to aspects of the legal framework that regulate the functioning of such public entities, the introduction of private management and possible benefits it may bring to the economy, and also the possibility of privatization of some SOEs to relieve the national economy from the financial loss they have obtained from their underperforming activity. As the central objective of the work, the analysis of the economic efficiency of public enterprises in Romania focuses on the evolution of the 2012-2014 period of the number of public companies, of the major financial indicators, of the number of insolvencies, of the outstanding payments and of the

state subsidies, as well as correlation between these results and the type of management and leadership applied in public enterprises, and that reflects the importance of this study for actual research in Romania.

The research methodology is based on a comparative analysis of economic and financial indicators of Romanian SOEs during a period of three years (2012-2014) in correspondence with changes in PE legislation and government actions regarding the PE corporate governance. This comparative approach on several years in time is meant to reveal positive and negative issues about the management and leadership impact on economic performances of an Romanian SOE, data useful for the public authorities, for the country citizens and last but not least for the international financial institutions and markets.

2. Literature review

In scientific literature, there are multiple approaches regarding the place and role of state owed enterprises (SOE) in a national economy, starting from the characteristics related to the state's participation in the company's capital, the mechanisms of corporate governance, and legislation reaching to economic and financial performance and transparency of information.

In his well-known book "Bad Samaritans. The Myth of Free Trade and the Secret History of Capitalism" (Chang, 2012), the economist Ha-Joon Chang shows some arguments that rely the plea against state enterprises (public property) versus private enterprise: a) the citizens do not have the capacity nor the desire to control the managers appointed to lead SOEs; b) managers do not maximize the company's profits and it is

impossible for citizens to compel them to do so due to lack of information on the behavior of agents; and c) state ownership favors the survival of this type of enterprises in particular on the basis of political lobbying and less on economic performance.

Contrary to these beliefs, in his book the author makes a plea for SOEs and shows a number of success stories in developed or emerging economies, showing that "two important things [...] are the critical review of the company goals and setting some clear priorities [...] [besides] increasing competition [which] can be an important factor in improving the performance of state enterprises" (Chang, 2012).

In a publication of the Department of Economic and Social Affairs of the United Nations Organization (UN, 2008) they say about PE leadership: „Leadership requires not only clarity of objectives but also the commitment to follow through on these objectives (Otobo). [...] Re-inventing PE necessitates an informed and committed leadership (that adheres to a framework of good governance) to design and present development priorities and argue for state investment via Public Enterprise." The publication also reveals that „Within the realm of economic theory, efficiency is the point where marginal revenue is equal to marginal cost - or where the difference between total revenue and total costs is the greatest. [...] Hence, where efficiency is tantamount to profit maximization, monopolistic PEs (without competing rivals) can always be "economically efficient" and derive profits without satisfying the criterion of social optimality which would incorporate serving all potential consumers. (Katsiaouni)" (UN, 2008).

In this respect, the authors point solutions in terms of economic efficiency of

state-owned enterprises: "Governments can and must manage the financial, regulatory, and coordination frameworks to facilitate more efficient PE management. 1. There must be clarity over the government's role in economic development in order to prevent politicization of the PE strategy; and 2. Legal and institutional devices to monitor PEs' efficiency and productivity will also contribute to the establishment of good governance in PEs." (UN, 2008).

The issue of economic efficiency of public enterprises was researched also in a paper from the OECD Journal on Budgeting (Curristine et al., 2007) showing that, in order to improve the PE efficiency, most OECD countries have conducted reforms which "can be classed under three broad headings: making the budget process more responsive to priorities; making management practices more flexible, such that defined priorities are easier to achieve; strengthening competitive pressures among providers of public services and, where not incompatible with equity considerations, containing the demand for public services."

A study on SOEs efficiency in South Korea (Kim & Chung, 2009) approaches the possibilities of privatization as a believable measure to enhance the competitive environment in a free-market economy: „[...] many researchers have asserted that state-owned enterprises (SOEs) should be privatized while others have favored more gradual reform approaches. At the early stage of this debate, researchers were interested in (governance) ownership structure which they believed was the cause of SOEs' inefficiency. [...] While supporters of privatization argue that privatization is the only way to bring about changes in managerial goals and towards

competitive environment, others maintain that it can be accomplished by more gradual approaches."

3. Brief overview on Romanian Public Enterprises

A brief overview of state-owned enterprises in Romania needed to be done based on data from Ministry of Public Finance for the end of 2014. Thus, there are a huge number of state-owned enterprises (SOEs), significantly higher than the OECD countries, as a result of a privatization process unfinished or in progress. Central and local authorities hold majority stakes in 1,525 Public Enterprises, of which 232 operating PE are subordinated to different institutions in central administration and 1,051 operating PE are in the local administration portfolio, the rest being nonoperational. Most PE operates as companies and only a limited number (around 100 local and 15 at central level) are autonomous (M.F.P., 2014).

The value of assets / capital held by the state to public enterprises was 27.83 billion lei in 2014. The PE net turnover recorded a value of 33.78 billion lei, while gross profit has a value of 3.93 billion RON. PE equity totalized 56.45 billion RON, while the number of employed persons was 210,795 people in 2014.

In the final report "Evaluation of the implementation of the Emergency Ordinance no. 109/2011" (Dochia et al., 2014) they show that the PE sector in Romania has a complex structure characterized by a great diversity of industries in which they operate, different corporate structures and sizes, as contrasting financial statements and results. Current situation reflects a significant number of

insolvent, bankrupt or with restructuring needs of Public Enterprises, and a good part of them have a low level of performance so that they constitute a burden for public finances.

The same report highlights that there are corporate governance issues linked with the low performance of PE, such as: the limited capacity of government institutions to properly exercise the functions of owner / shareholder and poor quality of governance. Those issues are bound by "politicization of corporate governance structures" because "boards of public companies and executive management positions were frequently used as a tool to reward and encourage political affiliations" (Dochia et al., 2014). As a result, people in charge with corporate governance of PE are less qualified and are deprived of decisional independence against the minister who put them in office. There is also a correlation between corporate governance of PE stability and political stability as "periods of political unrest grow the instability of the board of directors and management of PE". "The politicization of appointments to management positions and board members is associated inevitably with nepotism, bribery, corruption, abuse" (Dochia et al., 2014). The recommendations in this report refer to: further reducing the number of companies owned by the state and public sector restructuring, improving the incentives for managers and the accountability to citizens, completing the institutional frame with amendments to OG 109/2011.

A phenomenon associated with poor corporate governance is the emergence and development of "tick" type companies that managers / directors of public companies have done business on the basis of preferential

contracts and dubious financial and economic operations that have undermined the economic situation of public enterprises.

4. Legal framework for SOEs management

There are a lot of law regulations regarding the corporate governance and management in PE sector, the most important being the following:

- Law no. 31/1990 on companies, with subsequent amendments;
- Law no. 15/1990 on the reorganization of state economic units as autonomous and commercial companies, with amendments;
- Law no. 111/2016 approving Government Emergency Ordinance no.109/2011 on corporate governance in public enterprises;
- Government Ordinance no. 26/2013 on strengthening financial discipline at the level of economic operators where the state or administrative-territorial units are majority or sole shareholders or hold directly or indirectly a majority;
- Government Ordinance no. 64/2001 on profit distribution to national societies, national companies and companies owned by state, with subsequent amendments;
- Ministry of Public Finance Order no. 41/2014 on regulating the procedure for reporting financial indicators by the economic operators with equity / patrimony wholly or majority owned directly or indirectly by central or local public authorities;
- Law no. 85/2014 on procedures to prevent insolvency and insolvency.

In a Memorandum of Romania's Government named „State participation in the economy. Guidelines on the State

Ownership Management in public enterprises. The role of the state as owner and expectations” (M.F.P., 2016), there are highlighted issues like:

- increase the transparency of state enterprises and cooptation of professionals as PE managers;
- imposing letter of expectations as informal working tool in the selection process of managers and directors of PE;
- imposing statement of intent as informal work document, drawn up on the basis of the letter of expectations and public information related to the activity of public enterprise by the candidates for the post of manager / director, selected and enrolled in the shortlist presented his vision / program on PE development;
- unifying the management plan and developing a single management plan by executives with the trustees;
- determining remuneration for directors and executives by considering the targets and the performance indicators established according to the letter of expectations.

According to Law no. 111/2016 which was approved by GEO no. 109/2011, the Ministry of Public Finance will have an important role of monitoring and interlocking focused on monitoring implementation of the legislation on PE corporate governance by public authorities. Besides monitoring function, MFP has an important role to create and ensure a homogeneous regulatory framework at national level in terms of corporate governance by developing together with ministries the methodological standards, the guidelines and the best practices.

It regulates also the general framework of targeting relevant objectives to public enterprises and the responsibility of public

authority, the regulations on performance measurement, the classification of performance indicators and the possible regulation for public guardianship authorities to establish additional indicators.

5. Economic efficiency of SOEs and leadership influences

The present study proposes an analysis of economic indicators obtained from public

enterprises in correlation with the decisions and actions of management and leadership.

The Annual Report for 2014 of the Ministry of Public Finance of Romania express the evolution of economic and financial indicators for active PE for the period 2012-2014, as they can see below (MFP, 2014).

Table 1 Financial indicators for active PE

Year	2012	2013	2014
Financial indicators	RON thous.	RON thous.	RON thous.
No. of SOEs	218	215	232
Turnover	35,199,090	35,373,044	33,783,282
EBIT	1,398,750	3,491,682	4,217,300
EBITDA	7,139,398	8,896,962	8,673,136
EBT	652,277	3,292,585	3,929,893
Net Income	-131,405	2,103,253	2,976,134

Source: Ministry of Public Finance, Annual Report 2014, p. 36

The data presented in the table have discounted the privatization of SCDFEE - Electrica S.A. and removing this company together with its subsidiaries from the monitoring action of state authorities.

During the year 2014 it has registered an improvement in the financial performance of public enterprises compared to previous years, by reducing operational losses and arrears registered by them.

In 2014 compared to 2012 (without SCDFEE - Electrica S.A. and subsidiaries), there is an improvement in the following financial indicators:

Earnings Before Interest and Taxes (EBIT) increased by 725,618 thousands RON in 2014 compared to 2013 (20.78%) and 2,818,550 thousands RON in 2014 compared to 2012 (201.5%);

Earnings Before Taxes increased by 637,308 thousands RON in 2014 compared to 2013 (19.36%) and 3,277,616 thousands RON in 2014 compared to 2012 (502.48%);

Net profit increased by 872,881 thousands RON in 2014 compared to 2013 (41.5%) and 3,107,539 thousands RON in 2014 compared to 2012 (2,364.85%).

Also, debt reduction was recorded a total amount of 6,070,585 thousands RON and

the arrears - an amount of 2,880,784 thousands RON.

Thus there is an improvement of the economic and financial indicators in 2014 compared to 2012,, which shows that leadership and managerial activities carried out in years 2012-2014 led to an overall performance of active PE and that the structural measures to improve the financial position and efficiency in exploiting PE or restructuring, reorganization, privatization and insolvency / liquidation / bankruptcy measures, led to the desired result.

The increase of economic and financial indicators such as net turnover, equity, revenues, net profit led to an increase of profitability indicators in 2014 compared to 2013 and to 2012. There is also an increase of liquidity and solvency indicators due to an increase of net sales and a decrease in assets and liabilities. We also notice a decrease in indebtedness in 2014 compared to 2013 and 2012 due to a lower of total assets and total liabilities.

At the same time, the measures taken in order to reduce arrears have contributed to their reduction by the end of 2014 versus the end of 2013 with a share of 48.53%, from 6.8 billion RON to 3.5 billion RON, both due to measures taken in accordance

with international financial institutions and measures for restructuring, reorganization, privatization, including measures to trigger insolvency proceedings provided by Law 85/2006 on insolvency proceedings.

Among the actions taken in this regard they have included legislative measures, measures trigger insolvency proceedings and actions undertaken by PE management, for example: resorting to loans to pay the arrears or rescheduling of arrears and collection of outstanding receivables which were used for settling outstanding payments. However, the arrears recorded by public enterprises in 2014, did not achieve the target of 3.4 billion RON agreed with international financial institutions, so they exceeded by only 0.1 billion RON (MFP, 2014).

In 2014 compared to 2013, the size of state subsidies to public enterprises increased by 14.80%, representing an amount of 1,027,851 thousand RON. In total subsidies, amounting to 7,972,595 thousand RON, the highest share in the proportion of 57.73% was granted for investments, while for operating activities was awarded a percentage of 42.27%. Thus, there is a reduction in 2014 (57.73%) of the share of general subsidies for investment in total versus 64.74% weight given to 2013 (MFP, 2014).

Table 2 Financial ratios for active PE

Ratio	Formula	Years			Variation	
		2012	2013	2014	2014-2013	2014-2012
E B I T margin	EBIT/Turnover	3.90%	8.77%	12.48%	3.71%	8.58%
E B I T D A margin	EBITDA/Turnover	18.17%	22.23%	25.67%	3.44%	7.50%
ROE	Net Income/Equity	-0.14%	3.19%	5.27%	2.08%	5.41%

ROA	Net Income/Total Assets	5.14%	6.38%	8.80%	2.42%	3.66%
C u r r e n t Ratio	Current Assets/ Current Liabilities	96.59%	138.21%	176.14%	37.93%	79.55%
Quick Ratio	(Current Assets – Inventory)/ Current Liabilities	84.00%	118.55%	154.15%	35.60%	70.15%
I n t e r e s t Coverage Ratio	EBIT/Interest	N/A	797.00%	1,194.01%	397.00%	N/A
Total Debt Ratio	Total Liabilities/ Total Assets	29.42%	22.46%	20.31%	-2.15%	-9.11%

Source: Ministry of Public Finance, Annual Report 2014, p. 48

The profitability ratios have, generally, acceptable values, but, instead, the liquidity ratios have values well above acceptable limits in economic theory and practice. High values for liquidity ratios indicate an inefficient use of cash and other short-term assets, and a failure to use money for investments that are so necessary in Romanian economy. On the other hand, high values for leverage ratios show a good debt service for active PE, meaning a high debt service coverage. There are also some big gaps between the values for 2014 and 2012.

The increase of financial indicators lead to the conclusion that active PE have deployed a profitable activity in the past years due to their management and leadership, in spite of multiple negative aspects regarding corporate governance of PE highlighted by economic analysts.

6. Conclusions

The analysis made by the author and based on data from the Ministry of Finance and the analysis of Romanian researchers in the field (Dochia et al., 2014) yielded the following conclusions:

- PE sector has a low financial performance, despite the results presented above, although there are some large state companies in the energy and natural resources that are among the most profitable businesses in Romania;

- Debts are a recurring problem for PE sector; half of the total debt of the PE has past due and for many companies, especially locally, payment obligations to cover debt is a difficult task;

- There are a large number of PE that are technically bankrupt and completely protected from bankruptcy only by their status as a public entity and which survive thanks to regular compensation or conversion of debts into shares.

- In recent years, arrears to the state budget decreased compared to arrears to banks and other creditors. The bulk of the debt is due to PEs to other PEs;

- It is necessary to recruit consultants specialized in restructuring enterprises which are viable but under-performing;

- PE with the best performance requires listing on the stock exchange to ensure a better funding of them in order to achieve their business targets;

- Putting into practice the latest legislative regulations concerning the PE corporate governance should be done in an unbiased manner, without favoring members of the Board of Directors, by improving the incentives and accountability of managers and through a selection process which eliminate candidates poorly professional trained;

- The state administration at central and local level need to be aware that should increase its leadership responsibility and control within these public enterprises and the role of the political factor in this area should be reconsidered and, if necessary, assumed.

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The Entrepreneur, Key-Figure of the Entrepreneurial Phenomenon

~ Ph. D. Associate Professor **Vladimir-Codrin Ionescu** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: vladimir-codrin.ionescu@faa.unibuc.ro

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

E-mail: cristina.badeabolcas@yahoo.com

Abstract: The entrepreneur is one of the main pawns of a competitive market economy, as he creates and develops organizations, thereby contributing decisively to the strengthening of the small and medium enterprises sector in contemporary economies. In this context, the paper addresses important issues regarding the economic dimension of the entrepreneurial phenomenon, showing that entrepreneurship also manifests itself in other spheres of human activity such as education, social interaction, culture, politics, etc. The paper summarizes the main coordinates that define the conceptual framework of the entrepreneur and, at the same time, it exposes and analyzes some of the most important qualities that an entrepreneur should have in order to cope with the current business environment successfully.

Keywords: entrepreneur, SMEs, entrepreneurial phenomenon, entrepreneurial environment.

JEL Classification: L26, M10, M21, O10.

1. Introduction

The sustainable development of contemporary economies requires the existence of powerful sectors of small and medium enterprises.

Promoting entrepreneurship brings important economic and social benefits, as it is considered the engine for job creation and increase of competitiveness, while contributing to personal development and the achievement of important social objectives [5].

Larry C. Farrell, internationally recognized as an authority in the field of implementing entrepreneurship practices, believes that entrepreneurship is the most certain way to thrive in an uncertain, constantly changing world. The reduction in the number of jobs is one of the worst consequences of economic crises, and often people who had never planned to become entrepreneurs choose this solution to overcome the crisis [3].

Supporting entrepreneurship and the strengthening of the small and medium enterprises sector is on the agenda of priorities of governments in the main economic areas of the world.

Economic strategies and policies in the European Union, USA and Japan lay major emphasis on encouraging entrepreneurship and the development of the small and medium enterprises sector as a balancing factor at micro- and macroeconomic level [8].

The paper aims to address issues relevant with regard to the economic dimension of entrepreneurial activities, defining the conceptual frame of the entrepreneur and highlighting the essential qualities of a successful entrepreneur.

2. Considerations on the entrepreneurial phenomenon

The entrepreneurial phenomenon brings together processes and activities within which business opportunities in a certain context are detected and exploited, creating and developing organizations that are usually small and medium enterprises.

The abovementioned context is defined by economic, managerial, technical and technological, demographic, socio-cultural and educational, political, legal and ecological factors. This context is, in fact, the real entrepreneurial environment which, by the multitude and diversity of the factors involved, exerts direct influences, propagated on any entrepreneurial endeavor.

Beyond this real entrepreneurial environment there is an entrepreneurial environment perceived by the potential entrepreneurs, namely by those who initiate and develop entrepreneurial processes. The perceived entrepreneurial environment represents the perception of a potential entrepreneur with regard to the evolution and influences of contextual factors in a certain area and a certain period of time.

A situation may be perceived as favorable by a potential entrepreneur, who starts a business by taking advantage of such an opportunity. The same situation may be considered by another potential entrepreneur as a barrier, an obstacle for the initiation of an entrepreneurial action.

Professor Howard Stevenson believes that entrepreneurship consists of pursuing an opportunity, making quick changes, adopting multiphase decisions, using the resources of other persons, conducting human relations and networks, and also rewarding the initiators for the newly-created value [10, 13].

Louis Jacques Fillion has structured the entrepreneurial process in ten activities, specifically [4, 10]:

- identifying economic opportunities;
- conceiving the vision on the entrepreneurial action;
- adopting decisions on starting the entrepreneurial process;
- organizing the initiated business;
- purchasing the equipment necessary for the activities to be carried out;
- acquiring raw materials, in general all the elements representing “inputs” in the entrepreneurial process;
- operationalizing marketing methods and techniques;
- selling products and services on the market;
- ensuring the necessary workforce, both in terms of quantity, but especially in terms of quality, i.e. professional competence;
- subcontracting and attracting external collaborators for those activities for which the necessary competence and means are missing.

The aspects presented above refer to the entrepreneurial phenomenon for economic purposes, namely entrepreneurial processes and activities in the economic field. It is worth noting that the entrepreneurial phenomenon also manifests itself in other fields, such as the educational, cultural, social, political field, etc. A person having an idea, crystallizing a vision, materializing that idea through coordinated actions and inducing quantitative and qualitative changes in a certain system or field of activity is, without doubt, an entrepreneur.

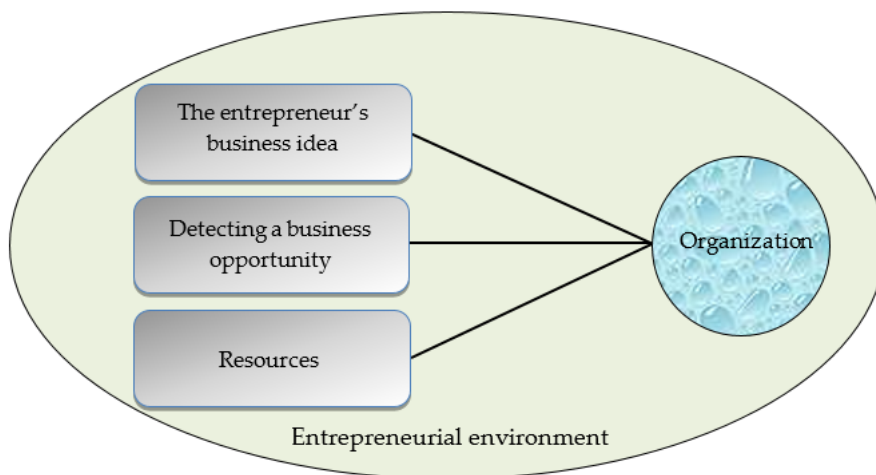
For example, in the university field, a professor can initiate certain methods and techniques (which will become best practice)

both within the pedagogical sphere of the relationship with the students, and in the field of scientific research. The professor can also have a number of initiatives regarding the setup of partnerships with other universities, research institutes, private, public and non-profit organizations. Such a professor, introducing new elements in the didactic, scientific research and administrative activity, propagating change and promoting novelty in the university field, is an exponent of entrepreneurship in education.

Similarly, there is social entrepreneurship, cultural entrepreneurship, political entrepreneurship, etc.

Returning to the economic dimension of the entrepreneurial phenomenon, we summarize the following key-elements: a business idea, a business opportunity, i.e. the detection thereof in a certain entrepreneurial environment and a set of resources (human, financial, material, technological, informational, etc.), by means of which the entrepreneur will initiate and develop the entrepreneurial process (Figure 1).

Figure 1. The essence of the entrepreneurial phenomenon



3. The entrepreneur

A special place in the debate on the entrepreneurial phenomenon is held by the entrepreneur. He is one of the main actors of an economic system with competitive market as he creates new organizations and develops existing organizations. As shown above, the starting point of the entrepreneurial action is the business idea, which the entrepreneur puts into practice by detecting and capitalizing an opportunity existing on the market, making use of a set of resources [7].

Therefore, we assume that the market, i.e. the business environment, always offers opportunities, but the entrepreneur has to carry out the “business idea - business opportunity” coupling in order to initiate and develop an entrepreneurial process.

The concept of entrepreneur was introduced by Richard Cantillon in his work *Essai sur la nature de commerce en general*, published in 1755. Cantillon considers that the activity of an entrepreneur lies in procuring and combining the factors of production in order to obtain products intended for sale on the market.

Jean-Baptiste Say, the first professor of political economy in Europe, found that an entrepreneur must possess “...judgment, perseverance and an understanding of the world and business. He has to estimate with tolerable precision the importance of products, the likely level of demand and the factors of production required at a certain time”.

One of the most important representatives of the Austrian School, Carl Menger, highlighted the essential role of the entrepreneur in the efficient allocation of resources, given that the environment of companies is marked by a permanent imbalance [9]. Schumpeter [12] marks an important moment in the evolution of the entrepreneur concept. In his opinion, the entrepreneur is a person who brings novelty elements (a new product, a new production process, etc.). Webster’s Third New International Dictionary defines the entrepreneur as “one who holds, organizes, runs and assumes the risks of a business”.

In the work entitled *Penguin Economics Dictionary* [11], it is estimated that the roles of the entrepreneur consist of procuring the capital necessary for the company, organizing

production by acquiring and combining the factors of production, and also assuming the risk for the activities performed.

The renowned specialist Carland distinguishes between the owner of a company and an entrepreneur [1]. The owner creates and runs an undertaking for personal interests, while the entrepreneur influences and coordinates the activity of an organization, having as central objective obtaining profit.

The American Professor Peter Drucker considers that since the 80s we have been witnessing an entrepreneurial revolution, reflected in the shift from managerial economy to entrepreneurial economy. In his view, the entrepreneur is the person who permanently looks for changes, his actions having a predominantly practical nature [2].

An interesting approach is the one of the Canadian researcher Jean Marie Toulouse, focused on three axes of human activity: value system, degree of commitment and intensity of actions [14]. According to this approach, the entrepreneur pays special attention to the autonomy and freedom of decision, assumes the risks involved by his activity and has a strong inclination towards action, showing creativity in solving the problems that he is faced with.

4. Qualities of the entrepreneur

In specialized literature there are numerous works approaching the subject regarding the qualities that an entrepreneur should have.

Marius Ghenea, a successful Romanian entrepreneur and professor of "Entrepreneurship, Innovation and New Business Ventures" within Maastricht School of Management, has outlined the following

list of qualities required for entrepreneurial success [6]:

- vision;
- intelligence and creativity;
- knowledge of the field of activity;
- perseverance and determination;
- charisma and persuasion;
- responsibility;
- capacity to make decisions quickly;
- identification of solutions for existing problems;
- entrepreneurial flair;
- positive thinking;
- passion for their own business;
- personal ethics;
- confidence in people;
- attitude.

According to the very author of this list, Marius Ghenea, no entrepreneur can meet all these qualities in the superlative, yet it is important to possess a balanced combination and appropriate weights thereof. We consider that vision, intelligence and creativity, determination, responsibility and positive thinking are essential.

As regards positive thinking, an aphorism of the great British politician Winston Churchill is quite eloquent, saying that "An optimist finds opportunity in every difficulty, while a pessimist sees difficulty in every opportunity". Therefore, the optimistic psychological profile is determinant for the success of an entrepreneur.

In our view, the portrait of a successful entrepreneur comprises a series of defining qualities, illustrated in Figure 2. Each of these qualities presents a particular importance, but we consider the following to be essential:

- professional competence in a specific field of activity;
- intelligence and creativity;
- operative decision-making;
- flexibility and receptivity to novelty;
- responsibility and risk taking.

Figure 2. Defining qualities of the entrepreneur



5. Conclusions

Supporting entrepreneurship and the strengthening of the small and medium enterprises sector is on the agenda of priorities of governments in the main economic areas of the world.

The entrepreneurial phenomenon brings together processes and activities within which business opportunities in a certain context are detected and exploited, creating and developing organizations that are usually small and medium enterprises.

The entrepreneurial phenomenon also manifests itself in other fields, such as the educational, cultural, social, political field, etc.

A person having an idea, crystallizing a vision, materializing that idea through coordinated actions and inducing quantitative and qualitative changes in a certain system or field of activity is an entrepreneur.

A special place in the debate on the entrepreneurial phenomenon is held by the entrepreneur. He is one of the main actors of an economic system with competitive market

as he creates new organizations and develops existing organizations.

The starting point of the entrepreneurial action is the business idea, which the entrepreneur puts into practice by detecting and capitalizing an opportunity existing on the market, making use of a set of resources.

The portrait of a successful entrepreneur comprises the following defining qualities:

professional competence in a specific field of activity; intelligence and creativity; operative decision-making; flexibility and receptivity to novelty; responsibility and risk taking; strong and balanced personality; capacity to select collaborators and persuasion; action-oriented; communication skills; inspirational leader.

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Knowledge Management within the Organization

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

E-mail: cristina.badeabolcas@yahoo.com

~ Ph. D. Associate Professor **Vladimir-Codrin Ionescu** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: vladimir-codrin.ionescu@faa.unibuc.ro

Abstract: *In today's economic climate, in which great emphasis is laid on information, organizations get the highest value from their intellectual property rather than from their physical assets. Thus the organization is redefined and transformed gradually in the New Economy, which gives up on many of the old methods and approaches, seeking to integrate in the much more complex reality that occurs. The progress of an organization in a knowledge economy is directly proportional to its accumulated intellectual capital and knowledge, regardless of whether we relate to public or private sector. In this paper, we present a few aspects on the reflection of knowledge management and intellectual capital in the new economy.*

Keywords: knowledge, organizational management, information, economic development, intellectual capital, knowledge management

JEL Classification: M19, O34, L25

1. Introduction

Organizations increasingly focus on their intellectual property, and less on the material assets that they manage. The economic results are the results of differentiation. The source of this differentiation, and at the same time of the supremacy and increase of the organization is given by the specific, distinct knowledge held by a group of people within it. Depending on such knowledge, each organization sets its objectives and measures its performance.

The knowledge management solutions are the key to building and supporting the intellectual capital assets and using them so as to create economic value. The knowledge management solutions enable individuals, teams and communities to obtain greatly improved performance in terms of creating, capturing, sharing and exploiting knowledge.

2. The concepts of knowledge, intellectual capital and knowledge management

The organizations have become dependent on people more than ever. Business requires the intelligence and experience of the human beings to transform the information into useful knowledge and favorable decisions. As Peter Drucker wrote, "the fact that you know how a typewriter works does not make you a writer" [5].

A clear delimitation between the concepts of data, information and knowledge is necessary. Data are a number of properties directly observable of things. Information is the accumulation of data in a higher-level beam that would have meaning and significance. Filtered through the perceptions and

thoughts (cognition) of a person, the information fosters a wide range of actions and activities.

Knowledge is extracted out of data and built based on information. There are two distinct forms of knowledge:

a) Explicit knowledge, consisting of forms of information, expertise or experience that can be expressed in detail, archived, coded and of a lasting nature, and can be delivered by IT. Explicit knowledge can take the form of a database, document, drawing, formulas, patent, video records or presentations.

b) Tacit knowledge, or intrinsic knowledge, the skill possessed by an individual, is a common, unexpressed system of values, visions, goals and behaviors driving an organization's activities. Tacit knowledge is derived from accumulated experience. The main obstacle for most organizations is to identify this system of tacit knowledge. The challenge raised by the tacit knowledge system is to find out how to recognize, generate, distribute and manage the system.

Tacit knowledge can only be deduced out of people's actions, they are not directly observable. They represent a trait which predisposes man to act in certain ways depending on the circumstances, and adequately for those circumstances.

In order to delimit clearly the intellectual capital concept, the following assertions are defining:

- the intellectual capital is the sum of everything that the people in an organization know, giving it competitive advantages on the market;
- the intellectual capital is recognized as a value in most organizations, but it is not measured or evaluated in any financial statement of the organization, except for the

market value reached on the stock exchange;

- the intellectual capital is intellectual material that has been formalized, captured and put into value to produce even more valuable assets. It is given by the knowledge that can be converted into values.

Sveiby [13] defines the intellectual capital as the sum of three components: human capital, structural capital and customer capital. The human capital consists of knowledge, skills and competences of the people in organizations. It is owned by the people rather than the organization, being a renewable part of the intellectual capital. The structural capital includes strategy and organizational culture, structures and systems, organizational routines and procedures and intellectual property assets such as technologies, inventions, data, publications and processes that can be patented or protected and that remain within the company when the employees leave. The customer capital is given by the value of its relations with the customers, including the customers' loyalty for the company's products, based on the company's reputation, purchase behaviors or the customers' availability to pay.

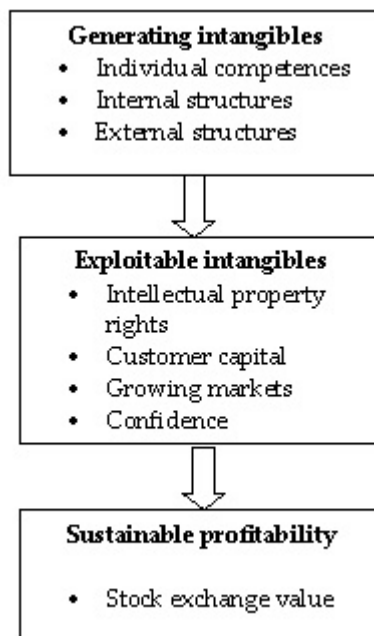
In a vision closer to the practical needs for economic use of intellectual capital, Ahonen [1] (Figure 1) proposes a delimitation of the role of each item that has been included over time in the discussions related to the intellectual capital. He proposes an intangibles usage cycle formed of three stages: generating intangibles, exploitable intangibles and sustainable profitability. The measurable component for this last stage is the stock exchange value of the company.

The intellectual capital consists of all that the author calls generating intangibles, on which the creation of competitive advantages is based. Of these, only some can be exploited commercially, namely everything

that is directly related to efficiency and cost reduction, intellectual property rights, customer relations, confidence management that creates reputation and any knowledge possibly related to the positive developments of the markets.

Since any term is best defined by the way it is used, K. E. Sveiby [14] considers the terms of Intellectual capital (IC) and Knowledge management (KM) as "two branches of the same tree" The differentiation can be made when taking into account the various connotations of those terms. Thus, IC is a static term and requires the use of a verb to describe what managers can do with it, such as: to manage IC, to improve IC.

Figure 1: The causative process of knowledge-produced value



Source: Ahonen, G. (2000): "Generative and commercially exploitable intangible assets", in Grojer, J. E and Stollowy, H. (Eds), *Classification of Intangibles*, Groupe HEC, Jouy-en-Josas

The term KM is active, containing a verb itself, but at the same time it is a very abstract term. Therefore, the preferred definition for KM is “the art of creating value from an intangible resource of an organization”.

Knowledge management has been described as “the most efficient use of the intellectual capital in a business”. It implies that the sharing of knowledge, motivation and collaboration become almost instinctive and part of the every-day business activity. Knowledge management can be compared to “the game consisting of learning how to run and evaluate a business when knowledge is the main resource and outcome” [6].

The Japanese authors Hirotaka Takeuchi and Nonaka Ikujiro, much appreciated in the field of knowledge management, are creators of the SECI model [9, 10]. This model is a description of the dynamic creation of knowledge in organizations and the practical use thereof. The model initially created by Nonaka and Takeuchi was completed together with Toyama and Konno to be more easily applied as a working modality and thinking scheme, and its application leads to the improvement of knowledge capitalization in organizations

The name of the SECI model (Figure 2) is an abbreviation of the four stages to be completed for creation of knowledge and capitalization thereof through applications: S

– socialization, E – externalization, C – combination, I – internalization.

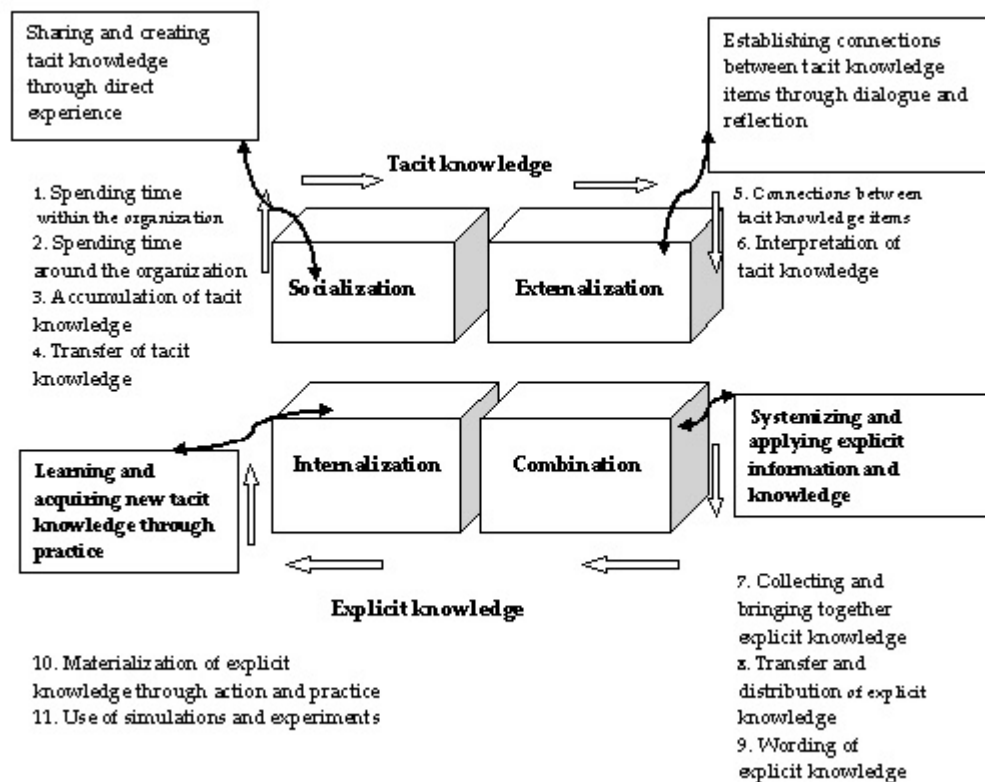
Socialization. Socialization is the process by which tacit knowledge is shared through common experiences. As tacit knowledge is dependent on context, the key for its acquisition is to live the same experiences and conduct activities together with those holding such knowledge.

Externalization. Externalization is the process of expressing tacit knowledge in the form of explicit knowledge. Of the four steps, this is most important in knowledge creation, as it leads to the emergence of new knowledge and concepts. When tacit knowledge is made explicit, it is crystallized into forms that can also be communicated to others, thus becoming bases for the emergence of other knowledge.

Combination. Combination is the process of connecting the different fragments of explicit knowledge to obtain more systematic, more complex or deeper explicit knowledge. The exchange of knowledge is achieved by various means, including documents, meetings, telephone conversations and IT networks.

Internalization. Internalization is the transformation of explicit knowledge into tacit knowledge. It is achieved by incorporating explicit knowledge into actions, practices or simulations of concrete situations

Figure 2: The SECI model for the creation and use of knowledge



Source: Nonaka, I., R. Toyama and N. Konno (2000). *SECI, Ba and leadership: a unified model of dynamic knowledge creation*, *Long Range Planning*, vol. 33.

3. The role and importance of knowledge management within the organization

Knowledge management helps maintain the knowledge that has to be distributed to lay the foundations of collaboration. In addition, knowledge management helps organizations in the following aspects [3, 8]:

- Support of innovation.

Knowledge management provides an infrastructure for electronic and social networks, so they can develop new products or

services; it supports and provides access to sources of ideas, so that they may be transformed into capital.

- Support of collaboration.

Knowledge management enhances collaboration opportunities; improves the tacit and explicit knowledge exchange between people; and encourages the free flow of ideas.

- Encouragement and use of learning.

Knowledge management facilitates and accelerates the learning process; it creates opportunities for individuals and groups to implement new knowledge; it exploits

organizational knowledge in an intelligible context to explain the new challenges; it capitalizes individual learning by rewarding and speculating the advantage acquired at the level of the entire organization.

- Development of social capital.

Knowledge management enhances the individual knowledge transfer within the organization; it supports the exchange outside organizational boundaries, time and space; and puts together the people who have the necessary tacit and explicit knowledge with the people who need such knowledge to carry out their work.

- Attracting and retaining human capital.

Knowledge management increases the retention rates of employees by recognizing the value of each employee's knowledge and rewards them for such stock of knowledge; it capitalizes what people know and promotes career development.

- Creation of opportunity for online government.

Knowledge management provides an information database facilitated by IT in order to enable citizens and clients to access the information and services they need.

- Increased productivity.

Knowledge management streamlines operations and reduces costs, risks, learning curves and initialization times by eliminating redundant or unnecessary processes; it contributes to the fundamental objectives of the mission.

- Sharing best practices/processes.

Knowledge management distributes best practices throughout the organization; it learns from failed efforts; it provides a platform for innovation and knowledge reuse; it sets benchmarks for the internal and external

performance of individuals and teams; and helps new employees to familiarize themselves more quickly with the organization's culture.

- Provision of leadership authority and decision-making capacity.

Knowledge management provides the right information in a context that supports decision making; it integrates new knowledge into decision-making processes through exchanges and cooperation with temporary proxies in decision-making processes; and makes use of information and knowledge to harmonize organizational actions with missions and visions.

- Increased customer satisfaction.

Knowledge management improves services for clients by streamlining response times; it focuses on knowledge of customers' needs to drive the efforts of an organization; and improves customers' experiences and results with regard to the services that are provided for them.

- Setting a differentiation between competitive advantage and business market.

Knowledge management helps ensure the superiority of knowledge; when it takes the shape of a proposal for business, products or services, it modifies the capitalization proposal from the supply of goods and services to the supply of knowledge and expertise for such goods and services.

4. Knowledge management processes and technologies in the world practice

Skill modeling is the process of organizational analysis for the identification of specialists and their skills and the development of skills in the directions needed to support critical areas of the organization.

Building organizational memory is the process having as its objective the transformation of tacit knowledge from within the organization into explicit knowledge, easily transferable and the non-discriminatory dissemination thereof. The existence of internal memory enables rapid adaptation to the changes in the external environment and the formation of virtual organizations in which the components are integrated horizontally.

Communities of knowledge practice are communities of experts, practitioners, politicians, teachers, researchers, etc. who share a common interest in certain topics and meet voluntarily in general through an electronic platform, to develop concepts and discuss the issues involved.

Benchmarking is the managerial practice meant to investigate best practices in various industries and organizations and to report to the organization's internal processes to the new standards.

Elaboration of national policies to design a knowledge-based economy. Most OECD countries have begun the institutional construction of the human and information infrastructure that will translate their economies to the new knowledge-based society [7]. The main competences on which such policies focus are: knowledge production, transmission and transfer of knowledge and knowledge measurement.

Intranet is the concept of Internet in an organization. Each individual has access to his or her webpage, thus allowing access via the Internet to the information and knowledge spread within the organization. Intranet also contains a webpage with access to the central knowledge warehouse of the organization. This form of network uses Internet infrastructure and leads to minimum resources necessary for its design.

Groupware is the information technology deriving from the words group and software, which means knowledge and software accessed simultaneously by several users and used for teleconferences.

Document management software are IT products that enable the integration of documents within databases and online access to them.

Another IT application for Knowledge management is the use of business intelligence software that analyzes data and extracts useful insights, patterns, and relationships that might be significant [2]. E-business can be defined as any business that takes place by digital processes over a computer network rather than in physical space. Most commonly today, it refers to electronic linkages over the Internet with customers, partners, suppliers, employees, or other key constituents. E-commerce is a more limited term that refers specifically to business exchanges or transactions that occur electronically [4].

5. Conclusions

Currently, the survival of an organization depends on its ability to "capture" information from various sources and to transform it into useful knowledge, which it subsequently imposes as "organizational culture" and quickly diffuses it inside. However, it is not enough to transform information into knowledge. It is important that such knowledge be correlated to the needs, desires and expectations of the organization.

The organizations should get more involved in the use of their own knowledge experiences to create a market position for themselves from which they would be able to create strategies so as to develop a competitive advantage [2].

Knowledge for the sake of knowledge is useless for organizations; it is only effective

by the contribution which it brings outside it, with positive effects on its customers and final markets. It is not enough to do something that can also be done by others. This way we will not be able to position ourselves as leaders, which is necessary for the survival of the organization.

The value of intellectual capital makes the difference between the organizations that have invested in this capital and have a much higher welfare as compared to organizations which are similar, but which do not invest in this type of resource [3].

Focusing on the use of professional intellect in activities that employ individual and external knowledge, knowledge management provides value to organizations.

The economic results are the results of differentiation. The source of this differentiation, and at the same time of the supremacy and increase of the organization is given by the specific, distinct knowledge held by a group of people within it. Depending on such knowledge, each organization sets its objectives and measures its performance.

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Improving education with self-directed learning

~ Ph. D. Associate Professor **Cornelia Nistor** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: cornelia.nistor@faa.unibuc.ro

~ Ph. D. Lecturer **Radu Herman** (*Faculty of Business and Administration, University of Bucharest, Romania*)

E-mail: radu.herman@faa.unibuc.ro

Abstract: The aim of this article is to understand the concept of self-directed learning and to explore how to use self-directed learning in an educational environment, in order to find the appropriate qualitative and/or quantitative methodology to study the self-directed learning concept. In the specialized literature the concept of self-directed learning is linked with personality traits, learning environment or learning process. In the literature we find that there is a correlation between self-directed learning and some personal traits from the "Big Five" model of personality, including extraversion, agreeableness, openness and conscientiousness. Self-directed learning is also influenced by the learning environment, which consists of teaching environment, learning environment, technology and administrative support. In a "traditional" learning environment, the teacher defines the learning goals, delivers the knowledge and evaluates the student's ability to memorize the specific delivered knowledge. The student's learning needs are rather seen homogeneous than heterogeneous. In a self-directed learning environment, the student takes the initiative, defines his own strategies of learning specific goals and evaluates his evolution in pursuing a certain learn-

ing goal. Seen as a process, the self-directed learning can be structured in certain steps like: defining the steps of learning from easy to difficult; establishing an own calendar of learning; evaluating his own learning progress etc.

Keywords: self-directed learning, personality traits, communication skills, economic education, motivation.

JEL Classification: D83, I21, P36

1. Introduction

Learning is a process where a student gains competencies in a certain field. He needs to remember a certain stock of knowledge, to develop particular skills and to change some attitudes in order to succeed in a profession. The market is becoming more competitive, and some jobs are changing with respect to technical progress and social dynamics. To become a highly trained professional and a valuable employee or manager, the individual needs to invest in his own competencies. The school or university can provide a fixed or more flexible curricula, but certain activities require some more specialized competencies which can be better acquired by self-directed learning. In the self-directed learning framework, the student should understand his own needs, where he lacks some competencies and where he needs improvement. However, he will face some new obstacles related to taking his own responsibility in learning, self-motivating, choosing between easier or harder learning materials, constantly evaluating his progress, defining his own learning strategies and a particular calendar of learning.

If the learner meets certain personality traits, is able to learn individually and assess himself the proper feedback, then he will have better chances in becoming a proficient learner. However, he will need to choose from available learning materials and from available learning environments. Teachers provide adapted learning material

for self-directed learning, advising and mentoring within the process.

2. Literature review

Academic performance is influenced by the self-directed learning and self-directed learning is correlated with the personality traits. (Cazan Ana-Maria, Schiopca Bianca-Andreea, 2014). Noorriati Din, Shireen Haron, Rahmah Mohd Rashid (2016) studied the self-directed environment as a way to enhance and inhibit the ability to learn with minimal supervision that improve individual and group responsibilities among teachers and learners.

3. Why self-directed learning?

In a "traditional" learning environment, experts define the curricula, which represent certain standards and choose which materials are "appropriate" for learning. To acquire certain competencies in a profession, specific knowledge is defined as critical and teachers are structuring that knowledge in order to differentiate who can learn that specific knowledge. In this framework, the learner "receives" that knowledge and he reacts to that knowledge. There is a constant validation from the teacher, usually by a final exam in which the ability of the student to memorize that specific knowledge is being evaluated. This consists of an external validation from a teacher, which is measured by a grade.

Usually, the learner doesn't feel free to direct himself due to his responsibility to learn a specific material. The students lack sometimes the experience or skills to appropriately adapt different concepts to their needs. For example, they do not find sometimes the internal resort to learn the specific knowledge because they can't find at that certain moment a good practical reason to learn that specific knowledge. Sometimes the learning material is very abstract and is not problem-centered which raises more difficulties to learn a standardized material.

However, the students developed certain skills or abilities which are heterogeneous. Due to heterogeneous needs, the limitation in "traditional" learning is that the teacher imposes the educational material, he sets goals and evaluates the learning progress of a student through some homogeneous standards.

4. Self-directed learning and personality traits

Cazan Ana-Maria, Schiopca Bianca-Andreea (2014) made an analysis starting from the "Big Five" model of personality.

The Big Five personality traits include: (Hairunnisa Ma'amor et al., 2016):

- Extraversion, described by sociability, talkativeness, assertiveness, energetic and optimistic;
- Agreeableness, which refers to people who are "good-natured", caring and empathic, which is related to "friendly compliance";
- Neuroticism, described as emotionality related to being anxious, angry, depressed, embarrassed, worried and insecure;
- Openness, related to creativity, curiosity, visionary and aesthetic sensitivity;
- Conscientiousness, described as organized, detail-oriented, planned and

task-oriented which are usually dependable, careful and self-disciplined.

The main hypothesis in their study was that self-directed learners will have a higher level of academic achievement, but also that some personality elements will give a higher expectancy of academic performance (Cazan Ana-Maria, Schiopca Bianca-Andreea, 2014). The authors used a sample of 121 first year students (60 students) and third year students (61 students) from a university from Romania. The results show a correlation between personality traits and self-directed learning. More specific, the results show that openness to experience correlates strong with self-directed learning and the only personality trait which does not correlate with self-directed learning is neuroticism.

Personality trait	Positive correlated with self-directed learning
Extraversion	Yes
Agreeableness	Yes
Neuroticism	No
Openness	Yes
Conscientiousness	Yes

Source: Cazan Ana-Maria, Schiopca Bianca-Andreea (2014)

5. Self-directed learning and the learning environment

The Self-directed Learning Index (Noorriati Din, Shireen Haron, Rahmah Mohd Rashid, 2015) is consistent with measuring the ability and strength to study the self-directed learning environment:

- a. Teaching environment;
- b. Learning environment;
- c. Technology;
- d. Administrative support.

a. The teaching environment is represented by a relevant instructional process, by the appropriate competences of the teacher and relevant teaching materials (Noorriati Din, Shireen Haron, Rahmah Mohd Rashid, 2015). To foster the self-directed learning within the learning environment, the teacher should develop certain competencies. Students lack certain abilities, skills or knowledge and they pursue different goals in learning. In other words, the learning needs are not homogeneous but are heterogeneous with respect to individual competencies.

For example, Knowles, M.S. (1980) identifies several particularities of adult learners:

- Adults need to be autonomous and to feel free to self-direct their learning;
- Adults have accumulated specific knowledge and experience and they have their own reasons in learning something new;
- Adults are more problem-oriented and less subject-oriented.

Relevant teaching materials are relevant for self-directed learning when they are permanently available, easy to access online and designed in ways that a student can self-learn, choose specific goals, choose their own paths of learning, permanently raising their own questions about learning subjects and easy to evaluate their own progress.

b. The learning environment

The Learning Environment includes interaction, flexible learning, communication and collaborative learning (Noorriati Din, Shireen Haron, Rahmah Mohd Rashid, 2015). Constant interaction and communication is needed in a learning environment in order to reinforce permanent questioning and feedback from the teacher and other students. Flexible learning is related to the schedule and a fixed learning environment,

like a classroom. To this respect, flexible learning means that a student can set his own rhythm of learning, independent of a fixed calendar and he has the possibility to access online learning materials whenever he wants. Collaborative learning means that both teachers and students are active participants in learning and an active dialog between them will give a better understanding of the concepts, ideas, methodologies or tasks.

c. Technology

The technology used in a learning environment is related to the use of technology as an instrument to foster learning. This includes all the technology which is available, like blogs, Facebook, online libraries etc. For example, within several European Union funded projects are developed personalized learning tools by which the students and teachers learn online, take online exams and develop online competencies. For example, in the project "Formarea personalului universitar și a studenților în utilizarea instrumentelor informatice moderne în domeniul managementului universitar", students developed competencies in using IT software in ERP (Enterprise Resource Planning).

d. Administrative support

Efficient administrative support for self-directed learning is related to the development and administration of the online resources. An online platform which is easy to access, to download learning materials and to actively communicate with teachers and other members of the community needs maintenance from the technical support. An efficient administrative support is where a database is easy to access. When students face technological obstacles, they will ask for help to overcome different details which are related to the digital platform.

6. Self-directed learning as a process

Taking own responsibility for learning needs a certain framework of action, a certain "pathway" to structure the knowledge. The educational process should not be chaotic, but it should be done in a manner to make the learning as easy as possible. Self-knowledge of the individual, knowing his own perceptions and needs is a good starting point, but learning through a process should be a better way in evaluating someone's learning progress. An approach for self-directed learning as a process was systemized by Siminică Marian, Traistaru Aurelia (2013):

- Setting goals, related to a priority selection depending on the individual needs;
- Finding the internal proper resorts, based on self-anticipated results of learning, triggered by certain personality traits;
- A structured learning environment, related to appropriate physical conditions, like
 - climate, lightning etc.;
- Defining the steps of the learning activity like a process, from easy to difficult;
- Defining concepts, method, techniques and heterogeneous strategies of learning to
 - achieving own goals;
- Establishing an own calendar of learning which emphasizes a particular learning
 - calendar;
- Defining own standards for realizing the tasks;
- Evaluating his own learning progress, by comparing the objectives of learning with
 - the work which was done;
- Comparing the acquired knowledge with real-data applications;

- Changing the pursued goals of learning, as an adaptation to specific domains of studying.

Self-directed learning is not limited to the components of the process described above, but it needs a constant change in actions in order to adapt to the specific goal of learning. Some problems are complex and the steps can be adapted to particular requirements.

In "Promoting Self Directed Learning Skills in First Year Students" qualitative research has been conducted on for online learning logs written by 113 students from first and second year about a creative project and in the paper are described the self-directed learning strategies for defining, planning a project, selecting creative ideas, monitoring and evaluating their evolution. We find suggestions for structuring a learning environment to enhance self-directed competencies for a student:

- He estimates the difficulty of a learning task;
- Reevaluates the difficulty of a task;
- Decides on a new learning strategy;
- Decides to improve himself, related to his own abilities;
- Defines a goal for what to improve;
- Choses what to learn on to a next event;
- Evaluates his own work on the last semester;
- Choses where to get help to improve his learning skills;
- Choses another method to improve the results;
- Evaluates the time constraints;
- Decides he should choose other modules or learning activities;
- Choses which skill he should improve;

- Decides how to improve his own learning;
- Evaluates the limits of a chosen software for learning;
- Finds out which are the limits of a chosen method which could cause him problems later;
- Evaluates his peer's suggestions and how to give them a feedback;
- Understands why a task is difficult to pursue;
- Choses between creative ideas.

7. Conclusions

Self-directed learning is a process in which the student takes an initiative and directs his own learning. He is responsible for his teaching goals, he chooses his own learning strategies, the methods and instruments

to pursue certain topics. He learns independently from a formal "traditional" classroom framework and he evaluates his own progress. However, the teachers still provide appropriate teaching material, but which is adapted to the self-directed learning framework. An appropriate learning environment is needed for a sustainable learning progress, which is related to a constant communication, feedback and discussions on a topic.

A process is better understood when it's measurable and the research was done to find the appropriate qualitative and/or quantitative methodology to study the self-directed learning. Using the appropriate methodology and appropriate indicators to study self-directed learning, future research will be done within different learning environments, like formal or informal educational environments and companies.

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Stereotyping Women in Leadership Positions: What We Know and What We Can Do About It

~ Ph. D. Associate Professor **Adela Coman** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: adela_coman2003@yahoo.com

Abstract: Research on stereotypes and stereotyping (Acker, 1990; Bergeron, Block & Echtenkamp, 2006; Carton and Rosette, 2011; Heilman, 2012) has so far shown that female leaders, in particular, can experience increased threat when attempting leadership positions in organizations. In this article, I explore the many ways in which stereotypes can undermine women performance in leadership and I discuss the factors that may help women become less vulnerable when faced with negative stereotyping. These factors are analyzed at various levels – the individual, the organizational and the situational/contextual levels.

In the end, I suggest some ways designed to increase women's belief in their leadership abilities as well as some interventions meant to determine organizations to become "aware" of their unconscious biases when evaluating women job positions and performance.

Keywords: negative stereotyping, stereotype threat, vulnerability, reactance, growth mind-set

JEL Classification: M10, M20

Introduction

Women hold today a greater percentage of leadership positions in business and politics. However, they still remain under-represented in governments, institutions and at the top of corporations (World Economic Forum, 2014). Research suggests that fostering participation of women is important for any society's advancement and wellbeing. Moreover, it is demonstrated that women have specific leadership styles that match the increasing complexity of contemporary organizations and can help them improve its efficiency and effectiveness (Eagly, Garzia and Carli, 2014). Women are also unique in that they have original perspectives on organizational life and goals, social capital and accountability (Eagly, Garzia and Carli, 2014). Despite all the above mentioned potential benefits women may bring to their working place, when in a leadership positions they are often confronted with negative stereotypes that affect their performance.

Women experience difficulty in reaching leadership positions because it is assumed that they lack characteristics and skills necessary for leaders. In general, people have only an intuitive view on what a leader is or what leadership really means. They evaluate leaders and their capabilities based on these implicit leadership theories (Forsyth and Nye, 2008) that reflect social identities associated with traditional leaders. One such social identity commonly associated with leadership is being male. This association can result in biased perceptions and evaluations of people who do not fit the image, such as women (Koenig et al, 2011).

According to Eagly and Karau (2002) and Heilman (2001), the female gender stereotype is largely incongruent with the

leadership role. Gender stereotypes are generalizations about the attributes of men and women that are shared in a society and include descriptive components (how men and women are) and prescriptive components (how men and women should be). Most relevant gender stereotypes associated with the field of leadership are based on the idea that "women take care" and "men take charge" (Heilman, 2001; Hoyt, 2010). In other words, women are associated with characteristics that highlight a concern for others (empathy, warmth, etc) while men are viewed as being rational, confident, self-reliant and dominant (Eagly, Wood and Dickman, 2000). The qualities used to describe men are similar to those used to describe effective leaders therefore men are better suited to fit with a leader role than women (Koenig et al, 2011). This is a stereotype that can lead to a shortage of female leaders across occupations, to lower performance and disengagement and to fewer women that access science, math, technology or engineering fields (Shapiro and Williams, 2012). It can leave entire domains and professions with fewer women assuming leadership roles and positions.

In this article I explore the implications of stereotyping women on their performance in leadership positions. First, a literature review on the phenomenon of stereotypes and stereotyping women is presented. Second, I focus on the consequences that negative stereotypes may have on women in the workplace. And third, I identify some factors that may help women become less vulnerable when faced with negative stereotypes – at the individual, organizational and situational/contextual levels. In the end, some implications for future research are presented in order to reduce the potential of negative stereotypes and stereotyping.

A literature review

Starting with the work of Steele and Aronson (1995), negative stereotyping has been one of the most largely studied topics in the field of social psychology. Thinking that one is evaluated through the lens of stereotype can direct an individual's attention towards the negative aspects of a stereotype and serve to undermine achievement. Research demonstrates the power of stereotypes in reducing the performance of stigmatized individuals, of individuals with devalued social identities, on a variety of cognitive and social tasks (Steele, 1997).

One aspect of negative stereotyping is that is situational/contextually induced. Thus, even members of traditionally advanced groups can experience threat in certain situations. For example, white men have been shown to underperform on a math test when the stereotype of Asian superiority is made salient (Aronson et al, 1998). In one study designed to highlight the situational nature of stereotype threat, researchers examined the math performance of individuals who have two identities that are associated with conflicting stereotype-based expectations regarding math abilities: Asian women. Asian women who were subtly reminded of their gender identity underperformed those in the control condition, whereas those reminded of their Asian identity performed better than the control (Shih, Pittinsky and Ambady, 1999).

Stereotypes and negative stereotypes in particular can lead to reduced performance of those targeted by it (Schmader, Johns and Forbes, 2008). In their review of literature, Schmader et al found that stereotypes can impair performance on social (and cognitive) tasks by means of three specific physiological

and psychological processes namely: physiological stress responses that impair working memory, enhanced monitoring of one's performance and active suppression of negative emotions. Furthermore, according to Shapiro and Neuberg (2007), stereotype threat is not a singular process, but a term that has been used to describe distinct and yet related processes. The distinctive form of threat an individual experiences depends on the target of the threat (self or group) and the source of the threat (who judged these actions – self, outgroup others, ingroup others). In the case of women, they may experience stereotype threats defined as “the concrete, real-time threat of being judged and treated poorly in settings where a negative stereotype about one's group applies” (Steele, Spencer and Aronson, 2002, p. 385).

Finally, the consequences of stereotype threat are multidimensional. In addition to reduced performance, these processes can lead to distorted perceptions on owned skills, including academic performance (Schmader et al, 2008).

Consequences of negative stereotyping for female leaders

Decreases in motivation and engagement are prevalent in most cases of women in leadership positions. Gender stereotype-based expectations of inferiority may lead to underperformance on important tasks (e.g. decision-making and negotiation) across many fields, such as entrepreneurship and engineering, science and math. The threat of confirming a negative stereotype has been shown to lead to women's underperformance in managerial and leadership tasks (Hoyt and Blascovich, 2010) and make women less

fluent and alter their decision-making (Carr and Steele, 2010).

The cost of negative stereotyping extends beyond decreased performance. According to Cheryan et al (2009), stereotyping can also undermine women's sense of belonging to a field of specialization and their motivation to pursue a career in that field. A sense of belongingness and social connectedness is extremely important in any field, particularly in male dominated domains where women may often face belonging uncertainty. Therefore, women become less interested in their field of specialization and expertise since they feel they do not belong to that field (Walton and Cohen, 2007). Furthermore, stereotypic gender commercials have been shown to lead women to emphasize cooking and gardening, raising children and cleaning the house rather than professional achievement (Geis et al, 1984). Davies et al (2005) found that gender stereotypic commercials undermined women's leadership aspirations as well as their interest in quantitative majors and career paths. Similarly, threatening women with a gender stereotype diminished female business students' entrepreneurial intentions (Gupta and Bhawe, 2007). Self-confidence and job attitudes also decrease in organizations where stereotyping women is part of the organizational climate (von Hippel et al, 2013).

Other consequences of negative stereotyping revolve around making the stereotype less relevant. When faced with stereotyping, women often try to separate their sense of self-worth from their performance in that field by distancing themselves from that field or from the devalued group. Disengagement from a field that is threatening to one's self-worth may be ego-protective and may facilitate

motivation in the short term. However, it can reduce performance and motivation and, in the end, refusal to identify with the field (Major and Schmader, 1998). When trying to distance themselves from the stereotyped group, women may either deny their female identity or refuse to identify themselves with certain aspects of the group that are linked to negative expectations in the field. In both cases, women alter their professional identities (Kalokerinos et al, 2014).

People also try to make stereotypes less relevant by engaging in counter-stereotypical behavior: that is they actively engage in reactive responses. However, these reactive responses tend to produce unintended costs. For example, when women are threatened with the stereotype that men are better leaders, they adopt a more masculine communication style (von Hippel et al, 2011). Others responded negatively to this new communication style and viewed women as less likeable and warm. Similarly, activating the negative stereotype that women are not as good negotiators as men challenged women to engage in strong and effective negotiation behavior (Kray et al, 2011). In other words, women face greater social costs than men when negotiating because they exhibit a greater reluctance in the process of negotiation which is an adaptive response to social disincentives (Bowles et al, 2007).

Despite costs, reactive responses can also have some favorable outcomes. For example, Kray et al (2004) showed that women underperformed men at the bargaining table. However, when the stereotype of women being less capable to bargaining was activated, women reacted against it and outperformed men. The same response to activation of negative stereotypes was also found in the case

of women in entrepreneurship (Gupta et al, 2008) and leadership contexts (Hoyt and Blascovich, 2010).

In sum, women respond to stereotyping with vulnerability-type, reactive-type or resiliency depending on a number of factors. These factors reside at various levels - the individual, organizational and situational levels. I present these factors that help women face stereotyping and become less vulnerable when confronted with negative stereotypes.

Factors at the personal level

The vulnerability-type or reactive-type of responses depend on a set of individual differences factors that are related to the extent to which women see themselves as having or being able to develop leadership abilities. For example, researchers have demonstrated that women who rated themselves low on ambition, independence, assertiveness (stereotypically associated with the leader role) showed decreased performance in the face of negative stereotyping. In general, research shows that individual differences that help women believe that they have what they need in order to be successful leaders (power, mindset, determination to achieve goals) can help women deal with the disheartening effect of negative stereotypes (Bergeron et al, 2006).

In the leadership domain, women have been shown to respond to explicit gender stereotype activation in a standard way: "I'll show you" - type of response is present when women have sufficient power and self-efficacy. According to Hoyt et al, women who are highly confident in their leadership abilities respond positively when put in a position to disconfirm the gender-leadership stereotype on a task requiring them to motivate employees (2010). Specifically, women with high levels of leadership self-efficacy

performed better, identified more with the leadership field and reported better levels of psychological wellbeing when advising and motivating employees.

How people respond to threats to their identity is also determined in part by their mindsets. A growth mindset - specifically the belief that leadership abilities can be cultivated - have been shown to play an important role in fighting the consequences of negative stereotyping. For example, experimentally manipulating beliefs that entrepreneurial ability can be increased led women to show greater resilience in the form of self-efficacy for future entrepreneurial endeavors (Pollack, Burnette and Hoyt, 2012). Finally, only women who were led to believe that negotiating skills can be learnt and developed versus cannot be developed were able to successfully react against the stereotype that women are inferior negotiators (Kray et al, 2010).

Female role models can also play an important part in protecting women from stereotype threats to their identity as leaders. The effectiveness of these women resides in that they demonstrate that success in their field is attainable and the models can both increase a sense of social belongingness and a sense of self-worth when confronted with negative stereotyping (Dasgupta, 2011). Role models, on the other hand, may have contradictory effects. Although comparing oneself to a successful individual can be potentially inspiring, it can also have the potential of being self-deflating by realizing how deficient one is when compared to the successful other (Collins, 2000). For example, exposure to highly successful business leaders (e.g. Oprah) has been demonstrated to reduce women's self-ratings of competence

(Parks-Stamm et al, 2008). The same can be said about counter-stereotypical role models. Learning about successful female CEOs or female surgeons diminished women's interest in these traditional masculine occupations relative to those who were not exposed to such role models (Rudman and Phelan, 2010). In other words, whether leader role models are perceived as inspiring or harmful to women depends on the extent to which women are able to identify with their role model and see their success as possible to attain.

Factors at the organizational level

Many workplaces abound in gender stereotypes that are not observable at first glance: low numbers of women at the top of the organization, job descriptions that are "gendered", etc. Exposure to masculine environments, including objects that are stereotypically associated with men can also have threatening effects. For example, women who were exposed to stereotypically masculine items at their working place (e.g. video games, famous football players posters) showed less interest in pursuing computer sciences compared to those who were not exposed to such items (Cheryan et al, 2009).

Organizational cultures that are outstanding in terms of competitiveness and highlight innate brilliance as a key-factor for success have the potential to be threatening especially to women who move in the upper echelons, in leadership positions (Kray and Shirako, 2011). These environments are generally associated with negative stereotypes implying women may not be able to "hold their own" (Niederle and Vestlund, 2008). Beyond competition, cultures that see

success in terms of inherent skills may harm women. According to Leslie et al (2015), across the academic spectrum, "women are underrepresented in fields whose practitioners believe that...innate talent is the main requirement for success because women are stereotyped as not possessing such talent" (p. 262). In sum, women can experience stereotype threats in organizations where female employees are scarce, in contexts where gender stereotypes are visible in the physical environment and in organizational cultures where competition, brilliance and talent are overrated and perceived as the only/best key for success.

What can we do to reduce the potential of threat for women who work in such organizations? One way of reducing women stereotyping at the organizational level may be creating identity-safe environments. Research shows that these environments "challenge the validity, relevance or acceptance of negative stereotypes linked to stigmatized social identities" (Davies et al, 2005, p. 278).

Empirical research shows the power of identity-safe tasks in reducing stereotype threat effects. For example, presenting the leadership task as identity safe helped women participant feel not vulnerable when pursuing the respective task (Davies et al, 2005). In another study, women showed underperformed men on a managerial task when the predecessor was described as a man with stereotypically masculine traits, but they did much better in terms of performance when the predecessor was described as a woman with female characteristics (Bergeron et al, 2006). The task of negotiation can be made identity safe by framing the situation as an opportunity for asking than an opportunity

for negotiation (Small et al, 2007). Although women were less likely to initiate negotiations than men, when framed as an opportunity to ask, women were equally likely to initiate negotiation. Furthermore, emphasizing positive stereotypes may be effective, as in the case of valuing feminine traits and highlighting the power of education, career and aspirations that helped women while at the negotiation table manifest greater engagement and achieve better results in the process (Kray et al, 2002). Similarly, presenting entrepreneurship as a gender-neutral field reduced the potential for negative stereotyping and reduced the gender gap in entrepreneurial intentions (Gupta et al, 2008).

In sum, organizations that promote identity safety and the belief that anyone has talent and abilities to pursue a successful career are best equipped to eliminate or at least considerably reduce stereotype threats for women.

Factors at the situational/contextual level

One key aspect of stereotyping women is that, more often than not, takes place in specific contexts/situations. In their seminal work, Steele and Aronson (1995) showed that when the stereotype of African-American intellectual inferiority was present in school, and female students were asked to take a test on their abilities, black students underperformed white students. However, when they removed the relevancy of the stereotype by framing the same task as an exercise of problem solving, rather than an assessment of their abilities, there was no difference in the performance of black and white students.

On the other hand, even members of traditionally advantaged groups can experience threat in specific situations. For example, female Romanian volleyball players have been shown to perform worse when the superiority stereotype of Norwegian players was in the air (Naum, 2012). Similarly, researchers have demonstrated that stereotype threat effects impair performance and undermine trust in own abilities not only in the academic field, but also at group level such as Latinos and Afro-Americans (Gonzales et al, 2002), athletes (Stone et al, 1999) and men in social sensitivity tasks (Koenig and Eagly, 2005).

An example of successfully fighting situational stereotyping comes from the medical field: medical students who did not have any leadership skills were encouraged to experience to volunteer and lead their workgroups by stating that the small group provided a safe environment to practice leadership. This apparently “no harm-no good” message significantly increased the number of groups choosing female leaders (Wayne, 2010).

In sum, stereotype threats in specific contexts may be reduced either by framing the problem to be solved in a different manner (a different perspective or frame) or by altering the message delivered to the targeted group. As research shows, efforts to avoid situational stereotyping would be made by stereotyped groups and, unfortunately, there would be no progress in eliminating it (Wayne, 2010).

Conclusions

Programs for reducing stereotype threats and negative stereotyping typically focus on lessening individual reactions or on modifying the context (Block et al, 2011).

Many organizations instead focus on proactively reducing discrimination and stereotyping at work. In this respect, Williams (2014) recommends a three steps approach: undertake organizational audits to examine gendered practices; identify methods of tracking the efficacy of interventions; implement interventions to curb the bias, which he calls "bias interrupters".

The research literature offers a number of approaches to reduce the potential of negative stereotyping such as: to make employees and senior leaders in particular, aware of unconscious biases and stereotypes that affect their evaluation of others; to examine the gendered aspects of organizations or jobs that disadvantage individuals who do not adopt a male style of leadership; to increase minority representation at all organizational levels; to present stereotype inconsistent information in order to help reduce stereotyped thinking; to capitalize on the stereotype threat reducing effects of successful ingroup role models; to make explicit the characteristics of good leadership that avoid stereotyped descriptions.

As I have shown in this paper, the effects of stereotype threat depend in part on the extent to which women see themselves as being able to have and develop leadership abilities. This suggests that programs focused on increasing both leadership abilities and leader identity may significantly help women face negative stereotyping. In consonance with the existing literature in the field, I would also suggest that women should develop their social capital as a form of support for their own profession and personal development. In addition to developing new skills and competences it is important to cultivate women' leader identity and beliefs that leadership abilities can be learnt. Because, as research shows, leadership is also a matter of mindset and helping women cultivate a growth mindset of leadership is perhaps the most important step in changing women responses and actions when confronted with stereotypes and stereotype threats (Burnette et al, 2010).

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Impact Mechanisms Of True Leadership On Economic Welfare

~ Ph. D. Associate Professor **Oana Simona Hudea** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: simona_hudea@yahoo.com

Abstract: This paper has as main purpose to reveal, via a series of examples taken from real life, the dependence of economic welfare on good leadership, irrespective on the context of manifestation of the latter. Be they company leaders, therefore leaders acting at microeconomic level, or national leaders, herein embodied by governmental leaders, monetary authority leaders or presidential leaders, making decisions at macroeconomic level, true leadership is a continuous source of well being for any economy, as it represents the coagulation of miscellaneous economic touch constructive ideas and facts. The impact of leadership on economic welfare is therefore perceived from a double perspective: on one hand, company true leaders, exerting positive influences on the organisations they lead by providing jobs and by increasing revenues to the state budget and, on the other hand, national true leaders, holding the mechanisms for stimulating, by their actions, both consumption and investment and, thus, for sustaining a sound economic growth.

Keywords: company leaders, national leaders, economic welfare, microeconomic context, macroeconomic approach

JEL Classification: I31, O11, O12, M10, H20

1. Introduction

The issue of analysing the existence of any significant influence of good leadership on economic welfare as well as the detection of the extent of such influence can be raised not only at strictly macroeconomic level, but also at its restrained, aggregated level, namely the microeconomic environment.

Let us just suppose, right now, that true leaders succeed in well managing the companies they work for – considering that the leaders we are talking about are also managers of the same – convincing other employees, by the power of their example, to endeavour for the well-being of the said firms. In this case it is hard to believe, unless unfavourable circumstances occur, that the above-mentioned companies would not register better results in terms of either extension on new market segments or, diversification of products/services or of activities carried out, all these being normally reflected, sooner or later, into higher profits. Considering, on one hand, that companies contribute to the state budget by the taxes they pay and, on the other hand, that they are a source of wages for employees, therefore a financial support for people as consumers, we can easily understand why these components of the microeconomic environment exert considerable influences on the economic welfare of a nation.

Looking at this problem from the opposite side, good leadership at macroeconomic level would imply good decisions made by the entitled authorities. When, for instance, the fiscal and budgetary authority (Government), by its leaders, makes a fiscal decision – decrease of the tax level or increase of the subsidy level – by which the entrepreneurial activity is stimulated, this would result, first of all, in the development of

companies, therefore in the well-being of the same and, subsequently, as a consequence thereof, by the increase of the occupational level, of the number of financially stable consumers, of the taxes to the state budget and so on, to the growth of the national economy.

In other words, if good leadership proves to have positive results from an economic perspective, this would be valid at both microeconomic and macroeconomic level, as macroeconomic changes indubitably affect the microeconomic components, the latter impacting, from several different perspectives, the macroeconomic life.

2. Good leadership and effective implementation patterns at company level

Before trying to study the dependence of economic growth on good leadership, it is necessary to clearly understand what good leadership means. Good leadership involves the existence of some innate characteristics like vision, creativity, courage, grounded risk assuming capacity, persuasive power, communication skills and the development, by training and doing, of others such as self-control, negotiation ability, strategic thinking etc. But all such features are not translated into “good leadership” unless put in place in the right context, in the proper dosage.

Even if there is no coincidence between managers and leaders, a manager having to “possess” specific traits in order to turn into a leader, into an example for others - his/her followers, and a leader getting this “title” even in the absence of a managing position, we use to focus, within the economic framework, on the manager-leader individual, namely the visionary individual having

both the capacity and the official authority to make pertinent decisions, the reason of such choice being the broader visibility of this type of leaders.

If we relate to companies, the list with examples of leaders having marked the history of the same is quite extensive, they succeeding in remarking themselves either by an extraordinary idea provided or action undertaken at a given time, that significantly changed the history of a company, or by a long-time constructive behaviour, progressively laying the grounds of a strong and prosperous business, some of the most important of them being briefly depicted hereinafter.

- Gates, Bill – co-founder and CEO of Microsoft between 1975 and 2000 – is “responsible” for building a company that has continuously, progressively turned into the giant of the technology world. Specialist in the business, he has effectively involved into the activity of the company, working side by side with his employees and dedicating his efforts to the development of miscellaneous programming languages for different systems. The company success is mainly due to the perseverance of Gates, to his striving for growing ever more, going from Office software packages, to a web browser and to enterprise solutions, but, most of all, to the passion for the activity daily rendered by this true leader having adopted a transformational leadership style.

- Jobs, Steve – co-founder and CEO of Apple between 1976 and 1985 and, later on, between 1996 and 2011 – has greatly contributed to what the company is nowadays by the popularization of the personal computer and by the diversification of the range of products, launching new, exquisite items such as

iMac, iPod, iPhone or iPad. His continuous preoccupation for creating products featuring both an attractive design and a flawless functionality was one of the main keys of success of the intelligent Jobs and, implicitly, of the company managed by the same.

- Ellison, Larry – one of the founders of Oracle and CEO since 1977 – entered an already competitive market and quickly succeeded in bringing the company at the top in the related industry, being also well known for the initiative of making many inspired acquisitions. Although he is considered to be a difficult man to deal with, an individual characterised by vanity, uncomfortable otherwise than with the first position in anything he does, he is depicted by his colleagues as a highly self-controlled guy, even in difficult circumstances, as a gentleman able to show respect to other people. Given the well known deep appreciation he manifests for those contradicting him and proving that they are right, we understand the dimension of the personality of a man decided to be the best by surrounding himself by people that excel in their work.

- Welch, Jack – CEO of General Electrics between 1981 and 2001 – permanently focused on getting to and staying in the top position of the industry, totally rejecting the idea of non-excellence in the matter. And he achieved this, finally leaving a thirty times more valuable company than the one he had taken over as Chief Executive Officer, especially via the around six hundreds inspired acquisitions he has made on emerging markets. Despite of his management style, categorized as quite sharp, Welch drastically dismissing many of his employees, including the ten percent-last positioned managers (irrespective of their overall performance),

cutting wages, reducing basic research and closing or selling businesses running under a required level of performance, he proved, however, to be able to undertake simulative actions for his subordinates, like the ones related to the efforts made for reducing bureaucracy, to the rewarding, by bonuses and stock options, of the first twenty percent-most productive people or, most important, to the informality policy adopted at the company level, thereby allowing his employees to benefit from the experience of small businesses within a strong corporation.

- Drexler, Mickey – CEO of Gap between 1983 and 2001 – succeeded in convincing the company employees to place themselves in the posture of consumers and to produce and launch on the market only those items they consider to excel in the matter, the ones for which they would do everything to get, bringing clothing to a superior, more sophisticated level. Thus, he built a bridge between the desires of employees and those of customers, making his people feel much more effectively involved in the company both decision-making and implementation processes.

- Sinegal, James – one of the founders of Costco and also CEO since 1983 – made himself well known in the field not only due to the significant increase of the said company profits, but also, mainly, due to his decision to turn Costco into a diversification-based company, the first warehouse type store providing fresh food as well as pharmacies, eye-care clinics, gas stations and many others, a veritable model for start-ups. It is also remarkable the attitude towards his employees, the familiar way manifested in relation to all of them and the particular attention paid to their needs, including the financial ones,

this making him one of the most loved CEOs of all times.

- Gerstner, Lou – CEO of IBM between 1993 and 2002 – imprinted his name in the company memory not necessary for the one percent figure growth of the company, occurred during his quite tough rule, based on acting together for the well-being of the company and not individually for the well-being of oneself, but for his capacity to save the company and prepare it for a subsequent sound growth, by breaking up the same into operating units, therefore providing a complete set of IT solutions: hardware, software and services. This originated in his capacity of foreseeing the long-term glorious future of IT services area and by his force to fight against many rigid convictions for focusing the core business of the company around such services.

- Bezos, Jeff – founder and CEO of Amazon since 1994 – had the vision of developing a business based on the reinvention of the classical bookstore, via the virtual environment. Not only his basic idea of online bookstore proved to be a very efficient one, but also the one based on the extension of such concept to other goods such as CDs/DVDs, software packages, computer games and many others, therefore becoming a pioneer of e-commerce. He proved to be a continuous source of excellent ideas, introducing a new concept in the matter, namely the predictive analytics, consisting in the analysis of the search history of internet buyers and of the associated habits of the same, this helping his company in recommending such customers the products that would fit the best their needs. It is not to be ignored also the quite extended list of successful acquisitions he has made in time for this great company.

• Whitman, Meg – CEO of eBay between 1998 and 2008 – had an overall amazing activity within the company, radically transforming it in time, from a small thirty employee-based firm into a fifteen thousand-employee giant with revenues increased two thousand times during her ruling period. Even if she made some uninspired moves, especially during her last years at eBays, like Skype acquisition, her vision and courage to act for the company benefit (especially considering that she was not a founder of the company) remain a model for her followers.

• Dimon, Jamie – CEO of JP Morgan since 2004 – turned the bank he led into the largest American bank, leader on the segment of managed domestic assets, credit card providers, publicity traded stock and market capitalization values. He proved his extraordinary inspiration and flair during the last world economic crisis, succeeding in making the bank he coordinated the first one

to repay the Trouble Asset Release Program funds that he had been previously coerced by the U.S. Treasury Department to accept. In an interview, Dimon stated that it is highly important for a true leader to ask the advice of entitled counsellors, whenever needed, to prove equity and to make use of social intelligence in managing others.

These were just a few of the most impressive company leaders of the last decades, visionary leaders who had come up on the market with pioneering products, technologies or just ideas and strategies, leaders with various managerial attitudes, from the most permissive ones, as in the case of Senegal James, to the most restrictive ones, as embodied by Jack Welch, leaders who knew how to sustain their beliefs and how to put them into practice so as to get, along with or aside from the well-being of their employees, the success of the companies they ruled.

Table 1. Company level true leaders

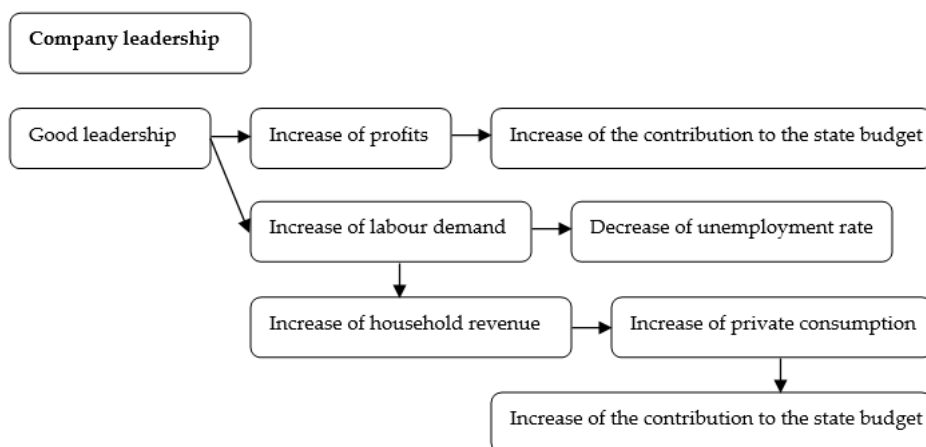
Company true leaders	Company name	Ruling period	Main benefits brought
<i>Bill Gates</i>	Microsoft	1975 – 2000	- innovation - creation of new jobs - increase of profits
<i>Steve Jobs</i>	Apple	1976 – 1985	- innovation - diversification - creation of new jobs - increase of profits
<i>Larry Ellison</i>	Oracle	1977 – at present	- effective acquisitions - creation of new jobs - increase of profits
<i>Jack Welch</i>	General Electrics	1981 – 2001	- employee performance increase - decrease of bureaucracy - increase of profits
<i>Mickey Drexler</i>	Gap	1983 – 2001	- employee involvement increase - creation of new jobs - increase of profits

<i>James Sinegal</i>	Costco	1983 – at present	- diversification - creation of new jobs - increase of profits
<i>Lou Gerstner</i>	IBM	1993 – 2002	- diversification - employee collective involvement - creation of new jobs - increase of profits
<i>Jeff Bezos</i>	Amazon	1994 – at present	- business reinvention - effective acquisitions - increase of profits
<i>Meg Whitman</i>	eBay	1998 and 2008	- creation of new jobs - increase of profits
<i>Jamie Dimon</i>	JP Morgan	2004 – at present	- best crisis management - increase of profits

As we can see in Table 1, all such leaders contributed to the increase of the profits of the companies they ruled and, most of them, had in view to extensively develop the related firms, attracting a higher number of employees. From this perspective, it is obvious

the role of true leaders in the economic welfare, as revealed by Figure 1, such contributions being reflected into the decrease of the unemployment rate and into the increase of the state budget, with their subsequent positive consequences.

Figure 1. Company good leadership effects



3. Impact of good leadership at macro-economic level

Although good leaders, as the above-mentioned ones, acting at the company level, clearly contribute, to a lesser or larger extent, by the development of the said firms, to the well-being of the entire economy, via various mechanisms, the contribution of true leaders acting at an upper level, namely the macro-economic one, to the economic growth of a nation, is much more visible to the wide public, especially due to the higher impact of their actions on the same.

In this context, the best would be to have good leaders at macroeconomic level, leaders able to make pertinent decisions oriented towards the supporting of the microeconomic agents, including the related leaders, therefore intensively stimulating consumption and investments, whenever necessary.

As in the case of company leaders, we will consider hereinafter exclusively some of those leaders having the prerogatives to make decisions at national level and, thus, directly influencing the economic life.

- Lee, Kuan Yew – Prime Minister of Singapore between 1959 and 1990 – succeeded, in his three decade of ruling, to turn a third-world mainly agricultural economy into one of the most important South-Asia monopolies, into the strongest South-East Asia financial and commercial centre and into the most powerful industrial society of the world. He has done this, beside the tourism development related measures, that have healed just a small part or the country high unemployment problems, by the steps taken for attracting foreign investments, multinational companies being convinced to get there due to the extraordinary infrastructure he had created.

- Thatcher, Margaret – Prime Minister of the United Kingdom between 1979 and 1990 – resorted to decisions that rendered the related economy from a stagnant one into a strong and stable one, with a decreasing unemployment rate, even if, meanwhile, she had to face tough economic times caused by the recession occurred in the early 1980s. Among such measures she fervently pleaded for, the following worth mentioning: the diminishment of the income direct taxes, the lowering of the inflation rate via the influence exerted on the money supply, the decrease of the governmental expenses and also the privatization of the public industries.

- Reagan, Ronald – President of the United States between 1981 and 1989 – had an extraordinary contribution to what America is nowadays, a veritable world power. The most important policies adopted under his ruling period, the so-called “Reaganomics”, mainly focused on supply side, were oriented towards the decrease of the tax level, therefore stimulating both consumption and investments, on the control of the supply of money, translated into a control of the inflation level, on the economic deregulation, allowing for the improvement of the business operation and, as such, for the increase of the competitiveness on the market, as well as on the decrease of the public expenses. These measures resulted, as undertaken, in a sound economic growth, dubbed by the decrease of the inflation rate

- Mandela, Nelson – President of South Africa between 1994 and 1999 – was a visionary individual, promoter of peace and social justice, of reconciliation and unification. After having taken over a country characterised by social inequalities, by deep poverty, with half of the population lacking basic utilities,

by high unemployment level, exceeding one third of the active population, by a severe lack of financial reserves and by debt repayment-oriented state budget, he endeavoured to really change the state of affairs, adopting a Growth-employment-redistribution policy mainly focused on foreign investment-based economic growth.

- Merkel, Angela – Chancellor of Germany since 2005 – deeply involved in strengthening her country economic system by taking various actions such as the development of the economic trade, including the consolidation of the economic relations in the transatlantic area, the sustaining of businesses, sometimes by hard measures, such as the removals of restrictions related to the employee laying off or to the limitation of the number of labour hours per week, but also by soft measures, in the recession period, like the use of stimulus packages and the covering of a part of the wage-related company costs from the state budget.

- Bernanke, Ben – Chairman of the United States Federal Reserve between 2006

and 2013 – although contested by some of his contemporaries mainly for not having predicted in due time the recession, is the man having had to successfully deal with one of the most difficult financial periods, to face the challenges arising from the economic crisis occurred in the late 2000s. While he understood the limited role of the Federal Reserve in managing the crises, given the national debt-related fiscal issues and the associated policies that could be exclusively controlled by the entitled authorities, namely by Government, Big Ben, as he is also known, decided to take monetary authority appropriate steps to help put an end to the depression, by lowering the interest rate via the money supply doubled by the increasing of the open market operations. His appreciation as the United States economic master did not remain without impact, his simple words exerting a significant influence on the domestic currency value as well as on the stock market evolution.

Table 2. National level true leaders

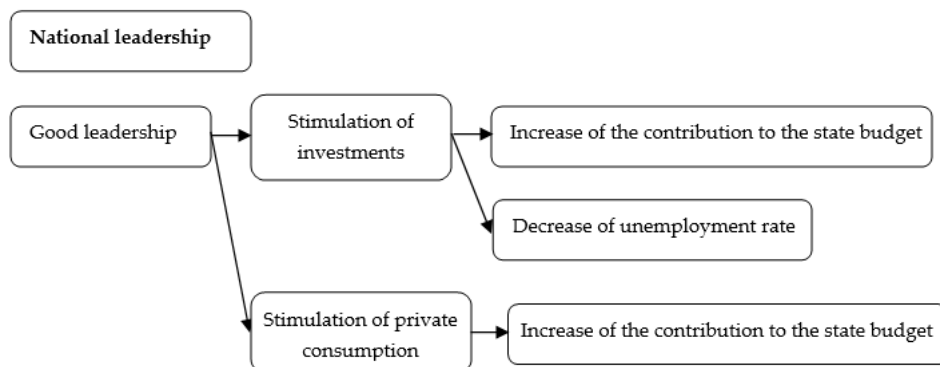
National true leaders	Position held	Ruling period	Main benefits brought
<i>Kuan Yew Lee</i>	Prime Minister of Singapore	1959 – 1990	- country industrialisation - attraction of foreign investments - development of infrastructure - decrease of unemployment rate
<i>Margaret Thatcher</i>	Prime Minister of the United Kingdom	1979 and 1990	- privatisation of public industries - lowering of inflation rate - decrease of unemployment rate
<i>Ronald Reagan</i>	President of the United States	1981 and 1989	- increase of competitiveness - lowering of inflation rate - sound economic growth

<i>Nelson Mandela</i>	President of South Africa	1994 and 1999	<ul style="list-style-type: none"> - flattering of social inequalities - income redistribution - decrease of unemployment rate
<i>Angela Merkel</i>	Chancellor of Germany	2005 – at present	<ul style="list-style-type: none"> - development of economic trade - sustaining of businesses - crisis good management
<i>Ben Bernanke</i>	Chairman of the United States Federal Reserve	2006 – 2013	<ul style="list-style-type: none"> - lowering of interest rate - open market operation increase - crisis good management

Table 2 above summarises the main contributions of some great leaders having held various positions, at macro level, in their countries, on the economic life of the same. Be they prime ministers, presidents or monetary

authorities, they succeeded in well managing sometimes tough and result-unpredictable situations, turning into prominent personalities of the world economic history.

Figure 2. National good leadership effects



True leaders, capable of influencing a large mass of people that exceeds the limits of a company or of any other relatively restrained group of people can be found in many areas, like the religious, the scientific or the military one. The exclusive focus on great leaders having the premises of influencing the economic life of a nation, as rendered in Figure 2, is due to nothing else but to the main purpose of the paper to reveal the

impact of such personalities on the economic welfare.

4. Conclusions

The paper, questioning the existence of a consistent dependence of economic well-being on true leadership, suggests, via several examples in the matter, that good leaders can make the difference, irrespective if they

act at microeconomic or at macroeconomic level. Without minimising the positive effects exerted by other types of leaders, we focussed in our analysis only on the ones the decisions of whom have effective consequences on the economic life, namely the leaders of companies, as economic agents, components of the microenvironment and the national leaders, as coordinators of representative organisms of a country, like Government, Presidency or National Bank.

Although the list with described leaders is not at all exhaustive, the direct or indirect contributions thereof to the economic welfare are clearly reflected by the briefly depicted benefits brought by the same, more exactly, innovation, diversification, creation of new jobs, increase of the performance of employees, effective acquisitions or increase of profits, after all, for companies, respectively attraction of foreign investments, development of infrastructure, lowering of inflation rate, lowering of interest rate, decrease of unemployment rate or sound economic growth, as a whole, for nations.

The impact, from such double perspective, of true leadership on economic welfare is argued by the chain effects. Good national leaders can make expansionary policy

decisions, such as tax decrease or subsidy increase, in case of governmental authorities, or interest level decrease, in case of monetary authorities, thereby stimulating investments and private consumption, both of them, as elements of the aggregate demand, determining a correlated adjustment of the aggregate supply and, as result, the economic growth. Besides, investments mean more jobs, this translating into a decrease of the unemployment level and into more contributions to the state budget, the latter being also valid in case of consumption stimulation. Good company leaders, on the other hand, are able to increase the organisation profits, determining the augmentation of the contribution of the same to the state budget, and to increase the labour demand, with all deriving consequences, such as the decrease of the unemployment rate and the increase of the wage-based private consumption of their state budget contributor-employees.

Finally, we could state that good leaders represent key elements in achieving a high level of performance in any field of activity, the economic area being even more affected by the positive impact thereof, considering the complexity the economic system.

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Leadership and Life Coaching

~ Ph. D. Professor **Magdalena Platis** (University of Bucharest, Romania)

E-mail: magdalena.platis@unibuc.ro

Abstract: Leadership is often considered a desired way of managing things. It reveals specific personal characteristics through which leaders involve people into processes. Coaching has to do with a specific way of interaction between a coaching manager and the people receiving the benefit of it. In fact, a coach behaves like a proper leader and a coached individual like a follower. At the same time, leadership is different from coaching. Main objectives of this paper are the following:

- to explain the leadership process in relationship with coaching
- to provide a set of measures to develop life coaching from leadership way of thinking
- to identify the young generation's perception on coaching

The study reveals similarities between leadership and coaching, as well as differences and contributes to a better understanding of these concepts, based on a literature review. The research based on a questionnaire explains the effects of leadership on coaching process based on the students' perceptions. Therefore, the paper includes a case study for higher education sector.

Keywords: leadership, life coaching, personal development, life model, student-professor relationship

I. Leadership and Coaching: Conceptual Approach

Leadership is a process and a way of acting. It reveals a specific behaviour and attitude. It characterizes both type of subjects – individuals and institutions. Specialists have tried to find proper answers to questions like: Are leadership skills possible to be learned? How to become leader? Is it possible to be sometimes a leader and other times a follower? How does a leader become visionary? In many cases, leadership is considered part of the management or related to it, reason for

which, other questions come up, like: Should a leader become manager, or a manager should become a leader? Which is the difference between leadership and management? Who is more responsible and dedicated – the leader or the manager? Many other topics can be found out.

Adair (2007) explains which are the essential qualities of a leader, what someone needs to do to become a leader, how core leadership functions can turn into skills and how to become a leader by yourself. All these issues apply to higher education sector as seen in the Table 1.

Table 1. Qualities of leadership from general to higher education institutions

Crt. No.	Qualities of leadership (according to Adair)	General explanations	Higher education institution - examples
1.	Enthusiasm	Leaders are ready for actions, happy to do what they are supposed to do.	Rectors, as leaders must show the academic community that they are ready to act forward.
2.	Integrity	Moral behaviours are mandatory and a way of life, specific values are followed.	Ethics is very much integrated into all strategies, actions and behaviours.
3.	Toughness	Leaders must be clear in their expectations from the others; therefore, they are not always loved by the followers.	Rectors are more or less demanding, but effectiveness requires toughness.
4.	Fairness	Leaders accept that people are different, but they do not apply different rules to them, but the same judgement.	At institutional level, there are internal procedures, methodologies and rules which together with specific legislation create a fair context for everybody.
5.	Warmth	Leaders pay a lot of attention to emotions and they do not ignore people's reactions.	Rectors are good speakers and know how to involve the audience into the topic.
6.	Humility	Real leaders are not arrogant. They know who they are, what they have achieved and how much they still have to do.	Real leaders in higher education institutions should be great professionals, but not arrogant at all. Their behaviour should be a normal one, being in contact with people from many social and professional part.

7.	Confidence	Leaders must generate the followers to trust in them. They must show the others that they know what they do and ask for.	Rectors are efficient decision-makers. They act based on trust and reveal a certainty in their behaviour even if the living context is a very dynamic one.
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In the process of defining leadership, Northouse (2009) explains it as a trait, ability, skill, behaviour and relationship and he also states that some global leaderships attributes can be identified, from a positive (like motivational and intelligence) and negative perspective (like nonexplicit and dictatorial). Starting from his opinion, all these interpretations apply in higher education context. In order to understand the leadership context in higher education domains, two types of leaders can be considered:

- The manager type of leader, when at different levels and structures, many leaders can be considered, from the rector position, to the deans, director of different departments, directors of research institutes and so on;

- The professor type of leader, when any professor can be considered a leader by himself or herself, in the teaching and learning context, when all the followers are their students.

Leadership in higher education institutions get particular explanations, as following ones:

- Individual characteristic – not all professors become rectors, or deans, or directors, and not even candidates to management positions. In addition, not all professors are good professors, admired and followed by their students;

- Work capacity – leaders in higher education institutions are very much devoted to their tasks. They are demanding and able

to put some pressure on employees when they have to finalize a submission at a specific date, they reveal a clear capacity to lead which is finally reflected into the job done. In addition, good professors are able to get the most from groups of students where from other could not.

- Set of reactions – leaders make a difference between objectives and processes. Therefore, in some cases, leaders pay attention to the result, and in other cases to the processes of achieving things done. Usually, when thing tend to become more complicated, there is a change from a task oriented to a process oriented behaviour.

- Set of links – leaders lead through communication, collaboration, developing relationships, partnerships and networking.

Coaching is a way of changing individual's life. Lionnet (2015) explains life coaching as a ten steps process and a way of getting all the information and tools needed for success and personal development. Some of the author's coaching elements include the following:

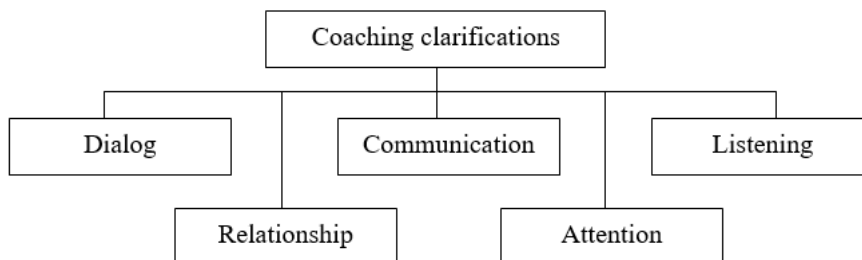
- discover what you really want
- be honest with yourself
- find your adventural spirit
- how to make a proper choice
- look into the future.

Coaching is a relatively new area and profession. It involves a specific language and an art of saying as Cardon (2009) states in the introduction to his commented dictionary of coaching. Coaching has to do with a

good knowledge of a domain in which someone is guided by an expert who is not necessarily more expert than his or her client, on

the basis of listening and communication. The coaching process involves at least the elements from the figure 1.

Figure 1: Main elements of coaching.



Therefore, coaching is not simple as practice, being difficult to be learned. In higher education institutions, there are several ways of observing coaching – direct dialog between professor and student, coaching in the career orientation process, coaching for young assistants etc. Coaching could be improved through leadership methods. The relationship between leadership and coaching is a direct one, many similarities and differences being observed.

II.Comparative Analysis between Leadership and Coaching

Leadership and coaching can be analysed in comparison. The most relevant similarities are described in the Table 2.

Table 2. Common issues for leadership and coaching

Crt. No.	Element	Leadership	Coaching
1.	Relationship between two parties	Leader - Follower	Coach – learner or client
2.	Learning process involved	Followers learn from leader	Clients learn from coach
3.	Type of relationship	Informal, exception when the leader is manager	Informal
4.	Effect on development	Individual and institutional development	Mainly individual development
5.	Training	From leader to follower	From coach to learner
6.	Communication skills	Important	Important

At the same time, many elements can be observed as not being part of both leadership and coaching. For instance, leader must have a vision, and followers must understand it, while coach must listen to the learner who need to know what he or she wants to do; even if the case is when the client in a coaching process does not know clearly where exactly he or she wants to go, the coach role is more complex, to help him or her to clarifies this issue.

Another different issue is that to become a leader is more difficult, although there are programmes dedicated to study leadership. On one hand, studying leadership does not mean that the trained people have become leaders. In fact, if someone is or not a leader depends on the followers, how the potential leader is perceived by them. On the other hand, to become a coach is more possible, since the educational market provides clearer number of teaching and practice in coaching, under special supervision. In other words, is more possible for someone to become a coach than a leader.

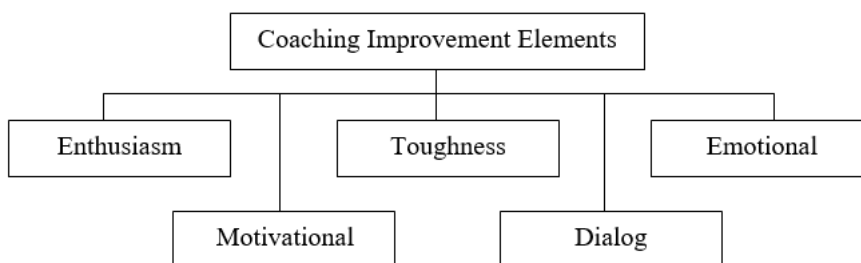
In higher education institutions, coaching can be observed in two ways:

- in a strict sense, when coaching is done in the process of career counselling;
- in a large sense, when each professor can provide training, advice and guidance for personal development of the students in the area of their expertise and life development.

Life coaching for students is an informal process in which a professor, leader or not in the institution helps a student to identify and move forward to his or her personal goals. In fact, the employees working at the career counselling centre, usually sociologists or psychologists are trained to be effective coaches, by their profession and activity.

From the leadership characteristics, many determinants can be applied in the coaching process. In Figure 2. main influences from the leadership behaviour, attitude and skills can be observed as coaching improvers.

Figure 2: Coaching Improvement Elements



In higher education institutions, professors are every day informal coaches for their students. Unfortunately, they do not realise their role in helping them to find their way in life. In order that the professors become more

aware of their coaching role, leadership must concentrate to actions related to the connection among the three missions of the higher education institutions. Proper strategies involve the following:

- academic community should be involved in strategic decisions, but not in a declarative manner
- extra curriculum activities should be developed as many as possible
- professors should learn from their colleagues and accept some other may be better than they
- effective benchmarking should be promoted and encouraged
- examples of good practice and bad practice should be distributed.

III. Leadership Influence on Life Coaching: Students' Perceptions

A simple research was conducted at the Faculty of Business and Administration within the University of Bucharest where students from under-graduate and graduate level were asked about the professors' behaviour, starting from the following questions:

- Do you have professors who are more capable of organising students in teams for projects?
- Would you consider the professors-leaders better communicators with the students?
- Do you have professors open to dialog with students in other time than the teaching time?
- Do you feel free to talk to professors about your life goals?
- Do you have a life model among professors?

The respondent's distribution was of 164 students at undergraduate level and 48 students at graduate one, a total of 212 students. Their answers were simple and consists of the following ones:

- There are professors better than others in organising students, but the teaching methods are tough and the students are not integrated in the decision-making process (194 students, meaning 92% of the respondents;
- All the students agreed that there are professors better communicators than others, but not all of the open to dialog, mainly because of their time. They suggest to meet the students other time and there is never enough time for open dialog (62 students, meaning 30 % of the respondents);
- Only 80 students would feel free to discuss with some professors about their life goals, meaning only 38 % of the respondents;
- Only 27 % (57 students) have identified life models among professors.

The research can be developed furthermore, in the process of understanding the differences between undergraduate and graduate students. At the same time, professors should be integrated in a future research to see how much the answers match.

In conclusion, leadership affects directly the coaching process. In higher education institutions, there is room for coaching developing. Leadership is not enough for a better students' understanding, listening and guiding.

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Talent Management in the Age of Globalization

~ Ph. D. Professor **Paul Marinescu** (University of Bucharest, Faculty of Business and Administration, Romania)

E-mail: paulmarinescu1@gmail.com

~ Ph. D. Professor **Sorin-George Toma** (University of Bucharest, Faculty of Business and Administration, Romania)

E-mail: tomagsorin62@yahoo.com

~ Ph. D. Assist. **Ionuț Constantin** (University of Bucharest, Faculty of Business and Administration, Romania)

E-mail: ionut.constantin@drept.unibuc.ro

Abstract: Talent management could be defined currently as „all the systems and processes that enable a company to attract, develop and retain employees with highly qualified” but given different interpretations we observe that „talent management” has a different meaning for each company. Some organizations aim to manage talent throughout the company, while others are just managing employees with high potential. [3] Talent management is applied differently from one organization to another depending on the type and stage of development where they are. Approaches to this subject differ so greatly from one company to another, that a process for some is “nice to have”, and for others it is a process having a significant impact in business. Yet top companies have created worldwide selection networks through which talented people

are recruited to be hired within such (Facebook, Google, Microsoft, Samsung, etc.). The budgets meant for identifying people with high potential are especially generous and therefore these companies have long-term collaboration with universities in various countries. It is true that talented people have a few areas in which they excel and companies need to support them to develop these skills/competencies but at the same time, they have to „cultivate“ also their social skills in order to integrate into organization and thus to help them but also the organization to develop harmoniously and be permanently competitive.

Keywords: Talent, organization

JEL Classification: M11, M12, M14, M54

Introduction:

Talent management means strategic approach to human capital, focusing efforts and resources on people with great potential for the organization to achieve its objectives and gain a decisive competitive advantage. [2] A Talent Management strategy positions the „right man in the right place“ to manage synchronization of individual interests with the interests of the organization but also with market requirements.

The organizational context that we create the essence of highlighting the talents that may have a significantly higher productivity than regular staff. According to Corporate Executive Board a gifted man can have a productivity of up to 12 times higher than an ordinary employee and therefore will enjoy all the attention the organization. Innovative and modular programs can generate fast results for developing a strong and stable leadership.[8] Design of selection processes rigorous and objective, creating contexts in which learning and knowledge are profound and tailored organizational context individually preparation of developer talent and not ultimately discover their talents, here are some priorities for organizations who want to achieve true performance. “Talents” are

employees with outstanding performance and potential to occupy positions of leadership. They include: future line managers, department managers, vice presidents or general managers.[1]

Organizations that think at the future, prepare today the leaders and specialists for tomorrow’s high class. Given the fact that the potential means commitment, motivation and skill is essential that people with the potential to capitalize organization, believe in its mission and values, value to the organization, prestige and recognition.[9] Specialists in recruitment and selection should take into account that a man with great potential may possess innate or learned abilities: intellectual skills (cognitive), desire for continuous improvement and the disposition to achieve excellence, high degree of empathy, self-knowledge ability, self-confidence, strength to objectively analyze complex situations but also the inner strength to cope with difficult situations. [4]

Talent Management in the Age of Globalization

Today’s economy is in a dynamic paradigm both for the people and for the organizations perspective. The last years of changes

and economic turmoil, have shed more light for Romanian adage „man sanctifies the place”. Talents represents key element that make a business to be profitable, sustainable or not. Even if it's about entry level positions, middle or top management, highly specialized or less specialized jobs, talent management is a critical process in any organization. The need to attract talent must be synchronized with a recruitment and selection measures that can help to identify, attract and not least to prepare their nursery of talent.

Talent management at company level requires the existence of a schedule for identifying the genuine performers and those below standard, identifying strengths and areas for improvement in the context of the role of each team member. Even then if a employee is deficient in performance scores, it is best to examine the supervisor and self-evaluation scores. The discrepancies between the scores from these two evaluations can give us clues regarding the root of the employee's deficiencies.[10] Identifying and training talent, developing the right people for management positions are real challenges for companies in the era of globalization.

Selection processes and talent development bring measurable extra value and have a significant financial impact in helping organizations to lower personnel fluctuation, improving company image, increase sales, improve leadership, creating a strong culture oriented to performance.[2] Performance and employee's compatibility with job requirements and organizational culture can define concrete directions, pragmatic development facilitating the improvement of talent management programs.

Orientation towards excellence and talent management are two commandments

for performing firms in the global society. Excellence means both supporting each employee to capitalize and maximize potential, and also to attract and retain those with outstanding skills.

A talent management system involves several steps:

1. Define objectives of the company (analysis, evaluation, control stations and improving content evolution station);
2. Creation and continuous optimization of instruments for evaluating (defining the essential competencies for each position, performance evaluation methods, methods for measuring the evolution of an employee);
3. Create / adapt tools for assessing training (technical or non-technical) and coaching (individual or teams) needs;
4. Individual assessment correlated with specific activity for each employee;
5. Data analysis and decision making correct. Talent management are important in several directions that will ensure the coherent development staff.

Creating HR policies consistent with the organizational environment, the development of personalized approaches for company employees, ensuring consistency and compatibility in selecting, evolution and personnel maintenance strategies are prerequisites for success in such an endeavor.

We believe that human resources dedicated software allows HR professionals to have access to information about each employee being able to act quickly and take appropriate measures to any situation. Experts say that employer branding establishes the relationship between a person and organization that it provides benefits in exchange for competence, capacity and experience of the employee brings to the organization.[7] To

improve performance as a top employer, an organization must integrate employer brand strategy with general business planning cycle and establish clear guidelines for leaders who are responsible for implementing the measures.

„Competency-motivation congruence awareness is defined as the ability of a firm to focus on balancing the degree of the potential in individuals and how to influence what others are motivated to do, such as by high pay or, a challenging task. Competency is one of the important characteristics the organization needs”. [6] Talent management is manifested by a total adaptation to new because the challenges of a turbulent economic environment are increasingly larger and require finding creative and innovative solutions while the survival of organizations in the knowledge society is conditioned on the ability to adapt and this involves attracting and maintaining employees who have great potential. Large international companies are looking for ways to loyalty including top employees.

Globalization will play a strong role in defining the relationship between employee and company for this reality represents in terms of the IMF “increase in economic interdependence of countries worldwide through increasing volume and variety of transactions of goods and services across borders, the flow of international capital more freely and more quickly, and a broader diffusion of technology “ and according to the vision of the World Bank:” freedom and ability of individuals and firms to initiate volunteer economic transactions with residents of other countries “. [5] These two perspectives

demonstrate that in the era of globalization tendency to attract gifted people will increase leading to fierce competition in the overqualified labor market. By analyzing this market we can see that there will be a intense absorption phenomenon of labor with a tendency to excessive motivation and sometimes that can lead to social problems.

As stated by Wu et al, in this globalization era, it is deemed essential for a developing country to prepare the knowledge-based economic era in higher educational institution to generate resource and strengthen the better educational quality. Also, The organization of higher educational institution in implementing the strategy of talent management must develop a set of focused and integrated practice that resulted in a measured output. [11] Information technology revolution, economic globalization, the rapid spread of information that dissolves tradition and customs, integration of national economies into world markets, the transition from high volume „ economy “to the” high value, end of bipolarity between capitalism and socialism about costs production, and, not least setting up new economic blocs redefines the importance of selecting talents globally. From this perspective, distances will disappear while global networks will play a unifying role and assembler. Exchange of information and economy unhampered worldwide without any barrier and without the influence of politics, free play of market power will lead to the use of labor overqualified „across borders” for the development of global financial markets, increasing transnational corporations and their dominance over national economies will require another way of enhancing human resources.

Conclusions

The globalization of information and culture, the spread of television, Internet and other forms of communication, increasing mobility for greater commercialization of ideas can become solutions for reducing disparities separating the world today, in other words, a chance to remove barriers between the rich and the poor. Talent Management can help to decrease these differences.

Facilitating access to least developed countries and advanced management technologies can provide conditions for development of gifted children in these countries. There is a risk of attracting talents in centres of excellence established in large corporations without offering economic advantages to the countries from which they come. It can thus reach a misallocation of resources between private and public goods, between rich and poor countries.

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Leadership in XXI Century

~ Ph. D. Assist. **Cătălin Grădinaru** (*University of Bucharest, Faculty of Business and Administration, Romania*)

E-mail: gradinarubusiness@gmail.com

Abstract: Current leadership is different from the one belonging to the last century's society, and in the future, it will certainly be different from today. The difference is not one that relates to the philosophy and physiognomy of shape, but one that is structured on the philosophy of science dynamism and the complexity of social, economic, financial, informational and cognitive dynamics. In an open society, in which general management and even educational management move significantly towards complexity, leadership too will embody forms and formulas that take a leader out of traditional form of leader-hero, virile and good at everything, loved and followed, in favor of a teammate leader, a node network leader, one who will play a creative, innovative and distributive role, a cognitive and universal leader. This change of philosophy and physiognomy towards the creation of creation and innovation, towards knowing, encouraging and protecting those that step outside their limits, is what I consider as one of the fundamental characteristics of the leadership of the century that we just stepped into.

Keywords: leader, leadership; management; present, future

Introduction

Abraham Zaleznik, Professor Emeritus at Harvard Business School (Department of leadership), wrote in an article ("Managers and Leaders: are they different?"), that the manager is the one who leads by rationality and calculation, while the leader uses inspiration and enthusiasm.¹ Weber, on this side of the European continent, also reveals the contrast between the charismatic leader, very modern when it comes to presence and performance, but with ancient roots, and the bureaucrat, which is characterized by rationality. At one of the questions, being asked about a leader's qualities, Yves Cohen cited what a monarchical told Harvard students in 1907: "You are and will be leaders!" Some will always say that only certain people can be chiefs, whilst others would say that all people can be bosses. Yves Cohen refers to Mary P. Follett, showing that the leadership issue under the terms of our current era management related to our "law of situation" pertaining to mutual consultation centered on various skills. Alfred Pritchard Sloan talks of the system's power in relation to individuals' activity; others talk about the power of great leaders. However, you cannot become a great leader, a Napoleon or Louis Renault, Ford or ONE if you do not break the limits.

1. Professionalization of management, leadership depoliticizing

XXIst century leadership relates to a specific management of this period, one with an increasingly openness to globalization,

¹ Le chef, une figure du XX e siècle, par Yves Cohen, <https://www.cairn.info/revue-le-journal-de-l-ecole-de-paris-du-management-2012-3-page-16.htm>

towards universal. This does not mean that such a management system crushes individuality and personality, but that all of them - from the individual to the community, from the firm to big economic, financial, political, informational, networks etc. exist both in an individual dimension, private and national, but also in a regional and especially global one.

Gary Hamel, the famous strategic management professor at Harvard University, reveals no less than 15 management principles of the XXIst century²:

1. A management that integrates the ideas of community and citizenship;
2. Removing the pathology of hierarchical formalism;
3. The preeminence of trust and not fear;
4. Reinventing control instruments;
5. Redefining the leadership function;
6. The extension and full exploitation of diversity of teams;
7. Recomposing the organization in small units;
8. Creating the conditions for everyone to participate in choosing directions;
9. Activating a democracy of information;
10. Protecting the rebels;
11. Expanding the space of autonomy of workers;
12. Creating internal market of ideas, talents and other resources;
13. Depoliticizing decision-making processes;
14. The emergence of communities of passions;
15. Reconfiguring management, so that it can be inserted in an open world.

² 15 caractéristiques du management du 21ème siècle, <http://www.entrepriseglobale.biz/2010/06/15/caracteristiques-management-futur-ouvert-global>

Of course, these are debatable because, like any principles, they have a high degree of generality. It is true that human society is heading with rather rushed steps - quite too fast, sometimes artificially accelerated - towards a globalization process, but such a process can only be effective when the identities that are globalizing will reach that stage of development as to permit effective access to this level. In other words, to be plausible (real) and efficient, integral globalization, even if it is gradual and processual, it is only possible when identities that are globalizing reach the limit of competence and adequate systemic and procedural functionality. For them to survive they must accept integration or simply disappear. Even if such a claim should be taken in its complexity, there is no doubt that there is no return to what has been before; it must be said, however, that all 15 principles reveal, in one way or another, the likeliness of how management will look in the future.

Also, each of these principles is quite transparent in meaning - as, incidentally, must every principle be - and therefore, the following are not certainties, but possible reflections of the new type of management of

a society approaching its most general form and, as such, a new kind of division, as a society that is unable to multiply, to de-multiply, to model and to reprocess will not be able to generate that energy it needs. Therefore, it will enter a type implosion specific to a star that has lost nuclear energy and draws itself on itself (due to autogravitation), until it becomes a black hole. And the black hole - as it happens in the universe - will continue to draw itself until it disappears, turning into pure quanta which are no longer of any former stars or black hole, of Universe.

I have mentioned all the above, since understanding leadership in the XXIst century fails within the processuality of a managerial becoming - expressed, in conclusion - and through these 15 principles (but also through others that are not addressed in this article).

2. A leadership of complexity and unpredictability

Starting from these 15 management principles of the XXIst century, it is probable that the qualities of leaders and, therefore, the associated leadership may be expressed briefly as such:

	Characteristics of the XXIst century management	Characteristics of the XXIst century leaders
1	<i>A management that integrates the ideas of community and citizenship</i>	<i>The capability of not being a partisan or representative of the community or citizenship, but a representative of a management centered on effect</i>
2	<i>Removing the pathology of hierarchical formalism</i>	<i>Able to replace authoritarian hierarchical formalism with a consonant relational network system, in which the leader is a network node and not a (higher or lower) decision-maker boss in an authoritarian or democratic hierarchy</i>

3	<i>The preeminence of trust and not fear</i>	<i>The ability to cultivate and use trust as a system and process function. It is not fear of sanction that is the functional core, but confidence in people and their ability. In this case, leadership is one based on trust and not one based on constraints</i>
4	<i>Reinventing control instruments</i>	<i>The leader manages the feedback and interoperability relationship, involving an integrated control, of an implicit type, intrinsic to the system and process</i>
5	<i>Redefining the leadership function</i>	<i>From charismatic, intelligent, heroic, powerful and legendary, to architect, builder and engineer of the system and process</i>
6	<i>The extension and full exploitation of diversity of teams</i>	<i>The ability to encourage and give disagreements, differences and diversities to generate not consensus, but the optimum. The leader must be able to ensure the optimization of diversity and not uniqueness.</i>
7	<i>Recomposing the organization in small units, so that each one would be inventive and innovative</i>	<i>The capability to contribute to optimal system division so that each identity would generate maximum efficiency</i>
8	<i>Creating the conditions for everyone to participate in choosing directions</i>	<i>The capability to put into practice and to capitalize the capacity and capability of each team member</i>
9	<i>Activating a democracy of information (cognitive democracy)</i>	<i>The capability to harness information and transform it into cognition and cognitive heritage, namely that of generating value</i>
10	<i>Protecting the rebels</i>	<i>The capability to encourage and harness, in the benefit of the enterprise / organization, the rebels' nonconformism and, therefore, their innovative ideas that collapse the systems' boundaries, as managerial performance cannot be obtained within limits, restrictions, but in courage, freedom, assumed responsibility and boldness</i>
11	<i>Expanding the space of autonomy of workers</i>	<i>The capability to understand and promote the principle of extensible autonomy based on the competence of employees</i>
12	<i>Creating internal market of ideas, talents and other resources</i>	<i>The capability to generate, in the banks and markets of ideas, methods and ways of attracting ideas, talents and resources, and also of maintaining an optimal trend</i>
13	<i>Depoliticizing decision-making processes</i>	<i>Depoliticizing the leader, even if, as a rule, the decision belongs to the political level, the leader must emerge from this (conflictual) level sidedness and unite the side of politics that is not conflictual with the strategic level, thus evading the politicianist passion, for the benefit of useful and effective strategic reason.</i>
14	<i>The emergence of communities of passions</i>	<i>The leader of the XXIst century does not step out of passion, love for people and a job well done and he generates a generous support of broadening the communities of enthusiasts of their profession, creation and innovation</i>
15	<i>Reconfiguring management, so that it can be inserted in an open world</i>	<i>In the XXIst century, the gap between leader and manager shrinks, so as modern leader will contribute substantially to the synergetic merger between its informal and formal dimension into a new concept, in a new emerging universe, contributing to management transformation.</i>

In this new context, it is also necessary, of course, to redefine the leader's position. There is still relevance to a leader's image of one that a crowd enthusiastically follows, of a leader both informal and formal, highly intelligent, resourceful, who can act as the one that can integrate "the elements that shape the image of the institution", ¹ one who drives a business, who can turn anything into money, who has cachet and is highly regarded by his superiors, who always finds a solution, who can handle this tangled web of networks, who know and does everything but mostly what needs to be done and then how it should be done.

Conclusions

1. These realities, trends and forecasts of management reconfiguration so that it would be useful to an open society, specific to the globalization era, do not evolve in a linear manner and, therefore, predictable, but in a very dynamic and complex way. Their evolution can be restrictive, temporizing, confrontational and extremely complicated, with planned and rigorous processualities or, conversely, with intricate, nonlinear and even unpredictable developments, that can lead to chaotic or even catastrophic effects, such as major disasters or world wars. That is why, the management of a society evolving from closed to open, from consumption to knowledge, looks like a river overflowing after the bursting of a dam, where almost everything is changing, including traditional leadership. It has to become – from an already established one, praised in immortal works and confirmed over hundreds of years, a leadership of complexity and unpredictability

characteristic to great (market) outlets and huge economic, politic, social, and cognitive information outpours.

2. The leader of a society based on networks, information, cognition and cognition civilization can no longer be a privileged, chosen one, prince, hero, superhero, a Jack of all trades, innovative and resourceful, loved and followed by his team. The leader of the times to come will be a kind of network node with complex functions, a team player and member, connected and interconnected in a system and a process, with local, general and universal determinations, a core capable of handling interoperability, stimulate creation, optimism, confidence, competition in a dynamic and complex determinism, with many unpredictable developments and an acute need of knowledge, innovation and technology and (information) knowledge transfer.

3. In the new society, open to all horizons, the leader is not only a commander who says "Do like me!" Or "Follow me, Forward!", he is not, unfortunately, A (AN), but a distribution wheel in the system, an important neuron in the world of billions of neurons that have no homeland, no gene, but carefully flow passing through economic, financial, social, informational and cognitive synapses, with the great mission of optimizing this processuality and generating planned effects.

4. We do not know whether this kind of leadership specific of this century, will or will not be useful to any country, civilization of the ones we know, but certainly it will be one of the essential characteristics of the open society from this long process of globalization, companies, firms and corporations of all kinds, educational systems everywhere, given that the Earth has already started to build a new type of civilization, the civilization of knowledge.

¹ Corina Rădulescu, *Imaginea instituției publice*, Editura Universitară, București, 2015, P.139, ISBN 978-606-28-0264-6

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Carlos Ghosn, A Leader Par Excellence

~ Ph. D. Professor **Sorin-George Toma** (*University of Bucharest, Faculty of Business and Administration, Romania*)

E-mail: tomagsorin62@yahoo.com

~ Ph. D. Professor **Paul Marinescu** (*University of Bucharest, Faculty of Business and Administration, Romania*)

E-mail: paulmarinescu1@gmail.com

~ Ph. D. Assist. **Ionuț Constantin** (*University of Bucharest, Faculty of Business and Administration, Romania*)

E-mail: ionut.constantin@drept.unibuc.ro

Abstract: Leadership has become a major topic in various domains such as sociology, political science, psychology, history, management or business for several decades and has spawned a huge number of empirical and conceptual researches. Today's challenging and turbulent times require more than ever authentic and strong leaders both at the micro and macro level. The aims of the paper are to briefly define the concepts of leadership and leader, and to present the case of Carlos Ghosn, the chairman and chief executive officer of the Renault-Nissan Alliance. Since the beginning of his professional career, Ghosn has proved to be a leader par excellence. Our research is based on a literature review.

Keywords: leader, leadership, Carlos Ghosn, Renault-Nissan Alliance

JEL Classification: M10

1. Introduction

As one the world's oldest preoccupations (Bass, 1990; Wren, 2007), leadership represents a complex phenomenon. During its history the human society has relied heavily on political, military, economic and social leadership in order to function effectively (King et al., 2009). Today's challenging and turbulent times require more than ever authentic and strong leaders both at the micro and macro level.

Leadership has become a major topic in various domains such as sociology, political science, psychology, history, management or business for several decades and has spawned a huge number of empirical and conceptual researches. Despite this level of effort, however, there is a lack of an integrated understanding of leadership as many parts of this vast body of literature still appear disconnected (Zaccaro and Klimoski, 2001).

The last decades have witnessed the expansion of a fierce competition at a global level in all industries. One of the most dynamic and highly competitive industries is the automotive industry. A plethora of forces (e.g., digitalization, automation, self-driving, ecomobility) has given rise to four key "disruptive technology-driven trends in the automotive sector: diverse mobility, autonomous driving, electrification, and connectivity" (Gao et al., 2016, p. 1). In order to cope with the accelerated pace of change the automotive companies all over the world have understood the need for high-performance leaders capable of both adjusting the organizational structures (Hirsh et al., 2016), and designing, implementing and developing new and innovative business strategies and models (KPMG, 2016). In this respect the

leaders of automakers have to continuously reinvent their companies to meet the numerous challenges of a new global automotive landscape (Deloitte Touche Tohmatsu, 2009; Stanley and Gyimesi, 2015).

The aims of the paper are to briefly define the concepts of leadership and leader, and to present the case of Carlos Ghosn, the chairman and chief executive officer of the Renault-Nissan Alliance. The research is based on a literature review.

The paper is divided in three sections. The next section presents the theoretical framework. The third section emphasizes the main characteristics of one of the most admired leaders in the automotive industry. The paper ends with conclusions.

2. Theoretical framework

The importance of the concepts of leadership and leader has been generally accepted in the business world and in the academic environment. There is a vast body of literature concerning the two terms and there are also many definitions of them, but none is universally recognized. Leadership is defined as:

- "a dynamic process in a group whereby one individual influences the others to contribute voluntarily to the achievement of group tasks in a given situation" (Cole, 1990, p. 215).

- "the ability to inspire other people to work together as a team, following your lead, in order to attain a common objective, whether in business, in politics, in war, or on the football field" (Geneen, 1998, p. 4).

- "influencing others to work willingly toward achieving objectives" (Dessler, 2001, p. 291).

• “a quality that enables a person to manage or administers others” (Collin, 2007, p. 229).

The above mentioned definitions show that leadership represents a complex concept. Firstly, leadership is a dynamic process. Secondly, it highlights the fundamental role played by leader who influence and guide other people towards achieving the goals of the group/organization. A leader is “someone who takes us elsewhere or causes us to do otherwise” (Galvin, 2000, p. 56-57), “a person who manages or directs others” (Collin, 2007, p. 228) or “one who influences others to attain goals” (Bateman and Snell, 2007, p. 394). Some of the most important features and behaviours (Table 1) of leaders are the following (Bennis and Nanus, 1985; Barnard, 1998; Segil, 2002; Dietz et al., 2004; Avolio and Gardner, 2005; Spillane, 2005; Sendjaya et al., 2008; Bennis, 2009a; Bennis, 2009b; Rondinelli and Heffron, 2009):

- have vision;
- conquer the context;
- show vitality and endurance;
- are honest and responsible people;

• are skilled and persuasive communicators;

• have the ability to influence, inspire and mobilize others;

• seek to empower and elevate followers;

• posses a high intellectual capacity;

• make their authentic selves (e.g., values, motives, goals) transparent to followers;

• act in situations that are defined by others’ actions;

• are able to express themselves fully;

• show their consistency of purpose;

• are trustworthy;

• innovate;

• are self-confident;

• identify and fully utilize their strengths;

• are original;

• develop their organizations;

• focus on people;

• ask what and why;

• have their eyes on the horizon;

• challenge the status quo;

• do the right things.

Table 1. Top kinds of leadership behaviour

1.	Be supportive
2.	Champion desired change
3.	Clarify objectives, rewards, and consequences
4.	Communicate prolifically and enthusiastically
5.	Develop others
6.	Develop and share a collective mission
7.	Differentiate among followers
8.	Facilitate group collaboration
9.	Foster mutual respect
10.	Give praise
11.	Keep group organized and on task
12.	Make quality decisions

13.	Motivate and bring out best in others
14.	Offer a critical perspective
15.	Operate with strong results orientation
16.	Recover positively from failures
17.	Remain composed and confident in uncertainty
18.	Role model organizational values
19.	Seek different perspectives
20.	Solve problems effectively

Source: Feser et al., 2015

In sum, the concept of leader proves to be a multidimensional concept that highlights its key characteristics such as integrity, empowerment, vision, responsibility or creativity. In this respect, Carlos Ghosn represents a valuable example.

3. Carlos Ghosn and leadership

Carlos Ghosn was born on March 9, 1954, in Porto Velho (Brazil), the capital city of Rondonia, near the border of Bolivia. In that time, the living conditions in the city were poor because of humidity, warmth, piranhas and mosquitoes. The water had to be boiled before people drank it. Most of the people did not earn enough money to live in a decent manner.

At the turn of the twentieth century, Bichara Ghosn (Carlos's grandfather) emigrated from Lebanon to Brazil at the age of thirteen. In the beginning he worked at different jobs to survive. Later, he opened a small store and sold the agricultural products of the local farmers. Determination, focus and a constructive attitude helped Bichara to become a successful small entrepreneur (Rivas-Micoud and Carvell, 2007). He expanded his business and began to sell the products

to other parts of Brazil and to neighboring countries. After the end of the World War II, Bichara was appointed consultant for the airline companies by the Brazilian government. He died in the early 1950s before the birth of Carlos. His son, Jorge, married a Nigerian-born woman from Lebanon.

At the age of two, Carlos drank unsanitary water and became terribly ill. As the doctor recommended his parents to leave Porto Velho, they decided to move to Rio de Janeiro. As Carlos did not fully recover after his near fatal illness, his mother took him and his sister and moved to Beirut (Lebanon). His father remained to work in Brazil.

Carlos completed his first ten years of education at Collège Notre-Dame de Jamhour, a Jesuit school. From an early age, he proved to be a competitive student. He was organized and focused, and worked hard at home in order to complete all his tasks. As Jesuits encouraged hard working and serious students, Carlos understood the importance of a favorable and stimulating school environment. He enjoyed going to school and learned a lot from his teachers. One of his favorite teachers was Father Langrovoles who had the ability to excite his curiosity, to explain in a simple way and to make him to

listen first and then think (Rivas-Micoud and Carvell, 2007).

As Carlos got high marks in high school, he decided to go to the best French universities. He then completed his classes préparatoires at the Collège Stanislas and the Lycée Saint-Louis de Paris. Later, Carlos earned degrees from the École Polytechnique and the École des Mines de Paris, two highly esteemed French engineering schools (Stahl and Brannen, 2013). During his studies, he lived in the Quartier Latin and, therefore, he took part in academic conferences, visited museums and art galleries, and met foreign students.

In 1978, Carlos was employed by Michelin, the largest European tire maker. He worked there for eighteen years. Carlos started his professional career on the shop floor, wore a blue uniform, met the workers and managers, and got acquainted with the machines and equipments. In a short period of time, he was promoted as a supervisor. Carlos talked permanently with the workers, encouraged and motivated them. He continued to advance in his career and was appointed plant manager in Le Puy (France) although he was the youngest person of the factory.

The management of Michelin quickly remarked his leadership skills. At the age of thirty, Carlos was dispatched as chief operating officer to Michelin Brazil who encountered serious problems and lost money during the economic crisis from the mid 1980s. He regularly visited the factories and discussed with managers, labor unions and workers. In order to reduce the company's debt, Carlos created cross-functional teams, understood the need to think quickly and make accurate decisions, and learned the

value of patience (Rivas-Micoud and Carvell, 2007). In less than three years, Michelin Brazil transformed itself into one of the most successful subsidiaries of the French giant.

Carlos was sent to the United States of America as the chief executive officer of the Michelin's North American unit. After the acquisition of Uniroyal-Goodrich Tire Company, Carlos had to combine two different corporate cultures. He succeeded in restructuring the American subsidiary and the Brazilian, French-educated engineer demonstrated once again his leadership genius.

His abilities in transforming troubled businesses into successful ones caught the attention of Louis Schweitzer, the president of Renault (Stahl and Brannen, 2013). The French automaker recruited Carlos who became number two in the company. He immediately drafted a restructuring plan that "brought the French carmaker back into the black" (Davidson, 2009, p. 269).

The Renault-Nissan Alliance emerged at the end of the 1990s. In 1999, Renault took 36.8 % equity stake and corresponding voting rights in Nissan Motor Company and, later, Nissan took 15 % of Renault. Nissan's huge indebtedness raised big problems to Renault. Carlos was appointed chief operations officer of Nissan and he launched the Nissan Revival Plan in October 1999. By using the financial and managerial resources provided by the French automaker Nissan returned to profitability in 2001. Ghosn got the nicknames "le cost killer" and "Mr. Fix It". Today, he is chairman and chief executive officer of the Renault-Nissan Alliance. Under his leadership, Renault-Nissan holds the fourth place in the global automotive industry.

Since the beginning of his professional career, Carlos Ghosn has proved to be a

leader par excellence. This statement is based on the following explanations:

- Ghosn's leadership is built on five fundamental principles (Rivas-Micoud, 2007):

- I. clear vision.

- II. goals and commitment.

- III. transparency.

- IV. valuable marketing and catching products.

- V. results-oriented management.

- He has shared his vision with the employees. Ghosn has appealed to people's values and made them understand what he wanted. He has succeeded in turning complex problems into terms easy for every employee to understand. He has been a living example of the values he believes in such as integrity and hard working.

- Ghosn has always challenged the conventional beliefs and practices, and provoked change. He created cross functional teams comprising people from different departments of the company to work together and solve problems. Also, he has leveraged the cultural diversity as a source of learning, innovation and synergy.

- He has respected, encouraged and motivated people permanently. He has shown appreciation and provided rewards to the best employees.

- Ghosn has shown great vitality. He has always been a hard working person nicknamed "Mr. 7/11". Also, he has traveled extensively and visited his companies' major subsidiaries.

- He has proved an exceptional ability to think both tactically and strategically in opposite sides of the world.

This is why Ghosn is renowned as the "leader without borders" or the "quintessential global executive" (Stahl and Brannen, 2013).

Conclusions

In the last decades, leadership and leader have been two of the most debated concepts in the business literature. The paper provides the theoretical framework to better understand the meaning of the two concepts. It also shows that they are complex and inter-related concepts.

In today's competitive business world companies need strong leadership. This is why high-performance leaders are vital for any successful business in order to cope with an unpredictable environment. The paper demonstrates that the prosperity attained by the Renault-Nissan Alliance owes much to his chairman and chief executive officer, Carlos Ghosn, a leader par excellence.

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New Ways To Improve Business Management.

Facebook Graph, A Search Tool That Uses Artificial Intelligence.

~ Ph. D. Cosmin Cătălin Olteanu (University of Bucharest, Faculty of Business and Administration, Romania)

E-mail: contact@olteanucosmin.ro

Abstract: The main purpose of the paper is to illustrate the importance of the new neural networks improvements for artificial intelligence, in the help of building new ways of management of employees and new ways of marketing strategies. Artificial Intelligence helps understand the need of the customer and to deliver what he really wants. Facebook Graph is a search tool that can be used also by company's employees to improve their strategies of personnel and marketing.

Key words: facebook graph, artificial intelligence, new ways of search engines, search engines AI

If we wake up in the morning or we are walking on the street, we will see that everyone use gadgets and all sort of technology in order to be up-to-date with news or to tell someone else about them. We are all using all sort of applications and social media portals to be connected to our friends.

Facebook is the biggest social media portal, a social network started in 2006 where you make friends and where you are connected with your friends by posts, photos, movies etc. You are connected by everything you want to share.

Since 2013, a new way of indexing and delivering the searching requests has been

implemented to Facebook. Two former employees of Google, Lars Rasmussen and Tom Stocky, have delivered a new functionality called Facebook Graph that replaced the old, traditional Facebook search engine function.

"Facebook Graph Search is a semantic search engine that was introduced by Facebook in March 2013. It was designed to give answers to user natural language queries rather than a list of links. The Graph Search feature combined the big data acquired from its over one billion users and external data into a search engine providing user-specific search results"¹.

¹ Source: Wikipedia : https://en.wikipedia.org/wiki/Facebook_Graph_Search

Fig. 1 Facebook AI



http://2.bp.blogspot.com/-Iz0cVPZh--c/UnucGlbMynI/AAAAAAAAAWEk/PpN2jmjRNOo/s640/facebook_AI.png

"Semantic search seeks to improve search accuracy by understanding the searcher's intent and the contextual meaning of terms as they appear in the searchable dataspace, whether on the Web or within a closed system, to generate more relevant results. Semantic search systems consider various points including context of search, location, intent, variation of words, synonyms, generalized and specialized queries, concept matching and natural language queries to

provide relevant search result"².

The new neural networks rules developed by Lars Rasmussen and Tom Stocky have evolved into a complex system where searching is the result of understanding.

Everything you posts on Facebook is indexed and processed through the learning engine. This way, new concepts of you, of your behavior, of your likes and dislikes is

² Source: <https://www.revolvy.com/main/index.php?s=Semantic%20search>

recorded and learned.

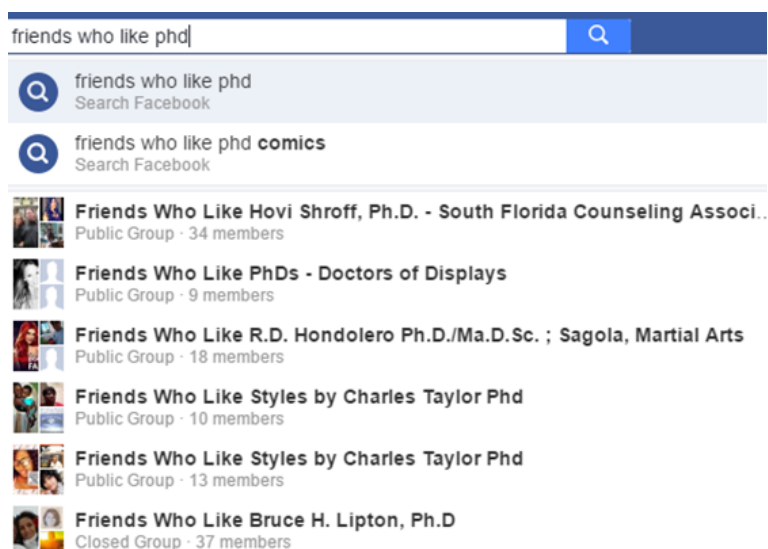
There are even public institutions, public persons, companies with their own pages, where they post a lot of information, photos, movies etc. based on a detailed marketing and communication plan³. On Facebook you

³ Rădulescu, Corina. „THE PUBLIC IMAGE-FACETS AND STAGES IN ITS CREATION.” Lex ET Scientia International Journal (LESIJ) XVIII-2 (2011): 268-282.

can target any person in the world older than 14... THAT'S A HUGE OPPORTUNITY

As a usual user, more than 70% hasn't got a clue that the search tab is more powerful than ever. You can do a lot of things with that option (fig 2). For example you may find out all your friends or groups who like PHD.

Fig. 2 Facebook Search Graph



Moreover, you can find out all the photos of your friends who were in a public place or location: “photos of friends visited universitatea din bucuresti”

But, what about information for the business sector?

How do we find which “interests” to target? How can we find if we have

some paths to deliver our secrets to our competition?

Facebook Graph search have already indexed everything and can deliver what we want.

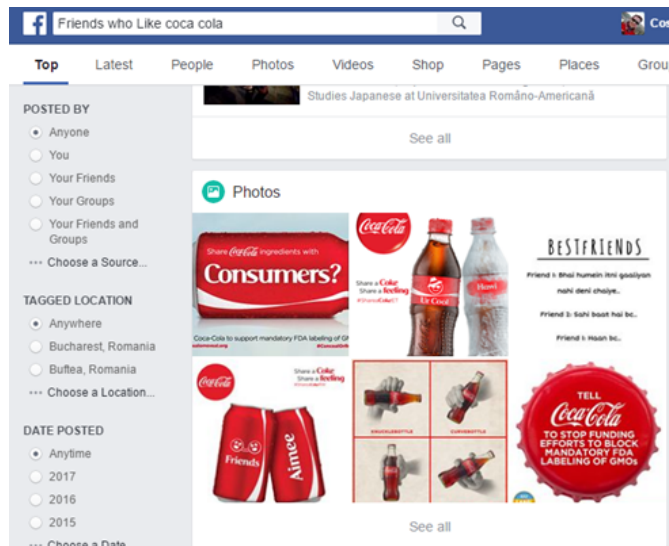
For instance we can find out all our friends who liked our competition page or are friends with competition employees .

“Friends who Like Competition Name/
Competition Employees”

“Photos of Friends who Like
Competition Name/Competition Employees”

You have to notice that like is written with capital L. That means that the search return every click on the like button of your friends, no matter if there are posts, photos , videos etc. (fig 3).

Fig. 3 Facebook Search Graph: Friends who Like Coca Cola



If the Human Resource employees can see what employees from our company are friends with persons from our competition, or even more, are hanging out together, they better talk with the employee to see if he wants to move forward to competition or the secrets of company are safe.

There are a lot of search methods to find out all kind of information. You can even find out people who are, for example, Apple employees who are friends with the ones at Microsoft.

“Apple employees who are friends with people at Microsoft”

Or maybe you just want to find out people that are not your friends and who like a certain product or service from competition

and you want to target them in your future marketing campaigns.

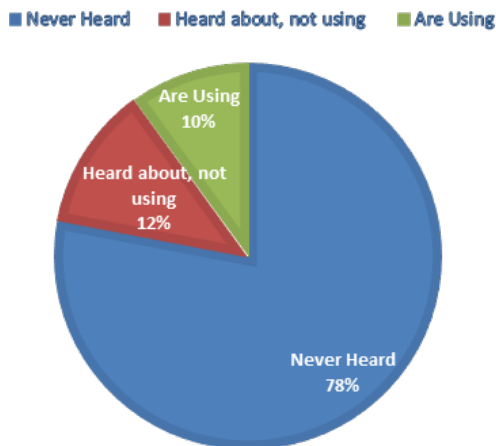
“People who are not my friend who like brand name “

For targeting, Facebook Graph is limitless. You can even find out people who like a brand and more, you can extrapolate to a specific location. This way you can determine a very narrow group of people for your future promotions, campaigns etc.

“People who like brand name and live in a specific location”

In order to see if companies use Facebook Graph Search in Romania, I have made a survey of 342 people from different companies and areas like resource management employees, marketing specialists etc. and the results are the flowing:

Fig. 4 Facebook Graph Search in Romania



The results show us that the Facebook Graph Search is still not used by professionals even it was implemented since 2013, but the opportunity is huge and in near future I think, more and more employees will use this functionality in order to improve their marketing or communication campaigns.

Conclusions

The AI functions implemented in social networks can be a real help for individuals

and for professionals. These networks are learning from us continuously and we can use them for personal use or for business one to improve our methods of delivering the right information, on the right time, to the right persons. Remember that online marketing is about one to one communication and this means to find the right way to deliver your information to every person that is part of your campaign target group.

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Europe's Common Agricultural Policy (CAP) in the Context of Business Environment Specificities and Economic Integration

~ Ph. D. Professor **Gheorghe N. Popescu** (*The Bucharest University of Economic Studies, Bucharest, Romania; PhD. Supervisor at the Accounting Doctoral School at The Bucharest University of Economic Studies, Bucharest, Romania*)

E-mail: popescu_gh_cafr@yahoo.com

~ Ph. D. Associate Professor **Veronica Adriana Popescu** (*The Bucharest University of Economic Studies, Bucharest, Romania; Commercial Academy of Satu-Mare, Satu-Mare, Romania*)

E-mail: popescu_va@yahoo.com

~ Ph. D. Associate Professor Habil. **Cristina Raluca Gh. Popescu** (*University of Bucharest, Bucharest, Romania; The Bucharest University of Economic Studies, Bucharest, Romania; PhD. Supervisor at the Economic I Doctoral School at The Bucharest University of Economic Studies, Bucharest, Romania*)

E-mail: popescu_cr@yahoo.com

Abstract: The study „Europe's Common Agricultural Policy (CAP) in the Context of Business Environment Specificities and Economic Integration” is focused on presenting: business environment's role in the context of economic integration, in correlation with competition, globalization, economic growth and sustainable development, the economic integration and the role of the European Union at an international level, Europe's Common Agricultural Policy (CAP) and sustainable development and Europe's Common Agricultural Policy (CAP) future with predictions and perspectives for 2020 and 2030.

Key words: Europe's Common Agricultural Policy (CAP), Business Environment, Economic Integration, competition, globalization, economic growth, sustainable development

Introduction

The study acknowledges business environment's role in the context of economic integration and points out to a few correlation that exist at present in the marketplace: competition, globalization, economic growth and sustainable development. In addition the paper stresses the role of the economic integration and of the European Union at an international level and emphasises some of the elements belonging to the specificities of Europe's Common Agricultural Policy (CAP) and sustainable development. Moreover, it takes into consideration Europe's Common Agricultural Policy (CAP) future with predictions and perspectives for 2020 and 2030.

1. The role of the business environment in the context of economic integration – a correlation with competition, globalization, economic growth and sustainable development

The first part of this study is centred on presenting and furthermore emphasising the role of the business environment in the context of economic integration, as well as creating a correlation together with competition, globalization, economic growth and sustainable development.

The business environment is created from the mixture between internal and external forces able to influence the existence and the functioning of a business. Among the main factors that influence the business environment, in general, can be mentioned elements such as the global environment and the natural environment, together with the political, legal, economic, social, technological

circumstances¹.

The economic integration is, in essence, the development of economic interdependence between states through forms and methods that provide continuity, deepening economic exchanges. The economic integration helps all the national economies to combine their own specifics and particularities into an organism diverse in presentation, but unitary and homogeneous in its functionality² (see, in this case, **Figure no. 1:** „*The business environment and the economic integration – a correlation with competition, globalization, economic growth and sustainable development*”).

In this context, business environment and economic integration are profoundly interconnected and interrelated with competition, globalization, economic growth and sustainable development^{3 4}:

- **Competition** is the central element of our society. Competition itself exists between all the economic agents in the marketplace, which enables them to survive on the market and maximize their profits.

- **Globalization** should be regarded as a whole process of integration into one huge/ large/absolute market believed to be strong

¹ In the opinion of specialists V. Manole, M. Stoian, H. Dorobanțu, „Marketing”, Editura ASE, București, 2001, capitolul al doilea.

² According to Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, Editura All Beck, București, 2003, p. 583.

³ In the opinion of Viorel Cornescu (colectiv de autori), „Introducere în Economie”, Editura Actami, București, 1997, p. 131.

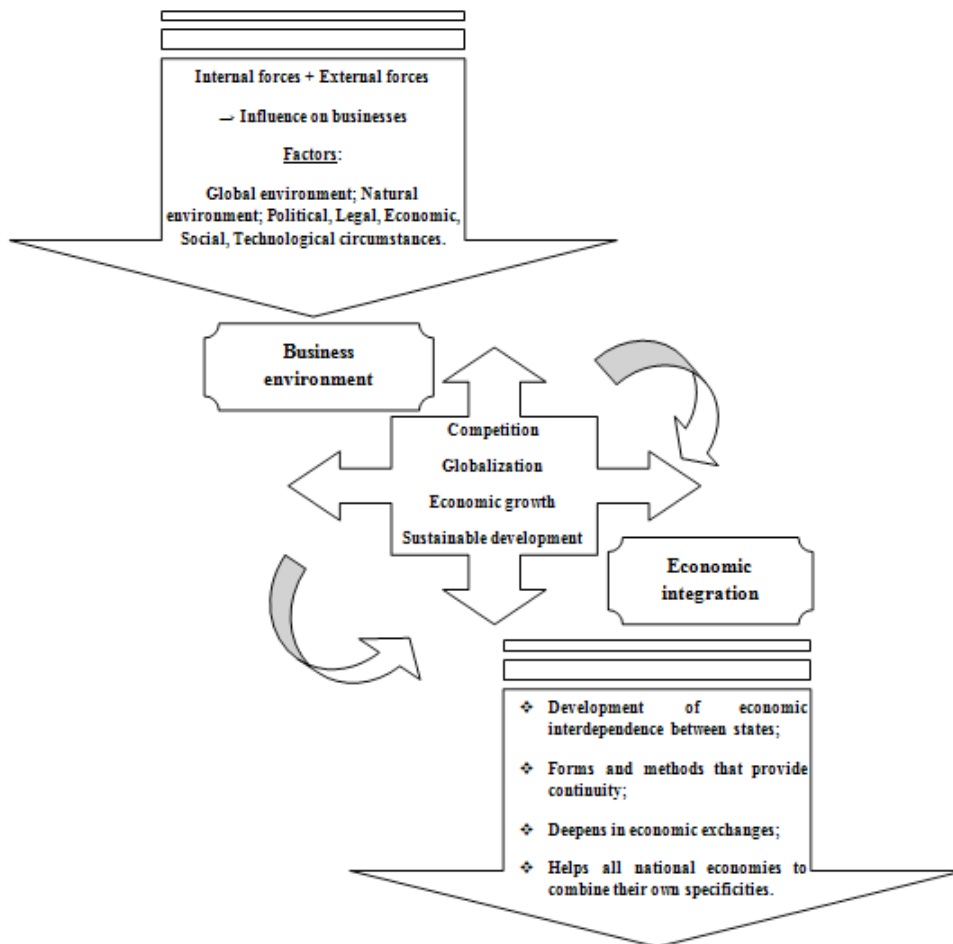
⁴ According to Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, Editura All Beck, București, 2003, p. 494, p. 583, p. 637.

enough to eliminate various forms of economic isolation.

• **Economic growth** is considered by specialists a reversible process, having a self – sustaining nature.

• **Sustainable development** is a process in which both development policies and environmental protection are based on a comparison between costs and benefits, in order to create a balance between them and to protect the environment, while increasing social welfare.

Figure no. 1: „The business environment and the economic integration – a correlation with competition, globalization, economic growth and sustainable development”



Source: The Authors' adaptation after the ideas presented by V. Manole, M. Stoian, H. Dorobanțu, „Marketing”, Editura ASE, București, 2001, capitolul al doilea; Viorel Cornescu (colectiv de autori), „Introducere în Economie”, Editura Actami, București, 1997, p. 131; Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, Editura All Beck, București, 2003, p. 494, p. 583, p. 637

2. The economic integration and the role of the European Union at an international level

The economic integration takes various forms (see, in this case, Figure no. 2: „The economic integration – various forms/stages”). Based on the way in which economic integration is achieved through the economic relations between the participating countries and the degree of interpenetration of their economies there exist five stages of economic integration⁵:

a) The first form/stage of economic integration is known as the „Free Trade Area”: it is characterized by eliminating tariff

and non-tariff trade barriers or by adopting a commercial policy specific to each country participating.

b) The second form/stage of economic integration is known as the „Customs Union”: it is characterized by eliminating customs’ inspection and practicing a common external tariff by all participating countries.

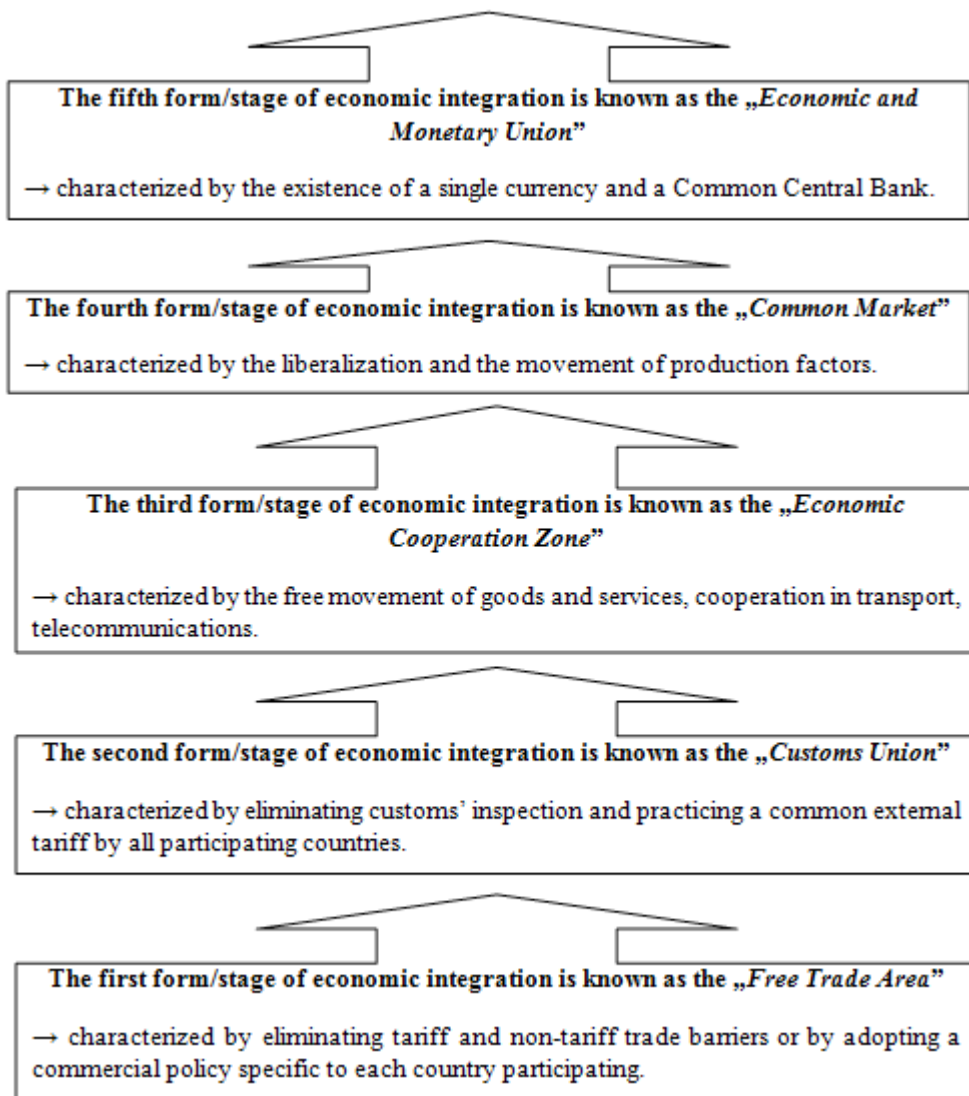
c) The third form/stage of economic integration is known as the „Economic Cooperation Zone”: it is characterized by the free movement of goods and services, cooperation in transport, telecommunications.

d) The fourth form/stage of economic integration is known as the „Common Market”: it is characterized by the liberalization and the movement of production factors.

e) The fifth form/stage of economic integration is known as the „Economic and Monetary Union”: it is characterized by the existence of a single currency and a Common Central Bank.

⁵Taking into consideration the ideas presented by Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, Editura All Beck, București, 2003, p. 494, as well as the ones existing at http://europa.eu/about-eu/institutions-bodies/index_ro.htm, accessed on the 4th of April 2016.

Figure no. 2: „The economic integration – various forms/stages”



Source: The Authors' adaptation after the ideas presented by Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, Editura All Beck, București, 2003, p. 494, as well as the ones existing at http://europa.eu/about-eu/institutions-bodies/index_ro.htm, accessed on the 4th of April 2016

The European Union (EU) should be seen as an independent community of European countries that decided to create a unity based on political, economic, cultural and social common values on the 7th of

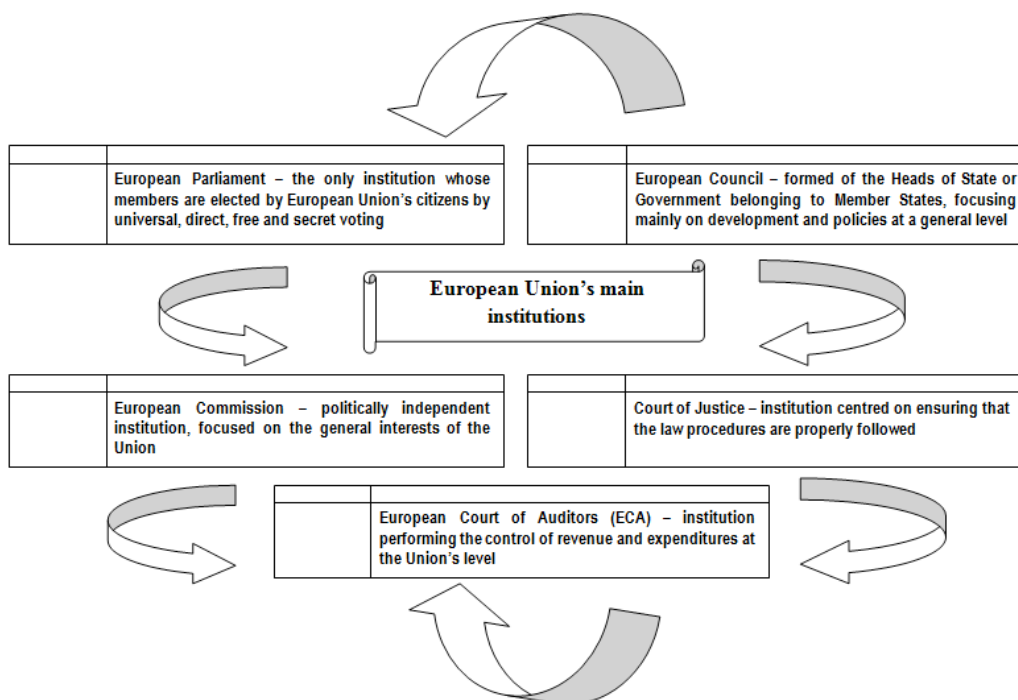
February 1992, after signing the Maastricht Treaty (the Netherlands)⁶.

⁶ Taking into account the details presented by Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, Editura All Beck, București, 2003, p. 590.

The European Union's main institutions are⁷ (see, in this case, **Figure no. 3: „The European Union's main institutions”**):

⁷ Taking into account the details presented by Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, Editura All Beck, București, 2003, p. 593 – 594, , as well as the ones existing at http://europa.eu/about-eu/institutions-bodies/index_ro.htm, accessed on the 10th of April 2016, with details at http://europa.eu/about-eu/institutions-bodies/european-parliament/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/european-council/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/european-commission/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/court-justice/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/court-auditors/index_ro.htm accessed on the 10th of April 2016.

Figure no. 3: „The European Union's main institutions”



Source: The Authors' adaptation after the ideas presented in http://europa.eu/about-eu/institutions-bodies/index_ro.htm, at http://europa.eu/about-eu/institutions-bodies/european-parliament/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/european-council/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/european-commission/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/court-justice/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/court-auditors/index_ro.htm accessed on the 10th of April 2016

3. Europe's Common Agricultural Policy (CAP)

Europe's Common Agricultural Policy (CAP) is the first policy developed by the European Community, being considered the key trigger/link of the European unification⁸.

Europe's Common Agricultural Policy was created with the aim of giving people good/proper food at affordable prices and, in the same time, encouraging individuals to get much more implicated in agricultural activities⁹.

In this regard, Europe's Common Agricultural Policy can be seen as an instrument able to support the work of the European Union due to budgetary resources taken from agriculture, customs duties, a part of the value added taxes (VAT) collected from the revenue by states and a financial contribution given by the member states¹⁰.

⁸ See, in this matter, Marius Profireoiu, Alina Profireoiu, Irina Popescu, „Instituții și politici europene”, Editura Economică, București, 2008, p. 170.

⁹ According to the information presented at http://ec.europa.eu/agriculture/index_ro.htm, in the article „Să înțelegem politicile Uniunii Europene”, accessed on the 12th of March 2016.

¹⁰ As presented in Viorel Cornescu (colectiv de autori), „Introducere în Economie”, Editura Actami, București, 1997, p. 448.

There are several elements that should be taken into consideration while analysing Europe's Common Agricultural Policy (see, in this case, **Chart no. 1: „Agricultural Labour Input Statistics”**):

- Its main objective is to preserve an economic sector with a profound institutional and social feature, considered heterogeneous socially and economically, multifunctional due to its orientation towards family farms, encouraging competitiveness on the market¹¹

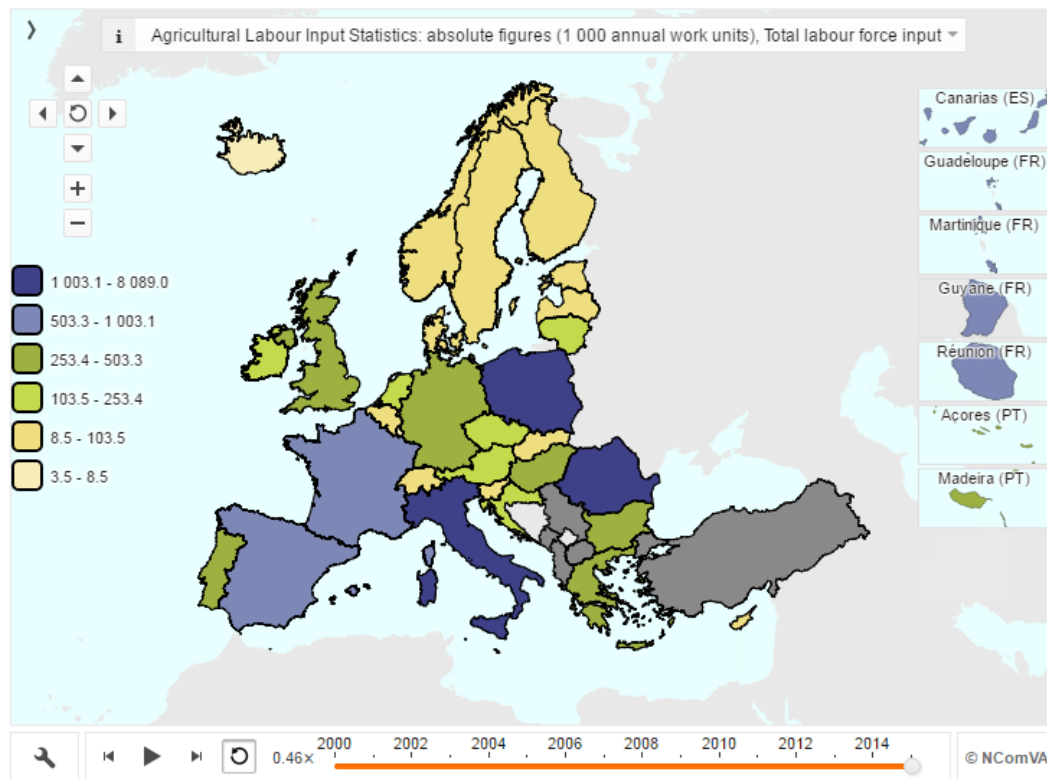
- For many years, it was considered to be the only fully integrated policy of the European Union, creating the way for the single market. The principle that led to the emergence of the agricultural markets was the one stating that, due to its specificities, agriculture itself, seen as an economic sector, is not capable to operate alone in an environment dominated by the market laws¹².

- Agriculture represents an economic sector with a specific conduct and specific particularities, able to act in a free market.

¹¹ See, in this matter, Helen Wallace, William Wallace, „Procesul politic în Uniunea Europeană”, Editura ARC, 2004, p. 186.

¹² According to the data analyzed by Gabriel Popescu, „Politici agricole. Acorduri europene.”, Editura Economică. 1999, p. 37.

Chart no. 1: „Agricultural Labour Input Statistics”



© EuroGeographics for the administrative boundaries

Source: <http://ec.europa.eu/eurostat/web/agriculture/statistics-illustrated> accessed on the 2nd of April 2016 and Eurostat Statistical Books, „Agriculture, forestry and fishery statistics”, 2015 Edition, European Union, 2016, Luxembourg: Publications Office of the European Union, Theme: Agriculture and fisheries, Collection: Statistical Books, p.33, printed in Belgium

4. Sustainable development and Europe's Common Agricultural Policy (CAP) future – Predictions and perspectives for 2020 and 2030

The main objectives that take into consideration Europe's sustainable development features refer to:

- The effective functioning of the national energy system in a safe manner;
- The reduction in emissions in various sectors by implementing and using standard methods of allocation and certificates;
- Achieving new goals related to the climate change;
- Adapting to climate change when implementing and modifying existing and future laws and policies;
- Raising awareness on adaptation to climate change
- Acting in a modern and competitive way;

- Identifying the needs of individuals;
- Improving performance growth;
- Creating new and more diverse jobs;
- Increasing both the production as well as the quality food quality (simultaneous action);
- Improving the environmental conditions;
- Promoting sustainable practices in agriculture and at the economy's level, in general;
- Reducing poverty by providing better access to education, better infrastructure and basic services, leading to a higher standard of living.

Conclusions

Sustainable development and Europe's Common Agricultural Policy (CAP) consider mainly the quality of the agricultural products in the context for the need to create a single market in the European Union.

The desired actions are concentrated on diminishing and even desirably on eliminating negative effects that may occur while reforming Europe's Common Agricultural Policy (CAP).

Acknowledgment:

Gheorghe N. Popescu is Professor PhD. at the Faculty of Accounting and Management Information, The Bucharest University of Economic Studies. He attended training and documentation session in Romania and abroad (France – University of Toulouse, Scotland, Italy). His fields of interest are economics, accounting, audit, management information systems, analysis and risk control, risk management, controlling

and assisting decision. He is a member of The Body of Expert and Licensed Accountants of Romania (CECCAR) (since 1994); Chamber of Financial Auditors of Romania (CAFR) (since 2000) and The Body of Fiscal Consultants of Romanian (CCF) (since 2007).

Veronica Adriana A. V. Popescu is Associate Professor PhD. at the Commercial Academy Satu – Mare and The Bucharest University of Economic Studies at the Faculty of Accounting and Management Information. Her fields of interest are economics, accounting, audit, expert systems, management information systems, human resources and assisting decision. She is a member of The Body of Expert and Licensed Accountants of Romania (CECCAR) (since 2005).

Cristina Raluca Gh. Popescu is Associate Professor PhD. PhD. at the Faculty of Business and Administration, University of Bucharest, member of the Economic I Doctoral School at The Bucharest University of Economic Studies and PhD. Supervisor at the Economic I Doctoral School at The Bucharest University of Economic Studies. The field of expertise includes microeconomics, macroeconomics, European business environment, contemporary business environment, corporate governance, audit and accounting, business counselling, financial analysis and evaluation, business process management, commercial management, sales force management, public sector's management, and human resources management

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9. *** http://europa.eu/about-eu/institutions-bodies/index_ro.htm, accessed on the 10th of April 2016, with details at http://europa.eu/about-eu/institutions-bodies/european-parliament/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/european-council/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/european-commission/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/court-justice/index_ro.htm, http://europa.eu/about-eu/institutions-bodies/court-auditors/index_ro.htm accessed on the 10th of April 2016.
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The Macro Environment and the Companies' Economic, Social and Research – Development – Innovation Potential – Nowadays Key Elements, Perspectives and Challenges

~ Ph. D. Professor **Gheorghe N. Popescu** (*The Bucharest University of Economic Studies, Bucharest, Romania; PhD. Supervisor at the Accounting Doctoral School at The Bucharest University of Economic Studies, Bucharest, Romania*)

E-mail: popescu_gh_cafr@yahoo.com

~ Ph. D. Associate Professor Habil. **Cristina Raluca Gh. Popescu** (*University of Bucharest, Bucharest, Romania; The Bucharest University of Economic Studies, Bucharest, Romania; PhD. Supervisor at the Economic I Doctoral School at The Bucharest University of Economic Studies, Bucharest, Romania*)

E-mail: popescu_cr@yahoo.com

~ Ph. D. Associate Professor **Veronica Adriana Popescu** (*The Bucharest University of Economic Studies, Bucharest, Romania; Commercial Academy of Satu-Mare, Satu-Mare, Romania*)

E-mail: popescu_va@yahoo.com

Abstract: *The research paper titled “The macro environment and the companies’ economic, social and research – development – innovation potential – Nowadays key elements, perspectives and challenges” focuses on the companies’ economic, social and research – development – innovation potential in terms of the macro environment. Moreover, the study takes into considerations the nowadays key elements, perspectives and challenges concerning this subject. Furthermore, this approach is a theoretical one, chosen due to the necessity of presenting the essential macro environment’s elements influencing and affecting the companies’ economic, social, cultural, technical, political and legal evolution in the marketplace, while taking*

into consideration elements such as competitiveness, open market, consumers' behaviour, needs, wishes and desires, infrastructure and research – development – innovation potential.

In the introduction of this work the importance and the relevance of the study was addressed, as well as the reasoning for choosing the topic. In addition, a general framework was created, in order to justify the need of understanding in what manner the general macro environment factors influence the companies and their well-being and successful functioning in a region, or in a country, or continent and even world-wide.

The literature review section presents the most relevant studies and ideas addressed on this topic as well as on connected and interrelated topics, in the attempt of finding new approaches and perspectives both for this work as well as for future works.

The first part of the paper focuses upon the main characteristics of the key components of the macro environment, such as, the economic, socio-cultural, technologic, demographic, natural, political and legal elements. The second part of the scientific study tackles the aspects related to the companies' potential, in terms of their economic, social and research – development – innovation perspectives.

The conclusions, limitations as well as future implications section presents the basic ideas that result from this study, as well as the elements that could be improved or even further addressed into the near future.

Key-words: macro environment; companies; economic, socio-cultural, technical, natural, demographic, political and legal elements; research – development – innovation potential; Gross Domestic Product (G.D.P.); infrastructure; financial and monetary factors; economic perspectives and challenges.

1. Introduction:

The research paper titled “The macro environment and the companies' economic, social and research – development – innovation potential – Nowadays key elements, perspectives and challenges” takes into consideration the key factors which define today's macro environment, in the attempt of presenting and strengthening the companies' economic, social and research – development – innovation potential, in the context of nowadays defining elements, perspectives and challenges concerning the marketplace.

In this context, the macro environment refers to that side of the external environment that has the capacity to influence the

companies' activity, while acting indirectly through their microenvironment (Băcanu B., 1997).

Additionally, the macro environment's influence can be remarked especially on a long-term perspective, being sometimes weak and somewhat uncontrollable (Bărbulescu C., 1999). In this regard, some examples can be offered, such as: the unexpected activity of the volcanoes (especially after being “asleep” for a longer period of time or even after declared “inactive”); the unexpected devastating and destructive natural phenomena, such as, typhoons, hurricanes, tornados, or even floods (<http://www.businessinsider.com/worst-storms-in-history-2015-10>; <http://www.motherjones.com/>

environment/2016/08/louisiana-flooding-numbers; <http://www.ranker.com/list/10-biggest-deadliest-most-destructive-hurricane>; <http://www.livescience.com/22522-hurricane-katrina-facts.html>); the unpredicted droughts; and economic phenomenon having the capacity of spreading world-wide a high and unexpected pace, such as the global financial crises.

All these macro environment elements need to be detected by specialists and to be addressed by them in a proper manner, which takes into consideration certain issues, such as: the level of the competition (Arms Brigitte, 2008); the customers' preferences; the research – development – innovation level of the companies; the necessary information in the field; the technological criteria; the demographic inconsistencies; the social and cultural perspectives and challenges.

In general, in the external environment, the companies operate within the microenvironment (represented by the companies' suppliers, customers, service providers, government bodies, banks, financial intermediaries and competitors, and other market intermediaries), establishing direct and indirect relations with the macro environment (in terms of the cultural, political, demographic, natural, economic and socio-cultural elements) (Brownlie D. T., 1987). Additionally, the types of relationships established by the companies in the context of the macro environment analysis are the following ones: competition and marketing relationships; partnerships and cooperation relationships; as well as individual and preferential relationships, depending on the companies' current and future interests.

The companies' market relations company are influenced by a consistent number

of factors, namely: general/specific ones; internal/external; objective/subjective. However, the companies' market relations have a cyclical representation and are influenced in particular by elements such as the following ones: certain characteristics of the companies (for example, the companies' technological equipment, profile, or size); the economic and social framework, which may foster different types of relationships (for example, here could be mentioned the differences between developed and developing companies) or hinder different types of relations with the market; and the specific elements of the market itself (for example, the internal/external market; the goods/services the market stands for; the type of market, in terms of a wholesale market/a retail market).

As a general line, the market's relations are influenced by the companies' relations with the market's agents, the typology of the market, the frequency in terms of relationships and the concentration of these relations (Danciu V., 2001).

2. Literature review:

The work titled "The macro environment and the companies' economic, social and research – development – innovation potential – Nowadays key elements, perspectives and challenges" emphasises in this section – the literature review section or the state of art section, the necessity and the relevance of this topic for the companies today, due to the fact that its timeless perspective proves to be useful nowadays, as well as in the future.

In this matter, this section starts with the companies' role on the marketplace, as well as from their typology and object of activity, and continues with the types of competitors

existing on the market as well as with the role and importance of the competition phenomenon itself. Additionally, the study addresses the role and importance of the business partnerships on the marketplace (Rujoiu Marian, 2011).

In general terms, according to their object of activity on the market, the companies might be in the position in which they are offering to potential consumers certain goods or services; or they buy different types of products, such as raw materials, machinery, buildings, land, or they purchase shares; or they act as intermediaries, by aiming to create certain links or connections, depending on the type of activity (Brownlie D. T., 1991; Balaure V. et al, 2002; Borza A., Bordean O., Mitra C., Mureşan A., Supuran R., 2009; Bărbulescu Georgeta, Burghilea Cristina, 2010).

Moreover, as another specific of the marketplace, here can also be found companies that establish messages and information reception relations, which refer to marketing research activities, collections of data about consumers activities, collections of data about competitors, intermediaries, suppliers activities; or relations that implicate the process of transmitting the information encountered in direct connection with the sale's process (such as, advertising activities) (Churchman C. West, 1968; Hill E and O' Sullivan T., 1997; Chelcea Septimiu, 2012).

Furthermore, depending on the relations' profile of the market agents, here can be found companies acting as suppliers of goods; labour providers; service providers; banking and other financial institutions; beneficiaries or sellers; state institutions and bodies. In addition, in this context the frequency of the relations could be addressed, which

is, in fact, an aspect that depends on the profile of the agents relations on the market, the nature of the object relations, the supply-demand ratio on the market (Dent M. Stephen, 2004; Ilieş S., 2011; Ilieş L., 2013; Marinescu Paul, Toma I. Sorin George (coordonatori), 2015).

It is also believed, in addition, that a very important criterion for all the companies worldwide is related to their degree of their market activity concentration which can be found in the value of their transactions or in their concentration by geographical area (Smedescu I., 2004).

When on the market exist more companies with the same assortment of products, the companies take an offensive behaviour by seeking to increase their market share at the expense of commercial rivals (Stone Merlin, Bond Alison, Blake Elizabeth, 2006). In this manner, the companies use the attack strategies against the competition, depending both on the environmental as well as on the typology of the competitors.

While analysing the aspects concerning the marketplace, competition, competitiveness and competitors, it is extremely useful to know and to be aware at all times at the typology of the competitors. In this regard, there are direct competitors, indirect competitors, newcomers and substitutes, all of these typologies being presented in the lines below (Dicţionar de Economie, 1999; Chang Ha – Joon, 2014):

- First of all, the direct competitors are represented by those companies who are selling the same types of products or services; meeting the same needs; sometimes use the same shops; establish similar prices; spend large amounts of money to promote products. In most cases, the companies that will

survive are the most powerful company in economic terms, focusing on a market segment that can draw profitably without entering into competition with other companies.

- Second of all, the indirect competitors are represented by those companies who are selling goods or services for similar needs, or for different needs but with different products.

- Third of all, the newcomers competitors are, at their turn, in two categories, namely:

- The companies that already sell to a certain segment of consumers and want to expand the range of products to other segments, as well.

- The new companies wishing to enter the distribution network.

- Fourth of all, the substitute competitors are represented by the companies who are meeting the same needs, but have different characteristics.

However, because the competition is becoming more and more vigorous every day, and it increases constantly, both on the internal and the external market, there are situations in which different strategic alliances are formed (Nicolescu O., Verboncu I., 2008). In this case, the strategic partnership is an arrangement whereby two or more partners agree to work together in order to obtain mutual benefits by supporting or strengthening the competitive advantages of each, obtaining financial funds for research and development; access to distribution networks; increased profitability; entering new markets; exchange of experience between partners; obtaining competitive advantages; sharing risk and high investment costs (Lencioni Patrick, 2014).

The macro environment as well as the companies' economic, social and research

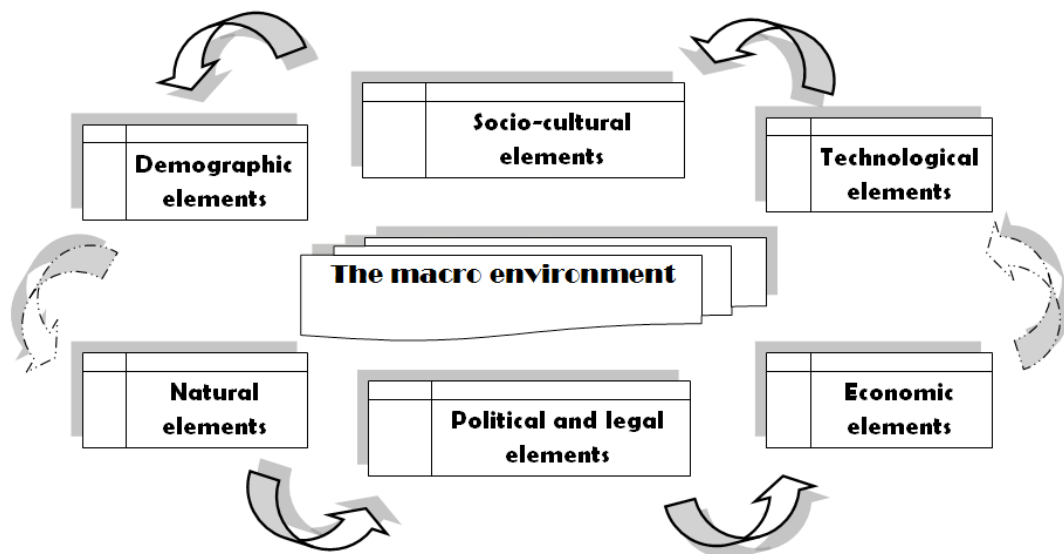
– development – innovation potential should take into consideration the synergy that exists or that should exist, in one way or another, and at some extent, in the departments of all the companies, starting from the idea that, in order to be successful on the marketplace, all the departments of the companies should focus on the same purpose and should act in the same rhythm and in the same direction, especially while taking into consideration today's perspectives and challenges.

3. The key elements of the macro environment – the general context

The section titled "The key elements of the macro environment – the general context" of the scientific paper "The macro environment and the companies' economic, social and research – development – innovation potential – Nowadays key elements, perspectives and challenges" emphasis the main elements that need to be taken into consideration while analysing the macro environment and the companies' relationship with the macro environment.

In this regard, the first element that needs to be taken into account is represented by the socio-cultural elements; the second element that needs to be taken into is represented by the demographic elements; the third element that needs to be addressed is represented by the natural elements; the fourth element that needs to be taken into consideration is represented by the political and legal elements; the fifth element that needs to be considered is represented by the economic elements; and the sixth element that needs to be stressed is represented by the technological elements (see, in this matter, Figure no. 1: The key elements of the macro environment).

Figure no. 1: The key elements of the macro environment



Source: The Authors based on the references of this research paper

A. The cultural elements

The cultural elements are defined by the factors that influence the consumers, in particular, and the macro environment, in general (see, in this matter, Figure no. 2: The socio-cultural challenges and the influence on the macro environment).

The main aspects that should be taken into consideration while analysing the cultural environment are the ones stated below, namely:

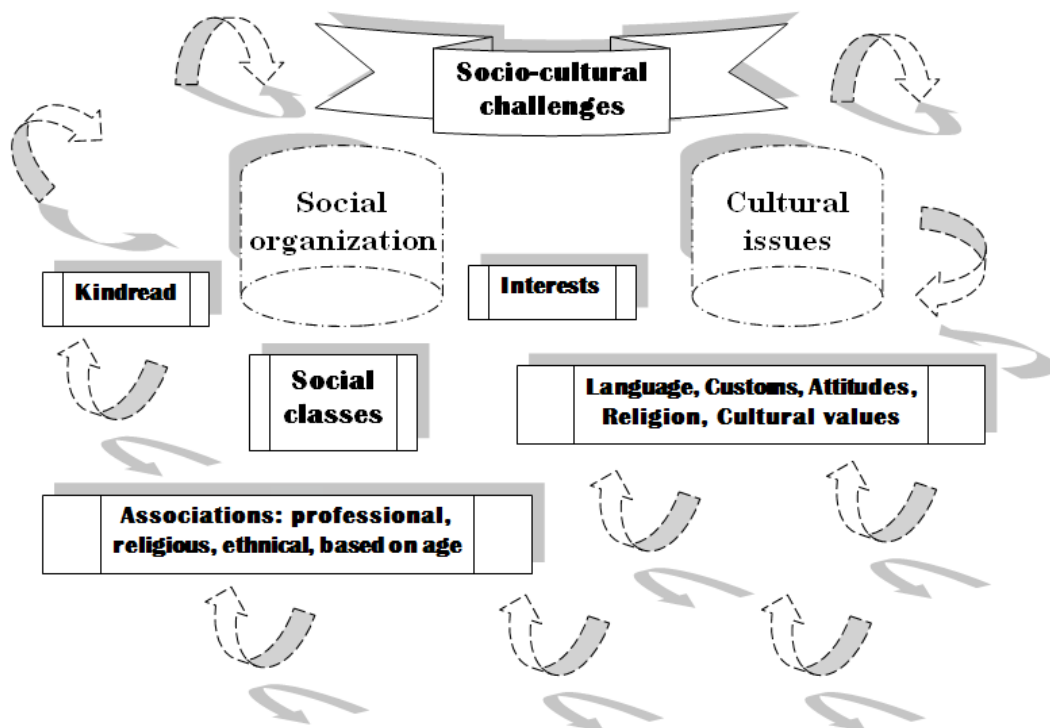
- The cultural environment is composed of the institutions and of the other forces that affect the fundamental concepts, preferences and behaviours of a society, in general.

- The culture, in general, is referring to the learned behaviours, which are transmitted and accepted by the members of a society to the next generation.

- Moreover, the culture includes everything a certain group says, thinks, produce, its customs, religion, language, attitudes and senses.

All in all, when analysing the cultural environment, the market operators need to focus the products and services they offer on the basic values of the society to which their actions refer to and should also address the needs of the various subcultures within a society, as well.

Figure no. 2: The socio-cultural challenges and the influence on the macro environment



Source: The Authors based on the references of this research paper

B. The demographic elements

The demographic factors are very important in all the economic, business administration, social, management, and marketing activities, because they refer to the population forming the labour market and the position held in this regard by the companies (see, in this matter, Figure no. 3: The demographic challenges and the influence on the macro environment).

In addition, in general, for the enterprises, a special significance is held by the following elements:

- The age and the structure of population;

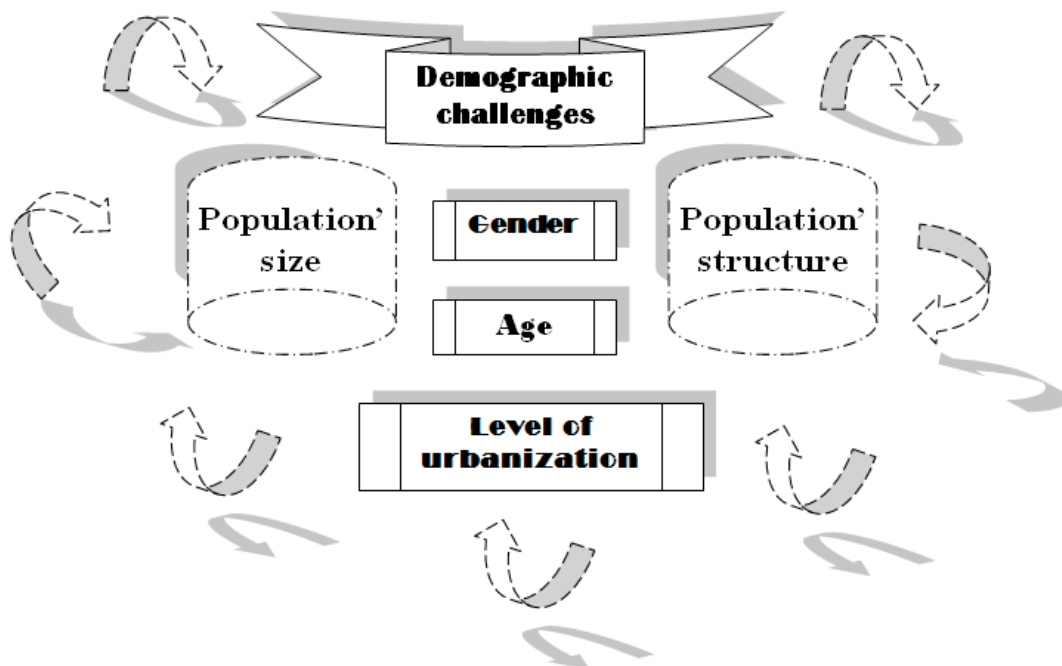
- The level of urbanization – seen as extremely important and having a relevant place in the structure of the demographic factors;

- The level of migration:

- a) In the developed countries there is a tendency for migration of the wealthy families in order to obtain better living conditions, in terms of: an unpolluted environment, and more and better living facilities.

- b) In poor countries, the population consists mostly of unemployed individuals who migrate to the rural areas where higher incomes are encountered.

Figure no. 3: The demographic challenges and the influence on the macro environment



Source: The Authors based on the references of this research paper

C. The technological factors

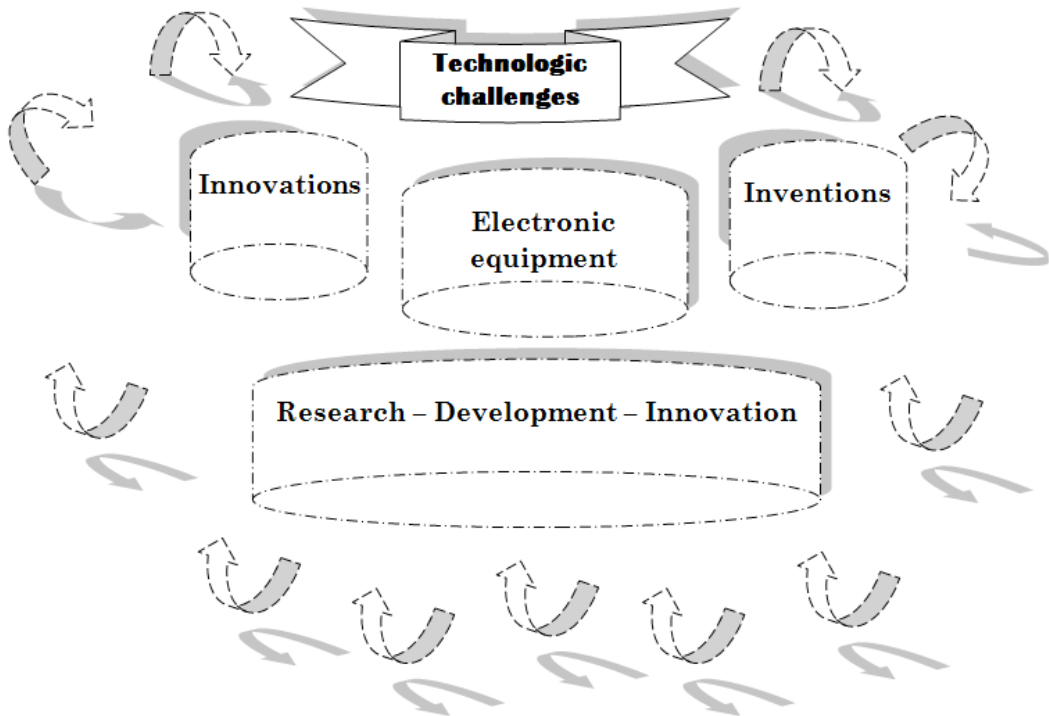
The technological environment takes into consideration the technical knowledge accumulated by the companies over time (see, in this matter, Figure no. 4: The technological challenges and the influence on the macro environment).

Moreover, technology can be regarded as an important and positive factor for the

individuals' human lives, but in the same manner, it can bring disaster (Rodriguez A. Jose Jr., Harlow Bill, 2014).

Furthermore, the attitude towards the technological elements influencing the macro environment depends by the proportion held by the good and positive elements in comparison with the bad elements.

Figure no. 4: The technological challenges and the influence on the macro environment



Source: The Authors based on the references of this research paper

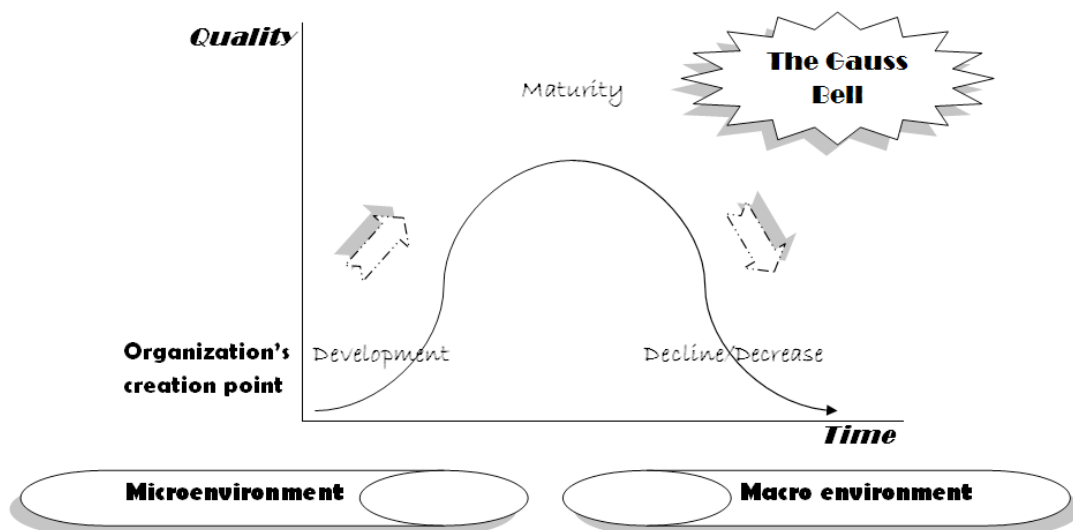
While analysing the technological elements which are representative for the macro environment the following statements can be made:

- First of all, it should be acknowledged that the emergence of a new technology generates the replacement of an older one.
- Second of all, each new technology can be represented synthetically under the form of the Gauss Bell, with the following main stages: the appearance (the creation, the starting point), the development stage and the maturity stage, after which the decline will come in a natural way (see, in this matter, Figure no. 5: The Gauss Bell and the connections with the macro environment).

- Third of all, in order to keep pace with the new technological trends and to use those effectively within the target segment of customers, implicates the need to monitor the next trends in the field in order to use the technologies effectively.

- Fourth of all, the innovation possibilities are virtually limitless, being correlated with economic and trade limits, namely, transforming innovations into products to be sold on the marketplace. In this case, it is essential to permanently monitor the market trends and the technological developments, in order to create new products ahead of the competition.

Figure no. 5: The Gauss Bell and the connections with the macro environment



Source: The Authors based on the references of this research paper

D. The political and legal factors

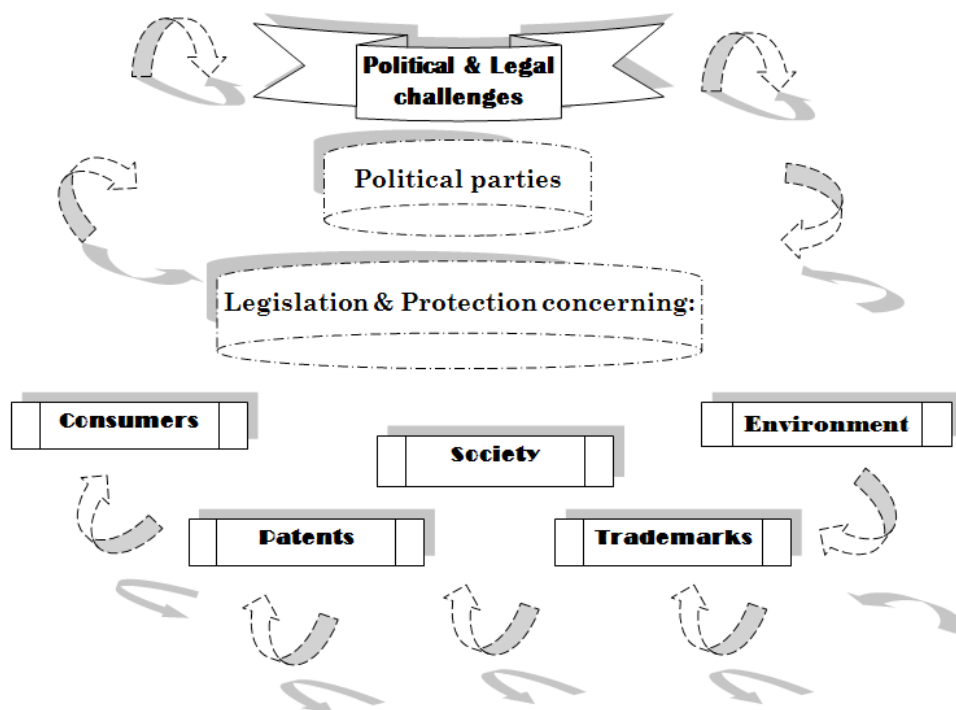
The political and legal factors affecting the macro environment are generated by the legislative assembly, the pressure groups and the government agencies that influence the actions of various individuals and

organizations in companies and are limiting their actions (see, in this matter, Figure no. 6: The political and legal challenges and the influence on the macro environment).

For example, a trend that emerged in this context refers to the forgery of industrial products.

E. The economic factors

Figure no. 6: The political and legal challenges and the influence on the macro environment



Source: The Authors based on the references of this research paper

The economic factors affecting the macro environment refer to the income distribution costs, the monetary and financial factors, the economic infrastructure, the human development index, and the consumer spending structure (Kotler Ph., Eduardo R., 2002; Kotler Ph., Armstrong G., 2004; Kotler Ph., 2005).

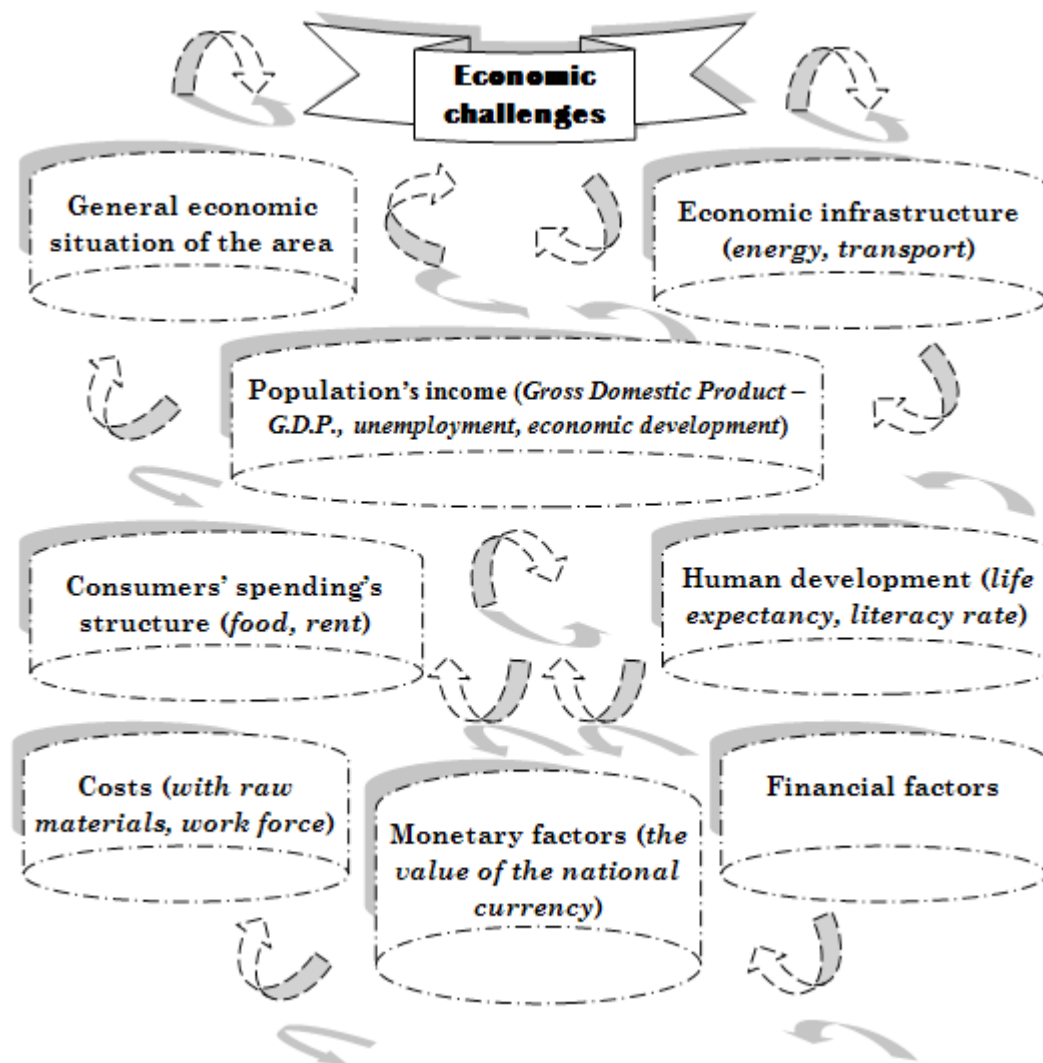
In order to determining the costs of production process for obtaining goods the total expenses take into consideration the following elements: the instruments of labour, the natural resources (such as, minerals and water), the capital assets (among which can be mentioned the vehicles, the tools, certain types of machinery, the buildings), the capital (such as spare parts, raw materials, fuel, and other auxiliary materials) and the human resources (Marinescu Paul (coordonator),

Bărbulescu A., Bujor I., Hodorogea V., 2002; Diop Momar Sokhna, 2012; Maxwell C. John, 2015) (see, in this matter, Figure no. 7: The economic challenges and the influence on the macro environment).

The economic infrastructure consists of the following elements (Nelson Bob, 2013; Partridge Dale, 2015):

- The commercial infrastructure (for example, stores, warehouses, and markets);
- The transport infrastructure (for example, railways, waterways, airways, road);
- The promoting products and communication infrastructure (for example, press, radio, television, internet, printing);
- The research agencies, or the advertising agencies;
- The financial infrastructure (for example, credit companies and banks)

Figure no. 7: The economic challenges and the influence on the macro environment



Source: The Authors based on the references of this research paper

F. The natural factors

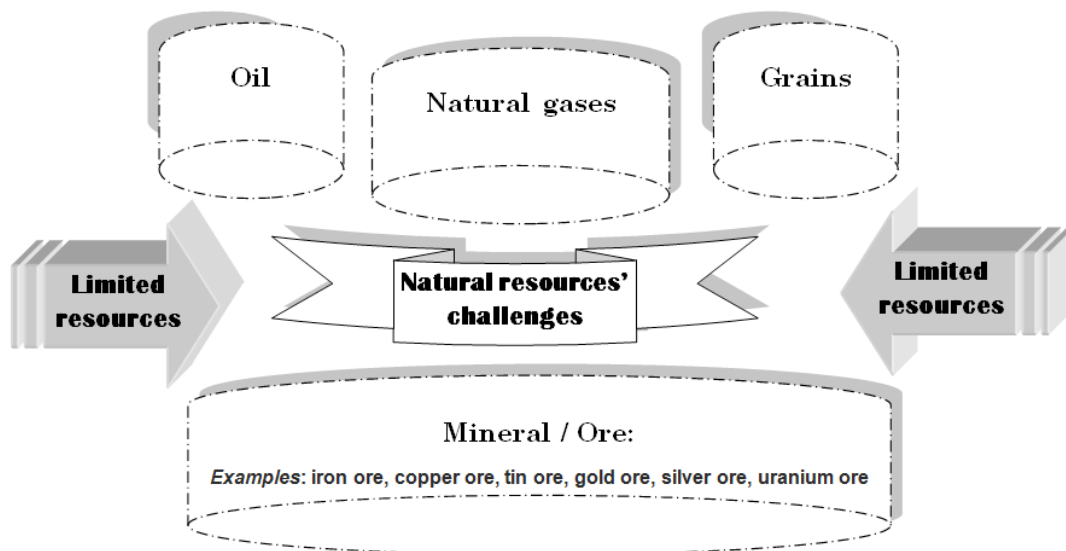
The natural factors which are a key component of the macro environment are represented by the resources the companies need in their line of business (see, in this matter, Figure no. 8: The natural resources challenges and the influence on the macro environment).

Moreover, nowadays in the global economy a special emphasis is put on the use of material goods as well as the manufacturing technologies that do not pollute the environment in the manufacturing process (for example, the ones that do not pollute the soil, air, and water) (Dill W., 1958; Cohen Elaine, 2011; Deák, Gy., Daescu, V., Holban, E., Marinescu, P., Tanase, G., Csörgő, R., Daescu, A. I., Gaman, S., 2015).

Furthermore, in this matter, the role of the governments in protecting the environment, the continued growth of energy prices, reserves of raw materials are elements on which the natural environment depends on. So, in addition the companies want to replace

natural fuels with other energy sources (such as solar, water electrolysis, wind). Also, the companies, in general should be opened to the development of new technologies and to their evolutionary improvement, in order to adapt to continuous changing processes.

Figure no. 8: The natural resources challenges and the influence on the macro environment



Source: The Authors based on the references of this research paper

4. The companies' potential

The indicators which can assess the potential of the companies are its management capacity, its financial capacity, its productive capacity and its trade capacity, as presented in the lines bellow:

a) The management's capacity of the companies is the primary factor in the development of the companies. The aspects related to the role of the companies' management on the marketplace, reflect, in essence, the companies increase or decrease in terms of the reputation level (Pell R. Arthur, 2008; Pfeffer Jeffrey, 2009; Peeling Nic, 2012). In this matter,

the following element needs to be taken into consideration: for the company to become a brand in the market, its leadership (Dotlich L. David, Cairo C. Peter, 2011; Lencioni Patrick, 2015; Godin Seth, 2015; Ribbens Geoff, Thompson Richard, 2016) should promote a flexible organization with capacities of orientation in time and space, with employees engaged and motivated (Dictionar Explicativ de Marketing, 2005; Hallowell M. Edward, 2013; Duncan Todd, 2014; Lencioni Patrick, 2014; Howe Jeff, 2015; http://www.aippimm.ro/articol/comert_interior/ghid2_comerciant/ghid_1comerciant; <http://www.insse.ro/cms/ro/content/servicii-pentru-intreprinderi>).

b) The financial capacity takes into consideration the need of the companies to achieve their mission, goals, and objectives in terms of the market penetration and the market position (Acemoglu Daron, Robinson A. James, 2015; Burrows Mathew, 2016). In this matter, the most important parameters are (Keough R. Donald, 2009; Jugănar M., 2000):

- The cost of industrial capital;
- The industrial capital availability;
- The cash flow;
- The financial stability.

c) The productive and its trade capacity refer to the companies' ability to achieve the products or services in terms of the quantity and the quality demanded (Văduva S., Mihut V., 2004). In this matter, the following elements need to be taken into consideration:

- The material resources (such as, buildings, land, raw materials, machinery, warehouses) (Yves de Preville, 2010);
- The human resources (such as employees qualified in the field, motivated, skilled) (Marinescu Paul, Toma I. Sorin George (coordonatori), 2015).
- The companies' capacity to produce the goods required by the customer (Schermer Michael, 2013).

5. Conclusions and implications:

The research paper titled "The macro environment and the companies' economic, social and research – development – innovation potential – Nowadays key elements, perspectives and challenges" addresses the key elements of the macro environment.

All in all, it can be noted that the elements which prove to be representative for

the enterprises' business environment are constantly changing, due to the need to adapt on the marketplace.

Moreover, this paper addresses to all the specialists in the economic, management, marketing, and business administration, as well to other parties interested in this topic, such as students.

The paper is limited to the theoretical frame and structure, which gives also the possibility for future improvement in terms of a case study on one of the key elements of the companies' macro environment, for example.

Acknowledgment:

Gheorghe N. Popescu is Professor PhD. at the Faculty of Accounting and Management Information, The Bucharest University of Economic Studies. He attended training and documentation session in Romania and abroad (France – University of Toulouse, Scotland, Italy). His fields of interest are economics, accounting, audit, management information systems, analysis and risk control, risk management, controlling and assisting decision. He is a member of The Body of Expert and Licensed Accountants of Romania (CECCAR) (since 1994); Chamber of Financial Auditors of Romania (CAFR) (since 2000) and The Body of Fiscal Consultants of Romanian (CCF) (since 2007).

Cristina Raluca Gh. Popescu is Associate Professor PhD. PhD. at the Faculty of Business and Administration, University of Bucharest, Associate Professor PhD. PhD. at the Faculty of Management and

at the Faculty of Theoretical and Applied Economics at The Bucharest University of Economic Studies, Member of the Economic I Doctoral School and PhD. Supervisor at the Economic I Doctoral School at The Bucharest University of Economic Studies. The field of expertise includes microeconomics, macroeconomics, European business environment, contemporary business environment, corporate governance, audit and accounting, business counselling, financial analysis and evaluation, business process management, commercial management, sales force

management, public sector's management, and human resources management.

Veronica Adriana A. V. Popescu is Associate Professor PhD. at the Faculty of Accounting and Management Information, The Bucharest University of Economic Studies. Her fields of interest are economics, accounting, audit, expert systems, management information systems, human resources and assisting decision. She is a member of The Body of Expert and Licensed Accountants of Romania (CECCAR) (since 2005).

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Sufficient predicates of sustainability

~ Ph. D. Student **Diana-Maria Drigă** (*The School of Advanced Studies of the Romanian Academy, Bucharest*)

E-mail: dianadriga@yahoo.com

Abstract: Although, it is widely used, there is no consensus among researchers in defining the concept of sustainability. The various scientific debates available in the literature consider that the concept of sustainability should be approached in an integrated manner, which involves the maintenance and the improvement of the welfare at the economic, environmental and social level, taking into account both the importance of the processes and the output of the system.

The paper aims to clarify the concept of sustainability through an examination of different opinions and controversies existing in the literature regarding this concept. Also, the paper presents the concept of sustainability analyzed from the perspective of system and proposes a definition of sustainability by exposing the sufficient logical conditions for a system to be qualified as a sustainable system. Are analyzed concepts such as: logically vivid system, autopoiesis, weak sustainability, strong sustainability, sustainable development.

Keywords: system, sustainability, sustainable development, logical conditions

JEL Classification: A10, O17, P00

Introduction

The paper is organized as follows: the first part of the work presents the opinions and the controversies existing in the literature regarding the concept of sustainability; the concept of sustainability is analyzed from the perspective of the systems and also are analyzed concepts such as: "weak sustainability" and "strong sustainability".

Secondly, there are exposed the sufficient logical conditions for a system to be classified as a sustainable system. Finally, there are presented the conclusions resulting from the exposures proposed in this work.

In the literature are found many definitions of the concept of sustainable development, but the most commonly used definition is the one proposed by the World Commission on Environment and Development, headed by Gro Harlem Brundtland, Prime Minister of Norway, in 1987. According to the Brundtland Report ("Our common future"), sustainable development involves "ensuring a development so as to allow satisfying the needs for present generations without compromising the ability of future generations to satisfy their own needs."¹

This definition reveals equity within generations and intergenerational equity.

Another definition of sustainability is given by David Pearce, referring to sustainability as "concerned with the development of society where the costs of development are not transferred to the future generations, or at least makes efforts to compensate such

costs."²

Sustainable development in the opinion of John Elkington is defined in three words: "People, Profit, Planet", so he proposes the Triple Bottom Lines model. This model takes into account the three pillars of sustainable development: the social, ecological and economic environment.

The concept of sustainable development has become increasingly known after the "Earth Summit" Conference, organized by the United Nations in Rio de Janeiro in 1992. During the same conference it was developed the plan known as Agenda 21.

Sustainability is defined by Pearce, Barbier, Markandya (1990, p.3) as: "requiring some constancy in the stock of natural environmental assets". Dasgupta (1995), Nordhaus (1992) consider that the sustainable ways are no different from the optimal ways. Pezzi (1989) emphasizes "undiscounted relative welfare of generations".

1.Sustainability and sustainable development - an analysis from the perspective of systems

Further we will analyze the concept of sustainability and the concept of sustainable development from the systems perspective. Both concepts are treated fairly ambiguous in the literature and there are various controversies about them.

First we will clarify the concept of sustainability and the concept of durability. Although, in the literature the concept of durability is used as a synonym of the concept of sustainability, Dinga E. makes a clear

² Pearce, D.W. și Atkinson, G. , Capital theory and the measurement of sustainable development: an indicator of weak sustainability, 1993, Ecological Economics.

¹ "Our Common Future", Brundtland Report, Commission on Environment and Development, Oxford University Press, Oxford, 1987

distinction between the two concepts. So, a system is durable "whether the maintenance of its identity does not require the intervention of the cultural subject" and a system is sustainable "whether the maintenance of its identity requires the interventions of the cultural factor."³

According to Gallopin (2003), the analysis of the two concepts, sustainability and sustainable development, involves the integration of economic, social, cultural, political, ecological factors and the approach in terms of systems may be more useful than analytical approaches, because it involves the connection, relationships and context.

Therefore, it is important to make some remarks on the system concept. According to Dinga E., the system can be defined as a logical sum of the following sufficient predicates:⁴

- a multitude of components, discernible or not between them;
- a membrane which includes the components and excludes everything else from the rest of the environment;
- a multitude of connections between the components, which actually represents the functionality of the system;
- a multitude of connections between the system and its external environment, which is known as the system behavior.

From the perspective of the open systems, the system behavior depends not only on the system itself, but also of factors, elements, or variables that come from the environment (known as input variables); on the other hand, the system generates variables

that influence the environment (known as output variables).

A proposal of common attributes for socio-ecological systems is made by Gilberto Gallopin (1994). Thus, socio-ecological systems must have the following attributes:

- availability of resources;
- adaptability and flexibility;
- general homeostasis;
- stability;
- capacity of response;
- self-reliance;
- empowerment.

Gallopin (2003) considers that the systems must be adaptable and flexible, which implies a degree of plasticity to detect changes; otherwise the system would become rigid and could possibly enter into a collapse.

It is interesting the Gallopin approach on the general homeostasis, referring to the following concepts: stability, resilience and robustness. In this way the system must have the ability to maintain the values of the main variables around a given trajectory (or state) in the case of stability; in the case of resilience around a given domain of attraction, and in the case of robustness around of a given system structure.

Regarding the system capacity of response, Gallopin refers to the system's ability to cope with change, focusing on adaptability, homeostasis and system awareness.

Self-reliance represents the system's capacity to adjust its interactions with the environment.

The empowerment denotes the system's capacity not only to respond to change, but also to innovate and to induce the change in other systems in order to achieve its own goals. But this attribute is specific only for human system, and is not valid for the ecological system.

³ Dinga, E., *Ciclicitatea economică*, Editura Academiei Române, București, 2016, p. 23-24

⁴ Dinga, E., *Sustenabilitatea economică prin politici de ajustare în contextul globalizării*, Editura Academiei Române, 2011, p.83

Gallopín (2003) considers that sustainability does not require constancy; changing within the systems should not be excluded, but should be avoided the destruction of the renewal sources: these help the system to cope with the inevitable shocks.

“Weak sustainability” and “strong sustainability”

Further we will present the four approaches of the sustainability concept that are encountered in literature: weak sustainability, very weak sustainability, strong sustainability and very strong sustainability.

In the theory of economic growth, sustainable development is often translated as intergenerational equity, which is interpreted by a constraint on growth, this means non-decreasing prosperity (Pezzey, 1992). Also, Pezzey says that any temporary decrease in welfare involves unsustainable development. In this regard, Pezzey was referring to “sustainedness”, given that such a model can be assessed only after the fact. Also Pezzey refers to “survivability”, as a weaker alternative criterion, which allows a reduction in welfare as long as the consumption level exceeds a certain level of subsistence.

The concept of “very weak sustainability” is approached by Gallopín (2003) and Turner (1993). They consider that the concept refers to the substitutability of different types of capital and also refers to the fact that the ecological systems sustainability is important only if it is necessary for the sustainability of the human system.

Gallopín (2003) refers to the sustainability of the entire socio-ecological system which may be compatible with the notion of “weak

sustainability”. This involves protecting the ecological and biogeochemical processes that are irrecoverable if these were lost; processes that relate to the critical natural capital.

Also Gallopín (2003) refers to “strong sustainability” and “very strong sustainability”.

The concept of “strong sustainability” refers to the sustainability of the whole socio-ecological system, the system relying on the existence of connections between society and nature.⁵

The concept of “very strong sustainability” refers to the fact that natural resources cannot be substituted by human capital made; their exhaustion signifying an irreversibly loss in social welfare; this concept being more compatible with an economy in an equilibrium state.

Regarding the concept of “very strong sustainability” is supported by those who believe in “the right to life” of other species, which would imply that each component or subsystem of the natural environment, each species and each physical stock should be preserved (Pearce and Atkinson, 1995).

2. Sufficient predicates of sustainability

From literature review we notice that there are many definitions of the concept of sustainability. Further, we want to clarify the concept of sustainability by establishing the sufficient predicates. By sufficient predicates we understand those attributes, which once verified by an entity assign it a certain skill. Predicates of sufficiency must satisfy, taken

⁵ A socio-ecological system is defined by Gallopín et al., 1989, as a system which consist a human or a societal which is in an interaction with an ecological or biophysics component.

two by two, conditions of independence, consistency and completeness.⁶

In our attempt to clarify the concept of sustainability we consider that, first is necessary to clarify the concept of logically vivid system (the system concept was defined in a previous paragraph).

Dinga E. considers there is necessary an additional predicate of sufficiency as a system to qualify as a logically vivid system. This attribute is called dissipativity and it involves the concept of entropy. Moreover, Dinga E., sets out three necessary predicate of the logically vivid systems. These are: autopoiesis capacity, nonlinearity and invariance of total complexity.⁷

A logically vivid system is characterized by the presence of the potential of identity conservation and the presence of automatic stabilizers. The presence of automatic stabilizers is a consequence of autopoiesis capacity of the logically vivid systems. By autopoiesis capacity we understand the system's ability to restore the initial conditions if these have been disturbed by the system functionality, or its behavior.⁸

There are two sufficient predicates for the logically vivid system to be qualified as a sustainable system: (Dinga E., 2011)

- presence of hyper cycles;
- absence of the positive feedback.

⁶ Dinga, E., *Sustenabilitatea economică prin politici de ajustare în contextul globalizării*, Editura Academiei Române, 2011

⁷ Dinga, E., *Sustenabilitatea economică prin politici de ajustare în contextul globalizării*, Editura Academiei Române, 2011, p. 82-91

⁸ Dinga, E., *Sustenabilitatea economică prin politici de ajustare în contextul globalizării*, Editura Academiei Române, 2011, p. 84-91

We will notice the following aspects related to these sufficient predicates.

Considering the systems theory, we can say that a hyper cycle represents a group of successively or simultaneously cycles inter-related structural and functional, whereby in a number of coupled processes, the outputs from one process is partially or overall, the entries in another process.

Why is it necessary the absence of the positive feedback?

There is the possibility that the system to be removed from the recognition tunnel of the identity profile by the presence of the positive feedback.

Therefore, based on predicates of sufficiency, Dinga, E. defines the sustainability of the system "that characteristic of the system which is able to maintain on a desirable trajectory, in a default or acceptable band, an undefined period of time and on a global space of accessibility".⁹

Conclusions

The paper provides an analysis of the literature regarding the concepts of sustainability and sustainable development. Concluding what we exposed in this paper we can specify the following aspects:

- it is preferable the analysis of the sustainability concept from the perspective of systems;
- there are the following four approaches on the concept of sustainability: weak sustainability, very weak sustainability, strong sustainability and very strong sustainability;

⁹ Dinga, E., *Studii de economie. Contribuții de analiză logică, epistemologică și metodologică*, Editura Economică, 2009, p.46

- definition of the sustainability should be given after establishing the logical sufficient conditions for a system to be classified as sustainable one;

- there are differences between the concept of sustainability and the concept of durability.

Regarding the concept of sustainable development, we note that it refers to long-term

perspective, as regards the consequences of the present activities on the global development in the future. Accordingly, there are necessary cooperation programs at regional and global level as well as at the level of the partnerships between countries and groups of countries, which lead to viable solutions in the long term.

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