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TABLE OF CONTENTS

<i>Editorial</i>	5
 <i>Communication, PR and Advertising</i>	
NICULINA VÂRGOLICI	
~ Politeness and its Role in the Communication Culture	7
DANIELA-ELENA RADU	
~ The Efficient Presentation - Obstacles, Strategies, Success	12
IOANA VASILE	
~ The Role of Communication in the Transformation Process of Public Institutions in Romania	28
 <i>Economy</i>	
GHEORGHE POPESCU, VERONICA ADRIANA POPESCU, CRISTINA RALUCA POPESCU	
~ Competitiveness in the New Economy. Implications for Romania given its Adhesion to the European Union	32
CORNELIA NISTOR	
~ Economic Disequilibrium in the Opinion of the Economist Janos Kornai	42
ION BUCUR	
~ Public action in the globalization process	47
CRISTIAN VALENTIN HAPENCIUC, GABRIELA-LILIANA CIOBAN	
~ The Causes and the Effects of the Inflation	51
ELENA CIUCUR	
~ The Economic Scientific Research. A Production Neo - Factor	57
SORIN GEORGE TOMA	
~ Transport Sector in the Administrative and Socio-Economic Context of Romania ...	66
ANAMARIA ALDEA, DUMITRU MARIN	
~ Attitudes towards risk and insurances	75
 <i>Finance - Accountancy</i>	
GHEORGHE POPESCU, VERONICA POPESCU, CRISTINA RALUCA POPESCU	
~ Information Systems Security Audit	81

ANCA BRATU, SAVETA TUDORACHE

~ The Necessity, Organization and Administration of Management Accounting within the SMEs 89

GHEORGHE COSTANDACHI

~ The Problems and Directions of Financing Mechanisms' Development in Health Assistance System 93

RĂZVAN - MIHAIL PAPUC

~ The Taxation installment in Romania. Between Mass - Media's "Impressionism" and Eurostat's Reality 99

IT – Information Technology**COSMIN OLTEANU**

~ Learning Management System and Shareable Content Object Reference Model 106

Management**IONUȚ CONSTANTIN**

~ An Introduction to Outsourcing 110

ALINA HAGIU

~ Innovation, Entrepreneurial System and the Peculiarities of the Romanian Entreprises Strategy 118

AMOS AVNY

~ Management at the 21st Century 125

SAVETA TUDORACHE, ANCA BRATU

~ The Costs of Quality – Potential Growth Source for the Entity Performance 132

CĂTĂLINA BONCIU

~ The Impact of the Quality of Life of the Managerial Act 137

Juridical**MONICA ARDELEANU**

~ Normative Acts Management 142

PETRONELA-ADRIANA CERNAT

~ The Relation between the Substantial Law and Procedural Law in Defending Subjective Rights and Legitimate Interests 151

Training and Consultancy**PAUL MARINESCU**

~ An Hypothesis over IF Trainings 166

TEAMWORK**RODICA IANOLE**

~ A possible chain of motivation 170

About the world we live in

The world we live in is so large by size and so small by connections! In order to act efficiently, we must think that somewhere other people like us exist and that we can potentate our actions with them. There is no more room for isolated individuals, because the world lives now by a different view of the future, in which the TEAM plays an essential role.

We must learn to work in teams, because too many times us, people, view ourselves as the center of the universe. Major personal impasses prove to us how important the team is. Beyond words, there are realities demonstrating every minute that we build ourselves and build things by the people near us.

The world we live in is the world of the teams by which we live.

Paul Marinescu

Politeness and its role in the communication culture

❖ NICULINA VÂRGOLICI ❖

Abstract:

„If you cannot be good, we should at least try to be polite” said N. Steinhardt in his Journal of happiness, but we have tried to prove that the idea of politeness is deeply related to the historical context.

The article also analyses the tendencies of the Romanian public discourses in relation to other European and non- European habits of communication. The conclusion of this study is that politeness is deeply related to the definition the cultural identity.

“If we cannot be good, we should at least try to be polite” N. Steinhardt (“Journal of Happiness”)

Key words: inter-human relations, norms, behaviors, formalism.

The intent of providing managers and assistant managers with rules and recommendations aiming to an agreeable organizational behavior, as well as to efficient organizational communication occurred concomitantly with the extension of the globalization process. Cultures overlapped, or cultural norms were given up to.

Strictly referring to the organizational management aspect, the profit intended by any entrepreneur can be also ensured or maximized by holding and using adequate behavior, which unfortunately is not always

a common conduct. The series initiated in this issue of the magazine aims to enrich the baggage of culturally significant managerial knowledge by means of updating the perfume of past eras (also full of economic facts and acts), but also by suggestions to young people – less preoccupied by the circumstances of inter-human relations and more dependant on being successful in their activity, especially in terms of money.

Our becoming members of the European Union also raises behavior and good manners issues, so that regardless if we are to

travel in Europe as simple tourists or as businessmen, we must know these norms, we must prove abilities for identifying and understanding cultural phenomena, both in respect with existent reactions and behaviors, and in respect with the needs for change in the global economy context, in order to avoid embarrassing situations.

According to the DEX (Explanatory Romanian Dictionary) the following definitions (senses) of politeness exist:

- *ceremonial salute performed by bending one's bust and knees, bound as a sign of respect;*
- *respect, veneration, consideration, esteem;*

I'll refer to a few aspects regarding politeness – as an expression manner, involving respect, consideration, esteem, both in verbal and written communication.

Politeness actually appeared as a sign of social statute and it meant a way of individual identification. Identity is established in the polite-impolite rapport.

Politeness and civilization are the ways in which those identities are structured in the communication process. Hence the permanent references to polite discourse.

In time, the modification is noticed of the polite-impolite rapport, and actually of the conditions in which politeness is defined.

Socially and worldwide practiced usages have been in a continuous evolution. Politeness *historicity* can be referred to, the fact that politeness and behavior are not only influenced by time's passing by, by generations' evolution, by the influence of mass media and by the development of science and technology, but also by political and juridical beliefs specific to each social development phase.

In his paper *Le protocole et les usages*, Jean

Serres stated that two tendencies can manifest: on one hand those tending to conserve old habits and practices, impregnated by time in people's behavior, and on the other hand those who intend to replace these practices by new ones, adapted to the present. Usages represent unwritten law of social life, said the same authors, as they involve moral behavior of those who mutually agree upon them. Due to such, people learn to live without giving up their own freedom. The origins of usages in the human behavior lay in people's concern for ritualizing their social existence. This concern has most times been characterized as bourgeois, because it represented the distinctive mark of the bourgeoisie in France, in our country and in other countries. It obliges the one living it to behavioral *refreshing*.

It is of common knowledge the fact that after the Dark Ages and even after the Renaissance, the peak of education and behavior rules was reached at the Sun King's court, Versailles. Today, we refer to "etiquette" rules due to the chief gardener of Louis XIV. Desperate that the nobles were ruining his flower beds and lawn at Versailles, he asked His Majesty to issue a decree for compliance with the "etiquettes" (labels) in the park. Thus, the term "etiquette" became to designate the set of well manner rules, remaining in time in the current language. However, there is a long way from the labels in Louis XIV time and until today, which some have taken running or going around, and along with new social contexts new dilemma also occurred regarding social behavior.

In his book, *Protocol – communication tool*, L. Dussault underlined that in the monarchic regimes the role of "etiquette" consisted in serving as differentiation method between the owner of the royal dignity, no-

bles, themselves holding some granted power and the common people on which the first mentioned exercised their authority. During that period, for the king's suite (nobles or courtiers) it was an act of reverence and rising to be able to participate to the monarch's waking up or his toilet, to provide him with services which if provided to other persons would have been regarded as humiliating.

In the 12th century, says George Duby in his book *The Ladies in the 12th Century* it was polite for church clerks to write to a lady (in the high society) in Latin, by using the most severe rhetoric rules, as – he says – those epistles (small lectures) were not written to send confidences, but to be read before the entire family or even in different houses; words were public; it was polite to receive a letter copied from a collection, so without the author's subjective contribution. Letters were gathered in collections and placed next to classics on library shelves. Today, when accent is placed more and more on personalizing the letters, such would seem totally impolite.

Writing, the exchange of commercial information, represents ever since the 13th century one of the exercised techniques of the Italians' commercial success. The purely private letters were added to the commercial ones, so the border between public and private was not too simple to establish. In order to obtain the needed support, most claimants would use a warm tone, and sometimes even the vocabulary of private relations, hoping to create by their affectionate deference, the influence that might morally constrain the addressee to intervene.

Thus, we can find formulas used in the 15th century commercial correspondence, such as *maggiore*, as homage to superiority.

Deference (not without flattering) follows a crescendo, with *magnifico*, *carissimo*, to which there could be also added *come fratello* (between equals), or *come padre* from inferiors to superiors, in expressions like: *waiting from you like from a father... or asking you like a father...*

Imagine how it would be today in the correspondence between two business partners or between a citizen and a public official to see such formulas being used.

The objective of today's formalism, specific to correspondence, is to appropriately inform the addressee and to ease the text's reading. Logic, easily to apply rules, allow for a large amount of information to be transmitted by few words: Who is writing? When did he write? Having what capacity? What rapport does he establish with me? How does he consider me?... It is true that in this area some tradition still coexist which are divergent without being really contradictory; often, the used words make all the difference.

Europe, for instance, is the most ceremonial, the more if the persons who write to each other are on a higher hierarchical level. Politeness formulas exist which are specific to a particular environment: monarchy, high level church faces, and to some extent justice clerks, army and diplomacy.

In North America many of the sophisticated formulas have been abandoned, especially when sending a highly obedient message. Expression is much more direct, less reverential.

Indeed, it is highly possible for the wording to be correct from a protocol standpoint and in the same time extremely simple. In this case, as well as in public speaking, language abuses sound false.

In correspondence, we used to apply the

indented paragraphs format (as in the French model), but lately there can be noticed that in writing letters to be send within the country, our managers tend to adopt either the French model or, more and more frequently, the American one, meaning the block form, which represents a more economic formula, yet which somehow looses from its refinement and does not allow the reader to take pauses whilst perusing the letter – which is also, in a way, a matter of reverence.

The most used politeness (addressing) formula is *Mister* or *Madam*, followed by the title of the position (Romanian language relevant examples: *Mister Director*, *Mister Minister*, *Madam Judge* etc.). Also, more familiar formulas are used, which is not a sign of impoliteness, but on the contrary, they mark a reverential style. For instance, in the correspondence between two equals from a hierarchical stand point but who know each other well, to the actual appellative there can be also added *dear colleague* (Romanian language relevant examples: *Mister Rector*, *Dear Colleague* or *Mister Doctor*, *Dear Colleague*).

The tendency is more and more obvious of borrowing from English language the addressing and closing formulas, which are not specific to our country (For instance: the English addressing formula *Dear Sir*, as well as closing formulas such as: *yours sincerely*).

The same excessive familiarity, coming from the American model, is present in the advertising discourse of some companies or mass-media institutions, addressing to the public on the 2nd person, singular. For instance in the Romanian language relevant examples (addressing to a single individual): *You make the future*, or in constructions such as *discover*, *dream*, *type* or *Tvr 1 and Timisoara Bishopric asks you to donate....* Many say that it

is not a discourse adequate to their expectations, that the mentioned construction don't fit them, because the Romanian communicational culture is still marked by the politeness rigors.

In the category of borrowed gestures, considered by some as impolite there could be also included the phone holds, for which some companies use background music.

In some cultures these gestures could represent sign of politeness, whilst in other they might not. We agree that the numerous international contacts stimulate the individual's desire of synchronizing with the international time. Prudence is however the one which should be at all times kept in one's attention, because a country's usages present differences compared to other countries and the risk can exist for an individual willing to internationalize himself to lose his national coordinates, his individuality.

The tendency is towards excessive familiarity, which will probably lead in time to a come back of the politeness in the communicational discourse; history has proven that even in respect with behavior rules, as well as in other environment, the *fashion* phenomenon exists.

At the moment of large historical changes, when a particular social order is replaced by another, there can be noticed a form of rejection of the recognized politeness forms. The French Revolution is relevant in this respect. *You* (plural) was replaced by *you* (singular), and *citizen* became everyone's name. Royal and nobles titles were abolished, all in order to serve the equality principle, sacred for the French revolution.

The former totalitarian regime in our country allows another relevant example, namely the change of the addressing form

Mister with *Comrade*, regardless if the referee was member of the communist party or not.

The phenomenon of "rejecting" the past is equality obvious on the ideas, conceptual level, and also of the protocol formalism.

Thus, spontaneous gesture is considered (by many young people nowadays) authentic, whilst formalism, because it is the result of reflections, is regarded as an instrument for inter-human relations constraint.

In the business relations context, amongst the assistant manager's or manager's duties, who by their position have to contribute to establishing interpersonal relations, there are also to know, understand and comply with protocol rules which add to those of behavior and common conduct. Their correct application in certain situations might help them avoid mistakes or blunders.

Today, when automatics has become an integrant part in our life, when men and women are colleagues (more and more wom-

en occupy decisional positions), when many young people, businessmen eat fast-food, these behavior prerequisites might seem old-fashioned, but it would be a large mistake not to pay them the right attention.

Even though most people around us don't care about good manners, we will be appreciated if we behave as the rules ask, and professional satisfactions won't hesitate to appear.

We live at the beginning of the 21st century, in an agitated world, a world in which communications technologies have developed explosively, so that many ask themselves if there is still a point in caring about reverence, politeness, good manners, if such are not useless. The answer is definite: good manners are part of our life, they maintain the harmony between us and the environment and they inevitably contribute to the civilization progress.

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The efficient presentation - obstacles, strategies, success

❖ DANIELA-ELENA RADU ❖

Abstract: *The making of presentations has become an omnipresent act of communication in the companies' practice, but also in the didactic one. The notoriety and the increase of the importance of an efficient presentation lie in the transformations felt by a society of knowledge, communication being the answer in front of a constant information wave.*

Business people look in fear at the preparation of a presentation, the interaction with the audience and their feedback, all these leading to a low efficiency in transmitting the message.

The speaker must overcome a group of obstacles, the most important being the reduced human capacity to capture the information transmitted orally; in this respect, he has available a group of visual instruments and strategies to capture the attention. In order to achieve efficiency one needs mental and emotional preparation, knowing the audience and the presentation's objective and eliminating the old listing format in PowerPoint, for focusing the communication of the audience's necessities. The present essay aims to analyze the verbal, non-verbal and para-verbal communication act that constitutes the base of any presentation, the reasons that lead to failure and the ways to increase efficiency, in order to succeed in transmitting a well structured and easy to remember message.

Many researchers and practice workers within the communication, economic but also IT fields, have tried to find the solution for organizing and transmitting the message during a presentation, in accordance with the new technologies. In elaborating the present paper, we have used our personal experience and data obtained through 30 in-depth interviews, with managers in companies such Boștină&Asociații, Skoda, Petrom etc.; we have used in our research articles of honored professors in social sciences from the Harvard and Stanford Universities, researches of the Minnesota and Ulster Universities, as well as works of specialists in marketing and information technology, known for exceptional business presentations developed in collaboration with multinational companies such Jaguar or PriceWaterHouse Coopers.

Key words: efficient presentation, communication, presentation strategies.

I. Introduction

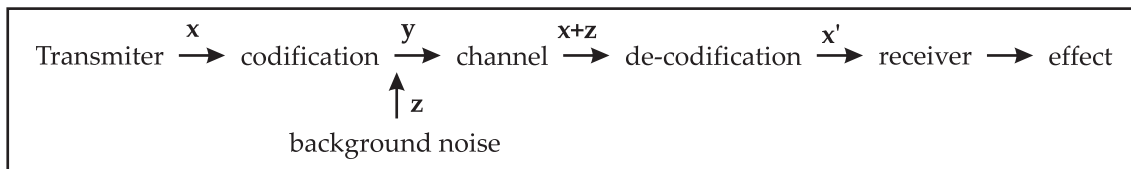
In a continuously transforming world, in a society of knowledge, in which the information plays a vital role, communication has become an essential weapon. It makes the difference between superior and mediocre, between professional and amateur.

The subject of this paper pertains to the communication field, because a successful presentation represents an act of verbal, non-verbal and para-verbal communication between two or more persons (Bradbury, 2001).

In order to communicate efficiently, one must have basic information related to (1) what communication represents and the way that people capture the messages, (2) the way the individual processes the information and changes his perceptions and (3) what kind of communication channels and instruments

are most appropriate for a particular message (Wilcox et co., 2000).

Communication is the act of transmitting information, ideas and attitudes. (Wilcox et co., 2000). In social science terminology, communication is *"The scientific study of producing, processing and of the effects of signal and symbol systems used by individuals for transmitting and capturing messages"* (Hargie O., 1992). Sociologist Harold Lasswell presents, under an article of 1948, one of the mostly known formulas in the communication field. He sustains that a communication act can be correctly described if the following questions are answered: Who (the transmitter)? What does it say (the message)? How (through what channel)? To whom (the receiver)? To what scope (the communication effect)? (Wilcox et all, 2000). This process can be presented as follows:



(Van Cuilenburg, J.J., Scholten, O., Noomen, G.W., 2004)

In any communication act, the message (x) is coded by the transmitter through a language (code), thus taking the shape of signals (y), that shall pass a communication channel, and if they succeed to overpass the obstacles on the way (they might be distorted by a background noise or an irrelevant information surplus might appear – z), they finally reach the receiver; here they are de-codified with the help of a language characteristic to the receiver, the new resulted message (x') taking a shape preferably as similar as possible to the initial one. An efficient commu-

nication does not mean a one-direction flux of information; it takes place when the receiver gets the message that the transmitter wished to pass on and it responds with a feedback necessary for improving the following communications. Thus, a common code is obtained, for a benefic collaboration for both parties. This is way the understanding of the envisaged audience or auditorium is essential in order to identify the way the symbols, signs and language are interpreted (Smith, P.R., Taylor, J, 2004).

The rejection of the message, the

misinterpretation or its misunderstanding are the opposite of an efficient communication and prevent the achievement of the communication process's objectives, as information, persuasion, motivation or obtaining mutual understanding. The research workers have developed different models in order to explain the communication process. The most representative is the model of Roman Jakobson:

CONTEXT

|

TRANSMITTER – MESSAGE – RECEIVER

|

CONTACT

|

CODE

In the above scheme, the transmitter sends out the message to the receiver, and in order to have a successful communication, both must use:

1. a common code,
2. a physical channel through which the communication takes place – represented in the above scheme by contact-
3. the same context, with the significance of "referent" – the message theme.

Any presentation constitutes an act of communication that may be explained and rendered efficiently with the help of communication theories and with the analysis of a group of elements:

- the information source in order to structure the message;
- the way in which the codes used by the transmitter (presenter) and the receiver (auditorium) – both verbal and non-verbal are superposed; the acquaintance of the auditorium's characteristics – social, cultural,

personal, professional intervenes here in order to understand the way it de-codifies and receives the message;

- the used channel (image, sound) and
- potential perturbations that might damage the signals (background noises, qualitatively weak images etc)

Many research and practice workers within the communication, economic but also IT fields, have tried to find the solution for organizing and transmitting the message during a presentation, in accordance with the new technologies. In elaborating the present paper, we have used our personal experience and data obtained through 30 in-depth interviews, with managers in companies such as Boștină&Asociații, Skoda, Petrom etc.; we have used in our research articles of honored professors in social sciences from the Harvard and Stanford Universities, researches of the Minnesota and Ulster Universities, as well as works of specialists in marketing and information technology, known for exceptional business presentations developed in collaboration with multinational companies such Jaguar or PriceWaterHouse Coopers.

II. The importance of an efficient presentation

The capacity to communicate orally is deemed by the human resources specialists as essential for the professional success (O'Hair et co., 2002).

A study performed on 1500 persons working in recruitment of personnel in American companies has evidenced that over 50% of the respondents have placed oral and written communication in front of the capacities requested for applicants (Moody, J.et co., 2002). A new thorough study involved 500

managers pertaining to different fields: en-gross and en-detail sale, manufacture, services, public administration, transport, insurance and finance. Again, the result revealed that the main competence for graduates entering the labor market is represented by the capacity to communicate verbally. Moreover, in concretely describing the abilities that constitute such competence, a leading place has been granted to persons drawing up presentations, with regard to both importance and practice frequency (Maes, J. et co., 1997). The research conducted at Stanford University showed, also that positive attitude towards public speaking represents decisive factors of success and social ascendance (Cosnett, G., 1990).

Executives in superior positions in corporations use presentations as motivational modality for the personnel, but also as modality for conducting and coordinating the effort. As far as the members of the board of administration are concerned, the presentation is always part of the decision taking process, having as goal the outlining of the company's politics. In the foreign relations context, the new business approaches and tactics need quality presentations in fields such as market researches and publicity. Thus the company assures its contracts and efficiently informs. Sherman has conclusively stated such idea, underlining the fact that inevitably the quality of presentations represents the business card for both the executives and the companies they represent (Sherman, R., 2002).

The importance of an efficient presentation is conjugated with the primarily role of communication in every person's success, regardless of the field of activity. It may be:

- a job interview, when we have to convince the employer of our capacity to fulfill

the professional tasks;

- the report of the activity performed;
- an opportunity to expose one's own ideas and strategies in front of superiors, colleagues, subordinates;
- the classical presentation of a product/service in order to convince the client, etc.

Regardless of the specific details of the situation and objective, an exhaustive and inexorable necessity to apply the communication capacity intervenes. Presentations may vary depending on the objective – information, persuasion, motivation and entertainment of the auditorium-, on the formality and exclusivity level or on the characteristics of the present persons, but they always represent an inevitable part of success management.

In order to be regarded as professionals in a world of information, we must know how to communicate, respectively to be capable to listen, to analyze and to express ourselves succinctly and persuasively. Such capacities are not native, they are acquired step by step, along with learning how to structure and transmit the information. The capacity to centre on the objective and on the organization of ideas is developed through presentations. Regardless of the type of presentation, whether a product inauguration, a business strategy proposal, information of the managerial team, presentation of the company, researches and innovations in front of a client or journalists, the main goal is to convince the others to adopt our point of view. The goal of a presentation is to transmit information, but in the same time to convince the auditorium to agree with our ideas, to understand the information from a new point of view – our point of view -, and to act in the suggested direction. The success of an efficient presen-

tation of oneself or the elaborated project results in developing an impressive reputation, in obtaining a superior hierarchic position and also in increasing the personal influence, together with the development of visibility within the interest group.

The superiors are always watching the employees' contributions, analyzing their involvement degree. There are 3 levels of professional ascension:

1. the first level of professional competence is represented by the individual's capacity to fulfill the tasks underlined under the job description;

2. the nest channel of valuation contains the ability to advise the ones around, because once we know pretty well the activity field, we can contribute besides the job obligations, showing the others theories, modalities and practices;

3. the third level of efficiency however analyzes the capacity to change, to bring progressive contributions to the company and even to the profession, by research and innovation (Yate& Sander, 2003).

For the persons at the first two levels, the ability to communicate is obviously essential, in order to efficiently transmit the owned knowledge and to induce changes by persuasion.

Whereas the development of a presentation has become an omnipresent act of communication in the practice of companies and didactic practice, in order to have access to the superior hierarchic levels, we must develop the capacity to prepare an efficient presentation. An efficient business presentation brings the necessary credibility and respect for being the perfect candidate for any dreamed job, in the same time developing the information area, because a good documen-

tation in order to conceive the transmitted message brings always new information, approaches and experiences.

III. Reasons for failure and communication strategies

Taking into consideration the importance of presentations, but also the fact that their advantages are most of the time understood and followed, it is surprising to find out that didactic practice and research studies state the fact that most of the people become timid when learning that they have to draw up a presentation and, that, most of the time, the result is negative. The general presentation standard is not at the expected level. Aziz emphasized such idea, generalizing it at the level of researches performed within the Great Britain (Aziz, K., 1999). Research studies reveal the fact that a percentage between 10 and 20% of the American students are severely afraid at the thought of formal communications in front of an audience, and an additional percentage of 20% are sufficiently affected that their intellectual activity is reduced. Moreover even, researches having as subjects adult persons have revealed that the fear to publicly communicate was placed above the fear of heights, snakes or a poor health (Barker, A., 2006). Thus there is no surprise that the reaction of the majority is to avoid the preparation of a presentation and to refuse the involvement in such an activity (Simon,T, 2001). Managers also are more or less subject to the same emotions. Thus, the results of a research stated the fact that 76% of the respondents – business men – believe that the most difficult part of the job is the presentation in front of the audience (Aziz, K.,1999), and 88% of the financial di-

rectors stated that they have the least trust in this aspect of their professional obligations (McCurry, P., 2002).

This chapter shall analyze the causes that lead to failure in preparing a presentation and shall suggest strategies for increasing the efficiency of the communication process.

One of the most important causes that lead to monotonous, boring and confuse presentations, is constituted by the fact that the formal education within schools and universities is focused on the written word, undermining the importance of verbal communication (Harvard Business Review on Effective Communication, 1998); this reason is joined with the minor interest of managers for classes in order to develop the abilities necessary for an efficient presentation. Grenville Janner has identified such causes and has underlined their negative effect on the Great Britain's economy (Janner, G, 1989).

The base of an efficient presentation is represented by a solid preparation: "any good presentation is a well prepared presentation" (Davies, J.W., 2001). Most often, failure is connected to a superficial preparation, the presenter does not check the details, does not exercise enough, or delays for the last moment the structural and conceptual organization, relying on the existence of previous presentations and their simple amendment, forgetting that every situation requires specific details and that each audience has its particular characteristics. They wrongly consider that the duration of presenting the ideas is directly proportional with the necessary preparation; in this matter, Winston Churchill stated that he drafts a two hours speech in only ten minutes, while two hours are not enough to draft a ten minutes speech.

His words emphasize the necessity of an increased attention in organizing a presentation, being a short communication and a concentration of ideas and information.

The presenter must analyze with an increased attention the 5 key-components of his communication: audience, presenter, content of presentation, location and method for transmitting the information. In this matter, he must go through a number of necessary stages:

1. Defining the objective of the presentation

The envisaged objective is represented by the changes which the presentation aims to awaken in the audience; they can be related to amendments of the information, feelings or beliefs, but also of the attitude or behavior of the present and thus the analysis of the audience constitutes an essential prerequisite to success.

2. Knowing the audience

„If I want to guide an individual towards a certain objective, I must know where this is and start from there... In order to help a person, I must of course understand more than such person, but primordially is to understand what this person understands.” (Soren Kierkegaard) (in Ehrenborg, J. and Mattock, J, 2001). This implies the analysis of the audience's composition, its homogeneity, social characteristics, education and knowledge regarding the information the presenter transmits; all these signify the efficient development of a presentation (Van der Molen, H. and Granmsbergen-Hoogland, Y., 2005). The absence of such information may lead to repeating ideas already known by the audience or maybe using terms unknown to the present, in which case a prior explanation or handing notes and indexes are necessary. Also, the expected

result of a presentation may be damaged by a condescending behavior towards the persons having the decisional power, but also by ignoring or not agreeing with them; these are fatal mistakes that lead to loss of costumers and even of the job, however they can be avoided through a good knowledge of the audience's composition and of the target-persons of the message.

Taking into consideration the fact that the success of a presentation is reflected in the quantity of information preserved by the audience, a psychological analysis of the attitudes and thoughts of the present is necessary. The egoist human nature implies a strategy of attracting the attention of the present by underlining the benefits they can obtain upon information, respectively upon acting towards the direction created by the presenter, by conclusion of contracts or visions changing. Thus, the first words must contain a message aimed at the audience, by addressing directly, by emphasizing the way in which their lives shall get better, speaking of a near future, of "now and here", technique used successfully by press releases and newspapers articles and aiming to capture the attention (Ehrenborg, J and Mattock, J., 2001). Walt Seifert, honored professor in public relations at the University of Ohio, together with psychologists and analysts of social behaviors, admit that the majority of the audience is not interested in a message or in adopting an idea, demanding and selecting just those communications that they can use (Wilcox et al., 2000). A direct application of this theory is represented by the underlining, during presentations of new products and services, of their benefits and not of their general characteristics.

Another technique to catch the attention

of the audience – the channeling technique -, supported by the social sciences specialists, consists of using at the beginning of the presentation, of a phrase reflecting values and predispositions of the present or opinions issued according to their point of view, for gaining their trust, showing an appreciation of their intellect (Wilcox et co, 2001).

The presenter must also keep in mind that the attention of the audience is maximum at the beginning, respectively at the end of the communication (Bounds, A., 2007). The first ten minutes are vital, constructing the relation with the public, stimulating the interest and the attention, in the same time accomplishing the agenda of the presentation's structure and of the audience's role in the discussion. Frequent mistakes are caused by a structure within which the presentation reveals the main ideas after the audience has lost its interest and attention for the information it receives. Thus, it is recommended that the essential is transmitted at the beginning, then details should be offered and the end should include a summary of the presented information (Wilcox et co, 2001 ; Van der Molen, H. and Granmsbergen-Hoogland, Y., 2005); the attention may be captured at the beginning of the presentation by different methods: a provocative question, a captivating information relevant for the audience, using the humor – according to the situation -, an amazing prediction upon future evolution or emphasizing the importance of the presented material for the audience

The interest of the audience can be lost also if they are handed from the beginning copies of the presentation, thus it is recommended to go through such stage at the end, and as the case may be, to offer informational notes along the way, taking also into consid-

eration the time set for such action

3. The creation of the message and its structure

The presenter must know what is the subject of the research and of the documentation and how the presentation shall be structured, and the possibility also exists for an electronic transmission during a video-conference

A revolving role is played by the information regarding the exact duration of the presentation and its location. They often dictate the used technology and the concentration of the ideas; regardless of the situation however, the presenter must be guided by the adage "more is less" and must try to offer significant details, new and creative information, in accordance with the assigned time, in order not to loose the attention and respect of the audience. Although, managers prefer direct, succinct and easy to understand communications, (Hamilton, C. and Parker, C., 1999), the result is often contrary, because they tend to abundantly use a specialized language, to offer useless information, in the same time including too little illustrating examples (Mandel, S., 1987). The audience receives the numerous offered statistics without considering them useful, their only goal being to state a vast aria of knowledge of the presenter. In this case also, a profound simplification is recommended, in order to reach efficiency in the time-audience context.

Remembering the information highly depends on a clear structure of the presentation, so that the audience can easily follow the ideas. The anatomic explanation resides in the fact that people think with a speed 400 times higher than the one of said (Oulton, N., 2005), and so the audience has enough time to wander from the idea expressed by the

presenter, and the secret consists of bringing it back to the main line, by granting breaks necessary for accumulating the information or by creating an interactive environment, for stimulating the expression of thoughts, also an efficient method for receiving the feedback.

4. The choice and manipulation of the visual support

A group of research workers at the University of Minnesota have analyzed the people's capacity to understand and remember what they hear. They have examined the ability to listen of several thousand of students and business men. Thus, in each case, the tested person listened to a short lecture of some members of the University, and afterwards they were examined with regard to remembering the transmitted message. These tests lead to a unitary conclusion: immediately after the subject listened to the information, he could not remember more than half of the message, regardless of the attention paid to the lecture.

Research reports of the Universities of Florida and Michigan have shown that after two months from participating in a conference, the remembering average is of only 25% of the message. Surprisingly, in the first 8 hours from receiving the verbal information, we forget in a proportion of a third to 50% (Kramar, J.J. Lewis, Thomas, B., 1951; p. 16; and Heilman, Arthur, W., 1951, p.308). A great part of the received information is wasted, because we remember only 10% of the read message, 20% of the verbal one, 30% of the visual one and 50% of what we see and listen simultaneously (Bovée, C., Thill, J., 2002).

Along the time, multiple researches regarding the functioning way of the human

memory have been performed. Thus, it was concluded that each part of the brain is responsible for different activities: the left one – for logic and catching the short term memory-, and the right one- for creativity and romantic elements and remembering the long term data. It was proven that people remember more easily elements related to the stimulation of the right side of the brain-art, sensorial activity, emotions (Ehrenborg, J., Mattock, J., 2001). For these reasons, using the visual stimulus is recommended, but also the feelings associated with the transmitted information, by using jokes, analogies, symbols, known characters, epic lines, all these determining the stimulation of imagination and of connections in the mind of the audience and so an efficient remembering of the message (Bovée, C., Thill, J., 2002).

In preparing the presentations, one of the aspects that lead to failure is the lack of consideration of the reduced human capacity to remember the verbal message. A solution in front of this difficulty resides in using the visual support, in order to sustain the presentation. In this respect, models, tables, graphics or diagrams, images or even films can be used, visualized with the help of video equipment, retro-projector, flipchart or of the combination laptop-video-projector – the most often used software being Microsoft Office PowerPoint, with the alternatives Harvard Graphics, Corel or Astound; the choice is related to several factors, such as: costs, facilities and dimensions of the location, time assigned, etc. Failure of a presentation may be however related even to using a visual support, from the point of view of its choice, of a wrong use or even as a result of using too many visual elements. If the flipchart or the black/white board are recommended in

case of an informal and flexible atmosphere that involves a constant interactivity with the audience, the use of the computer has become the symbol of professionalism, having multiple advantages: changing of screens by a simple mouse click, the possibility to use a remote control (allowing the presenter to move around in the room and to achieve a connection with the audience), the simplicity of a compact presentation, as well as numbering the slides, so an efficient organization; failure however often occurs because most presenters see the PowerPoint slides as an assistance indicating what to say and in what order. They forget that the support must be aimed towards the audience, in order to capture it and to help it remember the received information. Out of this conceptual error results the classical monotonous presentation, containing multiple slides and bullet points, with complete phrases read consistently, the audience following the work on the projected screen, without paying attention to the presenter. The efficient strategy in such case involves changing the mentality by focusing towards the audience, using schemes, illustrating graphics, that requires the intervention of the presenter, his explanations and comments; also, the 6X6 rule must be observed, respectively including no more than 6 bullet points on a slide, each containing maximum 6 words. In order to organize the information, the use of titles for every slide is also recommended, and the separation of ideas both by bullet points and by numbers or letters (Gilgrist, D., Davies, R., 1996).

Another frequent mistake consists in abusing the range of options available for the type, color and dimension of fonts, but also for animations and backgrounds, thus resulting a visual show in which the central mes-

sage is lost among the special effects. The answer consists here in using a font of 24, Arial, AvantGarde or Gil Sans style (easy to remember letters, without loops) in order to be easily visualized including from the back of the room, using a background compatible with the message and the audience, without blurring the text, and as animation technique, the psychologists suggest that the effect of the lines appearance to be from the right to the left, this being the direction in which we visualize adequately.

As far as the diagrams and the graphics are concerned, they are most of the time undecipherable, containing too many data and figures, and the presenters do not succeed in transmitting the relevance and connections of the information. The solution for over passing such obstacle is given by a strict selection of a reduced number of information pointed at graphic level and using different and relevant colors for helping the audience to remember both auditory and visually. The drawn axes and lines must be labeled, for avoiding the questions related to the way of expressing the dates (for example the time-in hours/days/weeks/years), and the sizes must respect a scale of proportions in order to be conclusive. Using a title for each graphic is also suggested (Baird, J.W., Stull, J., 2006), and in case one page contains several such elements, they must be inserted in frames, for an easy visualization. Tables, head of columns/lines must be marked and evidenced, and complete sentences must not be inserted in the cells, making more difficult the legibility of the audience (Yate, M., Sander, P., 2003)

Models and other objects brought for a better perception of the information can be rendered efficient by channeling the attention of the audience and changing the

rhythm. In this respect, involving the present in different ways can be used, for over passing a monotonous moment or a moment of lack of concentration; thus, they can be asked to write an answer on a paper, to guess a percentage, and later to be asked based on their answers; they can also be stimulated by rhetorical questions addressed by the presenter. Such methods are frequently used, but in a wrong manner, being transmitted consecutively and in an alert way. The audience needs a few minutes to record the transmitted information, the solution consisting in short breaks after every question, leaving the listeners to find the answer. The presenter must resist the temptation to answer himself; this does not mean that he must wait the answer of the audience, but to observe attentively its reactions (the non-verbal language of the audience), blinks, head movements, proving that the information has been processed and to restart the lecture the moment he receives the tacit consent.

In case of demonstrations regarding the capacities of the presented products, the presence of specialists, designers, engineers is recommended, to assure a proper development and to be able to answer the detailed questions of the audience. Regardless of the theme however, specialists invited during the presentation represent a reference weapon, because they assure both a benefic change of rhythm and the respect and credibility of the public that shall appreciate their competence and shall associate it with the received information.

Regardless of the used visual support, a high attention is necessary, a prior information regarding the location of the presentation, in order to know the facilities and the way they can be rendered efficient; this im-

plies the preparation of the technology, but also verifying the existence of elements such as the tripod and flipchart markers, the video-projector and the laptop or the black/white board. The décor, furniture elements, the position of the electric sources, the luminosity of the room-in some spaces are important, is necessary to turn off the light for optimal visualization of the screen, which prevents the presenter to observe the reactions of the audience, or that might even determine a sleeping state among the present. In case of using electricity, precautions are necessary, for personal safety and for the safety of the present people. The compatibility of the graphic programs must be also verified, the presence of an assistant being frequently recommended, for handling such technical details and for allowing the presenter to transmit the information. If possible, one day before the presentation, the visibility of the projected images and of the other visual elements must be verified from any space of the room, a general rehearsal being recommended, in order to eliminate the unpredictable component and to increase the surety of the presenter.

As far as the visual support is concerned, failure occurs also upon focusing the presentation around it, grating it the main role and forgetting that its objective is to support, not to lead the development of the communication. The audience must feel that the real leader is the presenter, that the situation is controlled by him with responsibility and competence.

5. Analyze of the verbal, non-verbal and para-verbal language

Another reason for failure of many presentations, which unfortunately appears even in case of a solid preparation, consists in emphasizing the information as an essential

element in the detriment of its transmission method. During a presentation however, the verbal as well as the non-verbal and para-verbal communication take place concomitantly. Research workers have discovered that we judge the persons around us depending on three main characteristics: verbal content – 7%, vocal interest (tone, volume and rhythm of the voice) – 38% and body language – 55% (Bradbury, 2001) and still a reduced importance is granted to such elements, fact that leads to inconsistency in transmitting the messages and in maintaining the interaction with the audience. Thus, the presenter must pay attention to the way he presents himself, in order to transmit credibility from the first moments. A positive thinking is very important here both during the preparation and along the entire presentation; the idea that the audience is on the side of the presenter must be remembered, it loses valuable time to listen to him and wants to remember the information (Denny, R, 2006, p. 20). If however there are persons that interrupt the presentation due to various reasons, constantly asking or criticizing, then the presenter must maintain calm and must explain that he will answer during the questions session, in order not to outrun the assigned time. During such session, preparation is decisive; in case of questions with answers that he is not sure, it is preferable to politely propose the subsequent transmission of a complete and detailed (Denny, R., 2006, p. 127). The presenter must assure that he will come back with this answer, his credibility in the business field depending on it; the respect of the present people comes also from the way of organizing the questions and of an eventual feedback (that shall demonstrate the interest for the audience's opinions), from listening the

audience's points of view and from the final thanks for the paid attention.

The voice betrays emotions and that is why an as good as possible nerve control before entering the room is necessary. Relaxation techniques involve respiration, muscle control, as well as brain calming. For a correct respiration, the presenter must:

1. close his eyes,
2. take deep breaths using the diaphragm muscle – to inhale through his nose, then to stop breathing and to exhale through his mouth, each of these steps taking 3 seconds (usually, repeating such process 5 or 6 times is useful).

In order to control his muscles, he must:

1. close his eyes
2. focus on his ankles, imagining how they become flexible, then focus on his knees, on the entire superior part of the body, until the spine, inducing the same mental state of flexibility.
3. consciously move his head in front 1 or 2 cm – this has as effect the relaxation of the muscles around the vocal mailbox, that shall allow the presenter to talk efficiently, preventing the tendency of throat constraint and thus of strangling the words.

For calming mentally, the presenter enjoys the following steps:

1. to silently stand with the eyes closed and the finger tips joined.
2. to try to visualize mentally the infinitesimal distance between the fingers, eliminating any other thought – the relaxation state shall appear in just 2 or 3 minutes.

Besides using such techniques, a balanced behavior is also useful, thus avoiding lost nights before the presentation, alcohol

and other stimulants that induce a nervous state.

The clothing and accessories must be adequate to the situation and to the formal/informal frame, taking into consideration the fact that image counts and the audience shall analyze it in detail; thus, accessory excess must be avoided, in order not to distract the attention from the presentation.

The beginning is vital, and thus the first visual contact must be a positive one, the smile and naturalness being the key to any situation. This is because the audience easily senses the forced professional style or an imitation of laughter, automatically rejecting the presenter in such a case. The expressed feelings are sometimes a real weapon for touching the audience, the secret consisting in maintaining within the limits accepted by the audience, without reaching paroxysm.

With regard to the hands position, they must always be at sight (for inspiring trust for the audience) and in a position as natural as possible (Bounds, A., 2007), depending on the situation: behind a desk, in front or in the middle of the present people; depending on the formality of the presentation, moderate gestures represent a benefit for emphasizing the ideas. The eyes must maintain contact with the audience, trying to cover the entire room, not chaotically, but fixing the persons in strategic places of the room (so as the entire group among them to consider themselves noticed), efficient method for maintaining the attention also.

Other elements benefic for success depend on the presenter's attitude, that must always have in mind the envisaged objective, but in the same time to try an involvement of the audience, whether by the simple use of a language close to the audience and of

active verbal constructions, or by interactive discussions; also, an efficient strategy implies the construction of arguments and way of thinking, so that the present people reach by their selves a well constructed conclusion, but in which they strongly believe, because they have concluded it.

IV. The business environment in Romania

In order to illustrate as eloquent as possible the opinions and experiences of business men in Romania, with regard to participating in presentations, whether active – presenter/organizer, or passive – audience, we have performed a number of 30 in-depth interviews in some of the most prestigious companies and institutions in Bucharest: Popovici&Asociații, Skoda Romania, Boștină & Asociații, National Agency for Dwelling (ANL), Philip Morris Trading, Exceed Consulting, EOS KSI Romania, Petrom, Barnett McCall Recruitment, Bancpost.

The answers and experience of the interviewed people have varied; the majority of the respondents (a percentage of 80%) however, have strongly affirmed that the preferred visual support in business presentations is represented by the PowerPoint slides, followed by the retro-projector – 10% and the flipchart – 10%. As far as the fear to present a report/strategy/offer to the team or the company's manager is concerned, the age was proven to be decisive, because the majority of respondents with ages under 40 expressed their state of fear and contraction regarding the coordination and expression of ideas in public. On the other side however, the older age and the superior hierarchic position imply a long experience in drafting presenta-

tions and the lack of fear related to a potential failure.

Granting general grades to the presentations they attended (on a scale from 1 to 10), the subjects have shown trust in an ascending trend regarding the efficiency in transmitting the information, because the majority (75%) granted grades of 7, 8 and 9. Nobody granted a maximum grade, which suggests the relativity of a communication act, in which perfection is most of the times unreachable, fact that results out of the feedback analysis or out of the self critical analysis.

As negative elements observed during presentations, I quote „insufficient capture of the interest” (Daniel Gram, attorney, SCA BOȘTINĂ & ASOCIAȚII), „deficient technical support” (Mihaela Ion, attorney, POPOVICI&ASOCIAȚII), „non-conclusive information” (Dan Rada, Executive Director, PETROM), „insufficient verbal support of the slides” (Costin Voicu, sales counselor, SKODA România), „monotony, monochromatism” (Mara Popescu, Distribution Coordinator, PHILLIP MORRIS TRADING). Also, the respondents also included as negative aspects: „there was no punctuality, a lot of discussions around the subject, it was not established what to do after the meeting, the participants gave too many insignificant details, the participants were too aggressive or too in a hurry to close the agreement, the time assigned for the meeting was not respected, the presenter did not know sufficiently well his products etc” (Alexandru Demian, Manager EXCEED CONSULTING), „structure with lack of organization and unprofessional attitude” (Bică Cristina Mădălina, Collection Manager, EOS KSI Romania).

Along with the critics of the language or of the attitude of the presenter or the lack

of communication and interactivity, the subjects have also noticed positive elements, such as: „clear presentation of products and their characteristics, direct communication style, but not aggressive, sincerity towards the shortcomings of a product, faith in one's capacity to have good results, punctuality, consciously preparation of the meeting" (Alexandru Demian), „used materials" (Ioana Șampek, Associate Partner, POPOVICI& ASOCIAȚII), „concision, coherence, good drafting" (Mara Popescu), "ingenious and logic way of presentation" (Daniel Gram), "well defined structure, pleasant visual effects and the fact that concrete data from the graphics can be used" (Bică Cristina Mădălina).

The conclusion after these interviews is that the general answers have been unclear and based on the omnipresence of the PowerPoint visual support, used in the classic way, rarely with cleverness and with expected results, which suggests that improvement in the business presentations represents a fertile and unexploited land, and communication in the internal and external environment of the Romanian companies needs an indubitable improvement.

V. Conclusions

Drafting an efficient presentation represents one of the most dynamic way of transmitting ideas and of influencing the people around (Nadeau, R., Jablonski, C. and Gardner, G, 1993). It is also one of the most important ways to demonstrate the competence in

front of the decisional persons within the organization. For many people however, is in the best case a compulsory burden, which they try to avoid, because they are not capable to defeat their fear and to understand the benefits they can obtain. The qualities of presenter are not gained at birth, they can be acquired with perseverance and practice.

A successful approach implies the attentive analyze of the communication act standing at the base of any presentation and transposing the concepts within the communication theories. The base for increasing the efficiency is represented by planning and preparation; the necessary steps imply an attentive analyze of the presenter, the audience, the message and the transmission channel; this implies the clarification of the objectives, of the organization and structure techniques, of the visual support according to the situation, but also the analyze of the verbal and non-verbal language of the participants.


The strategies elaborated by the specialists in social sciences and information technology improve the quality of presentations, because they represent the result of researches and analyzes performed upon the elements involved in drawing up a presentation.

The interviews performed within important Romanian companies have revealed the fact that the business environment needs increased efficiency of the communication process and through it, of presentations so necessary for the professional, but also organizational success.

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The role of communication in the transformation process of public institutions in Romania

❖ IOANA VASILE ❖

Abstract: As a result of changes that take place in the Romanian economical-political-social environment before and after the integration in the European Union, the public administration must be able to rise up to the challenges that it has to confront. On the other hand, the civil society and the private sector, in order to develop, must find in the administration a partner that can facilitate communication and can offer the levers and instruments for them to express themselves and develop. A rigid administration, constrained by its own resources, norms and regulations cannot offer the most prompt answer to the needs of society, forming a barrier, often hard to surpass. That is why change should be a priority for the public administration in order to adapt to the same rhythm through a strategy that can promote communication, transparency, efficiency and effectiveness.

Despite all this, it is required that the reform initiatives of the public administration to involve all factors that can contribute to the reform process: institutional, governmental factors, the European Union regulations, the requirements of the private and civil society. In order to answer to and involve all this factors, a communication strategy made and, precisely, adapted in the frame of the implementation process of the management of change is needed. In this process, the communication is answering the following wishes: the need of transparency of the decisional system; the need of communicating everything, immediately; the internal and external credibility of the institution management; the need of changing the people perception in regard to the institution, and, in this case facilitator and instrument in the change process.

Key words: communication, responsible management, management of change, feed-back, informing.

In the past few years, the public administration in Romania has been dealing with significant changes in regard to the proper frame of functioning, the expectations of the political domain and citizens and of attributions and responsibilities. Its integration, at least as a statement, in the general process of reform resulted into a confrontation with a set of dilemmas familiar to the entire Romanian society. The reform idea, frequently talked about, is too much related to the general formulations, the statements without substance, the request for infrastructure and formal solutions; unfortunately, the management and organization processes are not really taken into consideration in the equation of the administrative system reform, seen as exclusively dependent of legal solutions.

The ignorance of the necessity of a strategic perspective, the lack of consistent preoccupations regarding the managerial preparation of the administrative executives marked and is still marking several administrative institutions that are not really based on initiative and flexibility. Besides all this, a complex plan of change that includes a better image of the public administration institution is needed. This goal can be achieved through a coherent communication plan, a management adapted to the external problems of the citizen and the internal problems of bureaucracy, unprofessional staff and to other pressing problems. Besides, these problems occur repeatedly in the multi-annual modernization plans, but without any practical finality. Also, another weak point that we should take into account is the fact that the Romanian public administration doesn't have a successful system of instruments and procedures verified in practice from the members states, procedures that we can generically call "the best practices".

In the case of all actions regarding change, the communication plays a central role. It constitutes a strategic element of the process once it represents an essential mean of obtaining adhesion. Even from the start, a strategy of communication orientation based on the different phases of change must be designed. Before the beginning of the action of change, the communication must explain the motivation that lies underneath, must prepare the environment that is the object of change, must convince of the necessity of some modifications, and must counteract the individualisms through information. In a secondary stage, communication will be confronted with the resistance of the actors that start to feel destabilized regarding their previous functioning, being forced to choose the action methods.

Firstly, it must explain everything. In the third stage, doubts regarding the success rate inevitably start appearing. The communication will become, in this moment, securing, emphasizing the road made and the accordance with the initial predicaments. After the first successes appear, the finalization of the process being still far away, at this moment, the communication can be encouraging, emphasizing the collective results. We must be aware that this process is not linear: there is, of course, the back and forth motion from a stage to the other. The initiated changes in the public administration imply:

- investments in top technologies;
- redefining the customer relations;
- reorganizing work;
- using quality management;
- information campaigns.

Change for the sake of change is not recommended because is not good for the institution; the necessary transformations in a institution must be thought through, decided

and supervised based on the particularity and complexity of each, on the challenges with which the respective structure is confronting. The observation of the public administration evolution in the past years indicates that they evolve in the same way: towards a responsible management, because all the public institutions are forced to show more flexibility and reactivity, characteristic that only a management of this type can provide.

We can affirm that the public service was for a long time built based on a bureaucratic reasoning that implied a clear distinction between the persons that create/decide and the persons that make a decision; a lack of initiative coming from the executor and a strict respect of the procedures; an extremely powerful separation on the vertical plane (between the hierarchical levels), as well as on the horizontal one (between the offices and services). This type of organization proved to be of high end when it was conceived, for the private firms, as well as for the public administration, giving a solution to the existing situation (the necessity of assuring some mass services standardized in the context of a majority population with a low level of education).

The needs and expectations of today's public administration "clients" are profoundly different and based on a role switch: the expectations no longer come from the admin-

istration, that, in the past, concentrated on the observance of the rules by the "administered", but from "the consumers – citizens", who have increased expectations regarding the public services and regarding the way in which they are treated. The main elements that are the basis of these new needs/expectations are: personalized answers from the administration; the simplicity of administrative actions and procedures; the promptitude in solving problems. Obviously, these principles are not very compatible with the classical bureaucratic organization and functioning. Equally, we can consider that the citizens have the right to call on a smart public service that uses managerial and informational techniques which were inexistent in the past. Thus, the necessity of a efficient public service, able to answer correspondingly to the requests of the citizens and society in the whole. All this have as support the communication process that represents the basis of the entire management activity and, especially, when a change in this institution is needed, a change that can answer to its public through a communication adapted to the requests of the citizens, to their partners and to higher institutions. Thus, in order for this public service to be effective, it must take in account a continuous feed-back between the administration and its publics.

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Competitiveness in the New Economy. Implications for Romania given its Adhesion to the European Union

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Abstract: *At the present moment there can be noticed that world's economy is evolving from an essentially industrial society towards a Global Information Society known as Knowledge Society.*

This paper pursues to analyze the perspectives of the Romanian economic and social environment development given the transition to the new knowledge economy, upon its decisive and specific factors.

The purpose of the material is to underline the current trends in the economic environment in Romania given the new context of shifting to an information based society, in view of the adhesion to the European Union. Studies performed by this moment clearly demonstrate that Romania must above all build a developed economic society in order to be able to implement more easily sources of communications and information technologies existing in the world. This demonstrates that a very close correlation exists between a country's development level and its current use of Information Technology and Communications.

Key words: Global Information Society, Knowledge Society, New Economy, globalization, innovation, sustainable development, information power.

1.The "New Economy" Concept. Origins, Evolution, Interpretation

Today world's economy evolves rapidly from a largely industrial society towards

a **Global Information Society**. The result of this evolution, known as the "**New Economy**" is characterized by an enormous development, integration and continuous transformation potential.

Nowadays it is considered that the society we aim is the **Information Society – Knowledge Society** (IS-KS), which is known as the “**New Society**”. Thus, starting from the very analysis of the term, there can be unveiled from the beginning the means on which such will base in the near future.

It is understood that this occurring society also has an economic side, in other words, an economy radically changed from the existent one, and which is frequently named “the **New Economy**”. The concept’s name clearly shows the tendency towards progress, already a characteristic of the modern economy.

Regarding the concept of “**New Economy**” there can be asserted that an important number of terms and expressions exist that are characteristic to such. The variety of terms is amazing: “information economy”, “knowledge based economy”, “digital economy”, “Internet economy”, “dot-com economy”, “net-economy”, “virtual economy”, “e-economy”, “immaterial economy”. All these names designate a major technologic change, according to which the most important production factors of the economic process become information and knowledge. According to this reality the new techniques and technologies are those generating the increase of productivity.

Some authors associate to the expression “**information economy**” all goods and services comprising information, publications, research, juridical services, insurances, education and entertainment, and to the expression “**digital economy**” only those goods and services the production, development and trading of which are dependant on the digital technique and technology. They associate the “**New Economy**” with certain consequences of the information and digital

economy, namely to the occurrence of a high economic growth rate, of low inflation and unemployment rates (Daniel Piazzalo, 2001; Erich Gundlach, 2001).

Other authors consider the “**New Economy**” as a much wider concept, in which the final output and the intermediary inputs consist of information, and that these techniques, technologies and information communications means provide free access throughout the Globe to any kind of available knowledge or information (Jack Triplett, 1999; Kevin Kelly, 2002).

Most specialized papers in this field define the “**New Economy**” as having an essential characteristic, the increase of potential output, to which weak inflationist pressures are associated. The authors Paula De Masi, M. Estavo and Laura Kondres consider the “**New Economy**” as “an economy characterized by long term sustainable growth determined by an ever larger productivity growth rate, which is mainly caused by continuous production, adaptation and distribution of information technology and communications” (“Who Has a New Economy?”, „Finance & Development”, June, vol. 38, nr. 2, pg. 1-8, 2001).

In the paper “The New Economy Index” (published by The Progressive Policy Institute in 1998 in the form of a report on the effects of the new technologies appeared in the USA and in the developed countries), a more complex definition is given to the concept of “**New Economy**”: “the term of “**New Economy**” refers to a set of quantitative and qualitative changes which during the 15 years have transformed the structure, functioning and rules of economy. The “**New Economy**” is an economy based on knowledge and ideas, in which the key factors for creating jobs and

higher living standards are innovative ideas and technologies incorporated in products and services. It is an economy in which risk, uncertainty and continuous changes are rather a rule than an exception".

2. Defining Features of the "New Economy"

The "New Economy" equally involves **sustainable development** and **economic growth**. This time, in the newly created context, the accent is on:

- Satisfying human needs;
- Ensuring the necessary resources and the existence of interest in finding and valorizing new resources;
- Making correlations between the public interest (the general interest of the society as a whole) and the individual interest;
- Increasing the role of public policies;
- The impact of the democratic nature arising by the actions of values' promotion, by economic, technical and scientific professionalism;
- The development of education and research;
- Implementing the cult of all that involves learning, innovation, professionalism, professional development, in their real sense;
- Increasing efficacy and efficiency on all levels;
- Implementing standards from developed economies;
- Harmonizing short term strategies with the medium and long term ones, in order to ensure continuity, complementarity and fluidity of economic, political and social reforms.

According to specialized studies, there

can be asserted that the idea of **information based society** was launched in the USA and is today of high interest in Europe also.

The West European countries, and the United States reached in the post-industrial society phase are facing at this moment a series of concepts regarding the new phase of the **information based society**.

Amongst such we can mention:

- The development of education and training activities both for the youth and for adults;
- Promoting distance work (**e-work** or **telework**, as it was referred to by the late 1990s, represented a form of distance work characterized by flexibility in terms of time and performed mainly by using information technology and communications; performing **teleactivities** or **teleservices**), source of reducing costs and spreading the IT&C, and also a way to new opportunities for some human categories (individuals in rural areas, disabled people or old people);
- Increasing specialization in computer assisted study;
- Distance learning;
- The occurrence of activities that can be performed on a distance;
- The complexity of the learning processes and the explosion of immaterial activities;
- The ease of communication within interest groups;
- The access to data bases for general use purposes;
- The generalization of electronic mail as a more simple communication means between people and exchange of information, including multimedia;
- Balancing activities between levels, mainly the correlation between the local, re-

gional and global level;

- Stimulating rapid and profound structural changes on a microeconomic, macroeconomic, social, ecologic and political level;
- Encouraging the development of new public services for IT&C for health insurance, labor force, access to cultural information, promoting initiative for spreading the electronic commerce.

Under these circumstances, the **Internet phenomenon** successfully marks the shift to a society in which information becomes extremely necessary, thus the borders being eliminated and the mentalities of people in various environments being changed. The **New Economy** often identifies in the current language with **Internet based economy** (network of computer networks), being also named "**digital economy**", "**network economy**" or "**e-economy**". The "**New Economy**" represents however an extremely complex synthesis between digital economy (Internet, digital goods and services, new business models, new jobs), to which the concepts are added of globalization, innovation, sustainable development.

The intense activity in the industrialized countries regarding the **Information Society** aims the activation of the governmental bodies' role in adopting a favorable framework for developing **information technologies and communications** (IT&C). We can refer here first of all to the characteristics that are specific to the new society's infrastructure, and secondly to the fact that in those countries it is pursued for the public opinion to become aware of the new phase in which the society enters, trying to make its members responsible in order to accept such and take active part in its establishment.

Amongst the main and complex processes in the "**New Economy**" we mention the following:

- The occurrence and continuous development and innovation in new advanced communications;
- The occurrence of the Internet phenomenon and the worldwide generated "boom";
- The occurrence of the concept of electronic commerce ("**e-commerce**", "**electronic-commerce**" – names attributed to any form of business transaction in which the parties act upon electronic sources) and its continuous development;
- The occurrence of the new **re-engineering** concept attributed to goods, services and companies in general, as a new modality for making business;
- The implementation of the new organization forms based on **innovation**;
- The occurrence of the distance labor concept, as a new activity form.

The "**New Economy**" is based on three specific principles:

- Rapid access and response;
- Multitude of customized services, specific and appropriate for each category;
- The possibility of being present simultaneously in more places (ubiquity).

3. Tendencies in the Evolution of the "**New Economy**" Worldwide

The "**New Economy**" marks a fundamental change in the history of human society development. In the new context, the specialists estimate that the duration of the transition from the industrial society to the global knowledge based society will be made throughout a 20 to 40 years period.

In the same time, the transition to the **"New Economy"** also involves the **change of the paradigms** in all activity areas.

In the following we will refer to the change in the paradigms of the production processes and in the managerial and organizational paradigms.

There can be noticed that the **change of the production, manufacturing processes' paradigms** implies the shift:

- From the **"mass production"** concept (characterized by a large number of products, of lower important quality) to the one of **"flexible, diversified, customized production"** (focused on the demands of individual clients, of pretentious target groups);
- From the concept of **"standard goods and services"** (grounded on the same construction, on the same pattern), to the **"categories differentiated higher quality goods and services"** (the attempt of cultivating the citizen's sense of belonging to a certain category of goods which define him, which best value and represent him);
- From the **"long life goods"** to the **"ever improved goods, under the influence of innovation"**;
- From the concept of **"material, tangible goods"** to the **"immaterial, digital, intangible goods"**;
- From the expression of **"production – products"** to the one of **"products – services"** generated by the diversification and improvement of production and trading processes, the increase of quality, feasibility and warranty and post-sale services dominating the market;
- From the concept of **"long technological cycles"** to the one of **"continuous innovation"**;
- From the concept of **"comparative**

advantage" to the one of **"competitive, competition advantage"**.

On the other hand, the **change of organizational and managerial paradigms** implies in its turn the shift:

- From the concept of **"centralization"** to the one of **"de-centralization"**;
- From the concept of **"rigid hierarchy"** to the one of **"flexibility"**;
- From the concepts of **"presence"** and **"tangible goods"** to the ones referring to **"new methods and models of organization in flexible networks"**, such as **"on-line networks"** (real time connection to the Internet), **"clusters"**, **"technopolis"**, in which a very important part is played by small and medium businesses high-tech based, and also by the **"virtual"** enterprises and offices;
- From the concept of **"structure – companies"** to the one of **"project – companies"** and **"enterprises networks"** one;
- From the concept of **"ensuing success on the national market"** to the one of **"ensuring success on the world market"**.

The main objective in drafting policies in the field of information technology is the development of **Information Society** and the creation of the conditions for improving people's life quality (for instance, in order to increase the efficiency of the central and local administration, and to provide support for industry and business environment development).

The **Information and Communications Technology** represents one of the key factors in the economic development, which can directly contribute to the performance of fundamental exchanges in the economic field and to ensuring **sustainable development**. The expression of **"sustainable development"** refers to the development way pursuing to

accomplish a stable rate in the long term development process, by correlation of the demand for satisfying the needs of the society as a whole with ensuring the possibilities for developing future generations under the conditions of complying with environmental, ecologic norms, by maintaining a benefic, stable climate and a clean environment.

Another development direction for the **Information Society** is represented by designing an information system for the public administration, which will make the administration more simple and efficient, and hence making it the most important support for the people.

Applying the **information technology** will also contribute to creating jobs, of higher qualification and demands, one of the State's obligations being also to reduce the impact of the information technology development over the people having low education level or low economic and social statue.

Information technologies will also have a major impact over the protection of nations' cultural patrimony, in its protecting, transmitting and valorizing by all people.

The extreme development of the technology during the last decay has created new development directions for businesses by the occurrence of **electronic commerce**, activity which involves production, advertising, sale and products distribution, as well as a multitude of collaboration forms between economic entities. By its expansion, **electronic commerce** has contributed to the **communications' globalization** and to the development of mobile communications.

Nowadays, we can refer to three basic concepts of the "**New Economy**", namely: **on-line business**, **electronic commerce** and **on-line networks**.

4. The "New Economy" in Romania. History, Phases, Actual Development Stage. Strong Points and Weak Points

There can be asserted that in **Romania information technologies** are in an incipient use stage. Specialists consider that first of all a society should be build that is economically developed, because it is obvious that a correlation exists between the development level and the use of IT&C. It is only then that we could aim for a shift to information based society.

Industrialized counties have launched a number of programs in order to support developing countries in their effort of integrating in the international information flow. The use of **Internet** and the expansion of the communications and information technology use allow people to develop and to have access to worldwide existent knowledge. Innovation is disseminated more quickly, which leads to **economic progress** and to a better **life quality**.

Romania enters a new world, a world in which **Communications and Information Technology** accelerate the expansion of dematerialized economy, modifying the components of **competitiveness** and generating new sources of **economic growth**, as well as new jobs.

Technologic progress must make society more transparent, it should bring people more close to the public services and to their elected representatives, it should develop new working tools for teachers, it should ease the search for jobs and it should allow the efficient use of information.

The new society's technologic support consists in three activity sectors: information technology, communications technology and

informational content production, sectors which are convergent.

Upon this objective, the programs or action plans in which Romania is involved or in which it is to adhere and which represent conditions for Romania's European integration are the following:

a) Communications sector, which represents one of the priorities in Romania's economic and social development for the next 10 years. The strategy developed by the Romanian Government for 2000-2012 undertakes a systematization of the Government's actions and of the telecommunication industry in order to exploit the opportunities in this sector.

b) In the first phase, the Government's actions are focused on 3 axes, namely: **telecommunications, radio-broadcasting and mail services**. The constraints and other specific economic parameters are different in these 3 sub-sectors, which justifies the existence of different sector related strategies.

c) Under the influence of **the convergence of services and associated infrastructures**, it is more and more difficult to exactly define the limits between telecommunications, radio-broadcasting, IT and mail services.

d) Telecommunications are no longer considered a luxury service, given the fact that the right to communication and information is recognized as a fundamental citizens' right and respected accordingly. In the specialized literature digital division is mentioned: the division of people into favored and disfavored compared to their access to communication means. This division is manifested both on an international and national level.

During the last years, the **telecommunications sector** faced an extremely dynamic evolution, characterized by restructuring,

privatization and liberalization, under the conditions of spectacular technologic developments. The transition from the industrial society towards the **New Economy** is obviously illustrated in the statistic data analyzed in order to assess the development level.

In **Romania**, the telecommunications sector is private in majority, in terms of turnover, share capital and number of customers, both consequent to private Romanian and foreign investors' interest in this sector, and to the Romanian State's releasing policy. The share of the private sector will still grow during the next period.

The investments in communications have a major impact over the economic development in general, due to the dual nature of this sector: economic branch by itself and support for the development of the other economic sectors.

In telecommunications numerous business opportunities still exist, considering the partially unsatisfied demand and the imminent complete market liberalization.

The major role played by communications in the **New Economy** involves a flexible and efficient administration in this area. The sector's dynamics can have negative influences if it is not known and analyzed, and in the same time it can provide new opportunities. Telecommunications' administration has a very important international component, regarding the international promotion of the state, companies and Romanian citizens' interest under the globalization conditions.

The large use of information and communication technologies (ITC) leads to profound implications in the social and economical life and to fundamental transformations in the way of realizing products and services, in the human behavior. The superior valo-

rization of these technologies can ensure an economic and social process which characterizes information society, under the condition of achieving conditions and orientations of strategic nature, by policies adequate to the stage we live in:

a) Consolidating democracy and the lawful **State's institutions** by people's participation in the political life and easing the unbiased access to public information, by improvement of public services quality and modernization of public administration ("**e-government**", "**e-administration**");

b) Market economy development and progressive **shift to the new economy, increased competitiveness** of economic agents and creation of new jobs in high-tech sectors by developing **electronic commerce, teleworking**, new business management, financial management and human resources management methods, integrating ITC capabilities in new products and services, the development of the ITC sector;

c) Increasing life quality by using new technologies in this field, such as: social securities, health care, education, environment protection and calamities monitoring, transport safety etc. and by this means integrating into the Euro-Atlantic structures and in the Global Information Society.

d) Accelerating electronic commerce: in Romania, the economic reform, the foreign investments growth, the rapid development of the markets focused on Europe, as well as the strong inter-connections with companies in the EU provide opportunities for a fast modernization and advancement, mainly in the field of electronic transactions. The development of infrastructure and of the access to communication means upon acceptable prices, as well as the supportive policies for SME

could lead to a rapid development and to a significant demand growth.

e) Electronic governing, electronic access to public services: "e-Government" represents providing public services in electronic format for people and the business environment. Providing public information availability on the Internet is one of the Romanian Government's priorities. The strategy of shifting to "e-government" includes a combination of the following elements:

- Encouraging competition on the telecommunications market;
- Transforming, modernizing the Government by means of Information Technology and "e-business";
- Making public acquisitions in electronic format;
- Attracting investments in this field.

f) ITC based medical services: the appropriate use of on-line technologies in order to increase quality information availability regarding health amongst citizens will lead to an increased share of preventive medicine, substantially reducing on a long run the social and administrative costs of diagnosis and treatment.

g) Stimulating the demand and disseminating information and knowledge by electronic means: for **Romania** taking up new IT technologies in the cultural environment and institutions (libraries, museums, cultural assets archives) in order to create a new content, transforming information and cultural materials into electronic form, ensuring mass access to the development of new services are of special importance.

h) Intelligent transport systems, which are starting to be recognized as an option for operating and managing transport systems. Implementing the intelligent transport sys-

tem and the services for all types of transport will significantly contribute to improving the traffic efficiency and safety, as well as the protection of the environment. Romania admits that intelligent transport systems can be taken into consideration only along with the modernization of the existent infrastructures or with the creation of new infrastructures, however not as a distinct phase.

i) Electronic commerce and intelligent cards. The information systems security will be regarded under its three basic aspects:

- **Confidentiality** – referring to information protection against unauthorized breach in the network;
- **Integrity** – referring to maintaining the exact and complete data content;
- **Accessibility** – referring to the users' access to vitally important information and services.

5. The New Economy – Challenges and Prospects for Romania in view of its Integration in the European Union

Nowadays **globalization and the development of knowledge based economy** are probably the main forces in the economy. The concept of **"New Economy"** is considered to be much more complex than the expression **"Information Economy"**, because the first refers to the permanent change, being able to express relations and connections between the existent forces in an economy, generating an accentuation of the globalization phenomenon, increased pressure consequent to competition, rapid development, adopting and using information, communicational technologies and adequate economic and environmental policies.

The purpose of this paper is to present a

few macro-economic problems occurred consequent to surprising economic performances registered by developed countries (such as USA and Japan), also including details more or less known regarding the increase of productivity, the key element of the **"New Economy"**.

The paper focuses on the "uncertainty" constantly surrounding all that the **"New Economy"** involves and it presents the challenges and prospects for **Romania** in view of its integration in the EU.

A largely debated problem in the **"New Economy"** is that of reducing transport and communication costs, in close connection with the government's policy, which should lead to the "elimination of distance".

However, eloquent studies exist demonstrating that distance continues to govern the economic phenomena both within a country and in global relations.

The main recommendations regarding the implications of the **"New Economy"** over the development of **Romania** and of other European countries should be focused on:

(1) Up to date production of analysis on the changes registered in the Romanian structure, both on the labor market, and in the industry, by:

- Presenting the alternatives to knowledge based economy;
- Modalities to comparing Romanian experiences with those of other countries (USA and Japan);
- Finding plausible explanations for the existent differences.

(2) Developing a capable strategy aiming to successfully answer to the needs in the Romanian services field.

(3) Making empiric studies in order to investigate the impact of new information

technologies over organizations and companies in Romania: differences between Europe's (Romania's) experiences and those of the USA and Japan.

(4) Presenting the types of services for which Romania holds competitive advantages: selling markets for these services – existence, perspectives and potential dangers; the main competitors of Romania – modalities for improving the strategy and entering new markets.

(5) Unrevealing the motivations determining the foreign investors to come to Romania, identifying the obstacles in making foreign direct investments and the importance of investments for the country.

The term of “**New Economy**” is considered to be at the present moment the most appropriate in order to describe the changes that take place worldwide; in the same time it is however “dangerous” because it involves great uncertainty regarding the future.

Providing that instead of an ascendant productivity trend countries would suddenly register a descendent one, this would rapidly overcome all economic benefits registered until that moment. That is why it must be kept in mind that an analysis of **Romania's** economic prospects in view of its integration into the European Union should include both the benefits of the “**New Economy**” and the major implications and potential risks.

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Economic Disequilibrium in the Opinion of the Economist Janos Kornai

❖ CORNELIA NISTOR ❖

Abstract: According to the principles of the general economic equilibrium each economic agent is rational. It always pursues to optimize the activity it carries out, which in mathematical terms means to solve an extreme – minimum or maximum – problem grounded on a determined order of the preferences and by complying with certain restrictions. In order to put in mathematical form the company's general interests, a general "welfare function" can be designed, ensuring the fulfillment of the optimal state for all economic agents. The economist J. Kornai contradicts this conclusion, demonstrating that society is formed of groups of economic agents with identical or, on the contrary, contradicting interests, such that the decisions they make in order to organize the economic activity should be based on compromises and on the attempt of attenuating contradictions.

Key words: mixed disequilibrium, general economic equilibrium, consume.

J. Kornai reinitiated the analysis of general economic equilibrium, showing that his predecessors had oversimplified it, without taking into consideration a number of elements of which demand and offer depended and by limiting themselves to the two essential factors, namely price and income. He added to the said factors fashion, the imitation effect, the rapid change of the consume structure in favor of new products, the consumers' social position, in which an important role was that of the urbanization influence.

For a more complex analysis of the possibility of achieving the economic optimum, certain difficulties have to be solved, regarding: finding better methods for a more exact observation and measurement of variables such as sale and purchase intents, satisfaction degree, potential production increase, needs' intensity' studying complex mechanisms which besides prices regulate the economic system; analyzing the state of mixed disequilibrium, present especially in some undeveloped countries, characterized by the fact that in some economic branches the longer term

absorption state persists, whilst in other pressure is predominant; explaining the influence exercised by the internal inflationist process over the currency stability and the long term disequilibrium on the national market; thoroughly consider the issues arising from the existent correlation between saving, investing and using the labor force.

From the neoclassic theory of the general equilibrium it results that the offer is influenced by the structure of the production cost, which modifies depending on the prices variation. The volume of the production ensuring the maximization of companies' profit, and hence their equilibrium is the one complying with the equality between price and marginal price, under the condition for the price to be higher than average variable costs. J. Kornai added essential factors of which the offer, modification of available resources fund and introduction of technical progress depend, and also underlined the important role of the elements often standing against the practical performance of the equilibrium condition: stocks situation, information regarding the customer's preferences obtained by marketing researches and the state's influence.

The analysis of economic processes cannot limit to a static observation, as production and consume should be mandatory regarded as flow variables, because an obvious gap exists in time from the moment when the producer communicates his intent of selling the products and until their actual sale. During this time interval a flow of messages occurs between the producer and the buyer, and then consequently a flow of products will be created between them. The problems becomes more complicated if there are also taken into account products existing on the company level, interposing between produc-

tion and consume and which imply the carrying out of yet another flow of messages.

Because production and consume are two economic processes carried out in different spaces and having different time dimensions, J. Kornai raised the issue of the possibility of correctly defining demand and offer. Considering that they could not be measured, he reached the shocking conclusion that it was impossible for their equality to be considered, and hence of obtaining an equilibrium. Contrary to the opinion of the general economic equilibrium school, he asserted that the tendency of real economic systems was to be in disequilibrium, either under the form of pressure, or of absorption. Because in the pressure state each company should dispose of reserves of production capacities, and because the market is never emptied of merchandise, as products, production factors and reserves stocks exist, then it cannot be considered that this satisfies the equilibrium conditions in the general equilibrium theory.

Another reproach he made to this school was that all the representatives of the general economic equilibrium attempted to determine the factors ensuring the maintenance of the same equilibrium, the aspects being omitted regarding the dynamics of the economic system. In reality, even though forces permanently act which tend to bring the economic system as close as possible to the equilibrium state, the disequilibrium state is predominant, which could be sometimes more advantageous than equilibrium, impelling economic development.

Moreover, there is not admitted the condition for products' homogenous nature, nor can there be ignored the qualitative differences between such. The consumer is always put in the position of choosing between more

substitutable goods. The only modality in which it could be considered that the aspects are reflected regarding quality in the analysis performed by the representatives of the general economic equilibrium School would be the situation in which the consumer needs to select the best of the substitutable goods. He prefers the one which is qualitatively superior, reducing demand and therefore the production for lower quality products.

Also, it is incorrect to assume that information circulating between economic agents only refers to price, even though this could be argued by maximum information saving. However, a modern economic system should be characterized by a complex informational system, which is necessary for the regulation process and also improvable, so that to eliminate useless information. It would be a mistake to assume that determining the system of equilibrium prices ensures the stability of this status. In reality, the most important role is played by the inertia itself of economic systems, by their natural tendency of self-repeating.

In his mathematical approach J. Korani expressed the performance of the economic system "E" in a certain historical period "T" by using the realization vector " $d_{(T)}$ ":

$$d_{(T)} = E[O, G, S, \Phi, \Psi, y_{(t0)}, v_{(t0)}]$$

the components of which are:

O = organizations

G = manufactured products

S = sorts of used messages

Φ, Ψ = the system of reaction functions

$y_{(t0)}$ = initial products stocks

$v_{(t0)}$ = initial memory content

The economic system is divided into a sub-system of real elements, in which O, G,

Ψ and $y_{(t0)}$ are included, describing the real flow, and a regulation sub-system, in which the elements S, Φ and $v_{(t0)}$ are included. The real processes in the system are the production of goods, delivery of services, storage, transportation, circulation, consumerism, to which there are added observation, information transmitting and processing and the decisional process. In the regulating sub-system there are included: the market, the monetary and credit system, economic planning, development of technique and science, labor force distribution. The decisions of economic agents can be reversible and irreversible and also comparable or non-evaluating. They are influenced by a series of external factors, amongst which the most important are technical development and the environment.

The fundamental economic problem is to determine by deductive or even empirical methods the conditions satisfied by various economic systems and then to improve such. The conditions are actually the elements of the performance vector " $d_{(T)}$ ".

Pressure is defined as the stage in which, on a product's market, the seller stands in line for the buyer, which manifests a "positive intensity of aspirations which is not entirely satisfied". On the contrary, absorption is the situation in which the "buyer stands in line for the seller, and in which the buyer has an unsatisfied positive tension of aspirations". If the analysis is extended to all products in a national economy, then disequilibrium will take the form of general pressure or general absorption.

The main disequilibria in the real economic systems are:

- offer in excess on the goods and services market and on the labor market, corresponding to the typical situation of Keynes-

ian unemployment, characterized by the fact that the obtained production is higher than market demands, and that the degree of production factors utilization decreases;

- demand in excess on the goods and services market and labor market, characterizing the situation in which classic unemployment exists and corresponding to the initial periods of industrialization, in which the capital outfit deficit of enterprises was not enough in order to allow additional hiring, nor in order to increase production up to the demand level;

- demand in excess on the goods and services market, on the monetary market and on the labor market, describing the implicit or repressed inflation, characterized by the fact that companies cannot find labor force, salaries and prices are below the equilibrium level and therefore, upon the available production factors companies could not produce enough in order to satisfy the demand on the market.

In analyzing the evolution process of the economic system's status towards equilibrium there must be also taken into account that producers and consumers do not know their intentions perfectly and from the beginning and moreover that adaptation is characterized by a high level of instability, by uncertainty considerably influencing the behavior of economic agents on the market. In the pressure status, uncertainty first of all affects the producers. They must each ensure production factors and reserve products stock in case the buyers might prefer them to other producers. The impact will be a lot larger in case their expectations do not confirm, and the respective stocks will remain unused, representing losses, of obvious negative influences over the possibilities

for future development. In the absorption status, uncertainty affects first of all buyers, who see themselves forced to buy necessary products not when they need to do so, but before, when they can find them on the market. Thus, stocks of products are accumulated which will never be used again.

The pressure is determined by a series of elements, amongst which an important role is that of inflation, due to which the buying intent is overcome by the selling one. Another pressure factor is the uncertainty manifesting by the creation of reserves in companies in order to be able to cope with potential buying intents. Companies manufacturing new products will be more successful, and will sell more than those manufacturing old products. The pressure can also be caused by the surplus of investments potential compared to the more reduced desire for investing of the producers.

In absorption, consumers cannot purchase more than the products quantity put on the market by the producers. A source of disequilibrium is the fact that companies aim to purchase a larger quantity of production factors in order to produce more, knowing that excess demand exists, however this surplus of production factors required by the companies does not exist on the market. The situation also reflects disequilibrium between the national economy branches and sub-branches, because very large demand of some companies for production factors is larger than the offer the companies in those branches or sub-branches should have ensured. Absorption in a certain period can also generate absorption in future periods, because in the effort of overcoming this status, there will be attempted the increase of production over the possible achievable level, representing a

disequilibrium increase source.

J. Kornai underlined that the notion of competition did no longer had the sense it used to have in the general equilibrium theory because sale and purchase intents coincide with the effective sale and purchase. Real competition is manifested however in two main forms: the one in which sellers compete in order to obtain the buyer's favor and the one in which the situation is reversed. Consequently, in the pressure status, even though a monopolistic company exists on the market, it cannot act entirely upon its will, but it must also take into account the producers manufacturing substitutable products, which are their direct competitors. On any market, sale and purchase intents mutually adapt. J. Kornai consider as wrong the idea according to which consume is the focal element in

this adaptation and asserts that the way in which adaptation is made greatly depends to the type of disequilibrium in which that market is. If absorption stage exists, then the consumer will have to make forced replacements and to make decisions adapting to the structure imposed by the producer. The demand structure is of a particular importance because it will determine the development of those branches for which demand is the largest. This way, lent adaptation is performed of production to the consume needs. In the pressure stage, however, the adaptation of the production to consume is rapid, elastic, mainly aiming to satisfy newly occurred needs with new products, and by means of such production exercises an appreciable influence over the consume.

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Public action in the globalization process

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Abstract: *The types of public investments change from a stage to another. The state always had economical objectives, even if these were not so explicit. However, its role of economy manager developed in the postwar period. The intervention systems diversified and their manipulation becomes more and more frequent. The establishment of intervention types and mechanisms must submit to the requirements. The essential problem is not the global reduction of the state investment, but its efficiency increase. In the current age, the characteristics of a public action are conditioned by the effects of globalization on the state sovereignty, power and capacity. At the end of the past century, debates on this subject were the main focus of the mass media and they emphasized some profound dissensions regarding the nature and implications of globalization.*

Key Words: globalization, nation-state, asymmetrical effects, international political economy, states capacity.

Globalization – a controversial reality

As an economical process and a political project, the globalization is the focus of theoretical debates. For the most, it is a controversial process that can be approached from multiple angles. There are divergent versions related to globalization and the debates are sometimes disconnected from reality. The dissimulation of evidence has made possible the occurrence of myths and paradoxes in the

approach of this complex process, with multiple sides and with profound unequal consequences.

This subject seems to be an inexhaustible one and the theoretical reflections emphasize the fundamental dissensions regarding the nature and implications of globalization, the appeal, on a large scale, to myths and fiction, terminological confusions and so on.

Its content does not belong to a single scientific domain, fact that underlines the interdisciplinarity of the problems and the ne-

cessity of using some adequate conceptual instrument and of replacing the old theoretical paradigms. Sometimes globalization is regarded as an unavoidable and irreversible process; its diffusion on the entire geographical space represents a certain and impressive phenomenon.

There are major differences between the authors that give priority to the effects of the contemporary globalization and those who believe that this phenomenon is just a myth that doesn't really affect the politics and capacity of the states. Skeptical persons think that the states preserve their regulatory capacities of the internal and international reports.

In spite of the manifestation of the current processes contradicting aspects and of a clear theoretical cleavage, there is a large agreement on certain undeniable realities. The globalization profoundly changes the state and society that are trying to adapt to a more interconnected and ever changing world. This process is but an incomplete reality that develops at different speeds and its implications do not have the same impact on all of the states.

The second age of globalization is characterized thorough an asymmetrical dispersion and effects, as well as the emphasizing of the global economy polarization. Although more integrated, there is a clearer fragmentation tendency of the global economy under the impact of regional economical blocks.

Since the '70, the international political economy, a new study domain, registers a genuine disparity. Among its theoretical attempts: the analysis of globalization and of the transformation of the state capacity and power.

The national state in the globalization age

There are numerous points of view regarding the nature and impact of globalization. A significant subject of the "globalization literature" is the effects on the state autonomy, capacity and power.

The realistic assessment of the state role in the globalization age and the identification of the multiple implications on the internal and external prerogatives of the public authorities' powers require certain methodological specifications.

Firstly, a distinction between the "state-nation" concept, referring to a territorial entity which defines a homogenous population and the territorial state that can enclose people with multiple national identities must be made (Ray, 2007, p 76). In many cases, the states become globalization agencies, although their nature and functions change. When I speak about the erosion of the state – nation we take into account the heterogeneity of cultural identities, of life styles, and so on.

Secondly, the delimitation in time of general effects on different phases and stages of the globalization process is imposed. Or, the crisis of the state-nation is often associated with the second age of globalization.

Thirdly, the impact of globalization must be analyzed in tight connection with its current characteristics that determine a spreading area and asymmetrical effects. According to some estimation, the globalization doesn't affect in the same way humankind; for a few, it is very favorable and it marginalizes or excludes approximately two thirds of the world population. Thus, a shaded and comprehensive approach of the globalization effects is imposed.

There is a large agreement materialized in the proliferation of the theses that forecast the diminution of the role of state as actors of the power on the internal and international stages, the undermining not only of the sovereignty, but also of the “national” economy idea. The capacity of creating and implementing the economic policy is contested, as a result of the disintegration and decline of the state capacity, of the diminution of its autonomy and power in regard to the transnational capital.

Among these malignant consequences of globalization is the reduced state autonomy in the economy, external policy and national security domains, the exposure of national economies to disturbances derived from external shocks and so on. The nature of sovereignty has changed, while numerous problems exceed the national state capacity.

While we are witnessing the emphasis of the state vulnerability, the triumph of the market power is proclaimed. The debates regarding the globalization implications on the market relations with the state become more and more controversial. The market has the tendency to transcend the national borders, while the states fragment the territory. Although, their origin, as modern social institutions, is almost in the same historical age, they have different logics. The market logic is by nature economical, respectively the profit and efficiency, while the state logic is political, based on power and legitimacy. They are interactive; sometimes they work together and some times they are in conflict, but they always influence each other. The attempt to oppose and replace one with the other will lead to perverse results for society (Nayar, 2005, p. 16).

The economical capacity of the states is

tightly connected with the efficient functioning of the markets. The manifestation of the state legitimacy, in the context of its market interventions, has its reason in the market failures, regardless of their internal or external sources. As the national market requires a political authority in the likeness of the state in order to establish the rules of the game, the necessity of an authority in the case of economy and international market is required, as well.

Thus, the economical globalization is, simply, not the exclusive promotion of the market logics. It is the result of the interaction between markets and states.

Some globalization ideologists have predicted the collapse and, even, the end of the state-nation, exacerbating the profound transformations of the power and autonomy and ignoring the evidence of reality. Obviously, the past can't be simply projected in the future. Today, nobody can impugn the diminution of the state capacity to control the economy and society. In its essence, the powerless state myth derives from the legitimacy crisis and the lack of reaction from the states at the aggression of some internal and external factors. Paradoxically, the state wasn't disposed of its competencies and prerogatives, but they were transferred deliberately to some local and international courts. Thus, the globalization that causes the considerable diminution of power and intervention capacity is, partly, the product of the state policy.

One of the standard arguments used to support the decline or end of the state-nation is the transition from the Fordist regulation mode to the post-Fordist one.

After The Second World War, the capitalism was organized inside the national territorial areas and the regulation implied

a corporatist alliance between the national capital, syndicates and the state intervention. The state was involved mostly in management and even the property of economy (the nationalized industries, monopolies on the public utilities and so on).

The post-war Fordist economies competed on the international markets and the state protected the national companies. However, in the '70 – '80, the global Fordism enters a crisis and registers the end of the political consensus regarding the prosperity of the Kenesist state. Some approaches and traditions say that the state-nation is sinking under the attack of both devolution of its functions towards the local and sub-national levels and the transfer of sovereignty to the international institutions.

A realistic evaluation of the political and economical changes finds inopportune the overstatement of the globalization phenomenon and its effects. Important works and

structures regarding this matter demonstrate that the globalization doesn't mean the end of the state, but it determines the reconstruction and rethinking of the investment mode and its action capacity, as well as the adjustment to new constraints imposed by the international institutions.

The accommodation or adjustment to globalization, the adaptation and not the restriction, the re-installment of rights and forceful return of the state are the essential points at the present. Although their nature and functions change, the states remain the significant actors in the global economy and society, integrated in the transnational regulation systems; the state will continue to have a significant position as an agent of globalization in the regulation of the restructured neo-liberalism failures, as well as in the identification of new regulation strategies and of maximizing the conditions for national competitiveness and profitability of the capital.

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The causes and the effects of the inflation

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Abstract: *The inflation represents the result of the economical, monetary and socio-political factors seeing through the inter-conditioning and simultaneity of its action having as functions: the elimination (revalorization) of the superadded capital, the profit's-dimension and the redistributions of the national income in favor (disfavor) of one category or another of producers or consumers.*

That is why, the measures of the economical politics that are promoted must target first of all the minimum reduction of the distortions, of the inequities and the sacrifices paid for these situations, taking a good care for the big number of the consumers.

Key words: inflation, hyperinflation, disinflation, budgetary deficit, monetarism, unemployment.

1. The form of the inflation

The word inflation comes from the Latin "inflare" which means to exaggerate. As economical phenomena inflation seems to appear for the first time around 1300 in France during Phillip The Beauty reign. Because he was needed financial resourced for the war with England, after he spent all his money, he recourses to the monetary emission, which serves him for his purposes. The first explanation about the inflationist phenomena has as basis the quantitative theory

of the money. This explanation was possible because it is determined by two essential factors: the movement of the monetary gold and the agricol production modification.

Inflation has a long story, which evolved during the centuries with unequal intensities and sense changing.

The inflationist phenomena has appeared for the humans since the beginnings under different forms, which have affected in some ways the right course of the economical, social and political life.

In the specialty literature the inflation

has as a definition: the general raise of the prices when the buying power of the market actors (including the population) is decreased. Or the prices of the goods and of the services are rising, the quantity of currency (real and in cont) rise and the buying power for a monetary unit decrease.

Inflation is the process of significantly and persistent rise of the prices' level. Inflation represents a state of economic disequilibria where the existent monetary mass in the economy overwhelm the real necessary of currency going to a generalized rise of the prices and to the buying power decrease of the money. Not only rise of the money means inflation. Inflation is, first of all, a monetary phenomenon, being related to the abundance of money over the real needs of the economy, determined by the decreased goods and services offer.

Generally, the quantitative theory is considered as the classical or neoclassical theory of the inflation. (The wells known classical economists were: Adam Smith (1723-1790), David Ricardo (1772-1823). The neoclassical term is referred to the L. Walras (1843-1910), A. Marshall (1842-1924) and A. C. Pigou (1877-1959) writings). In the frame of the neoclassical theory, the quantitative theory plays a different part from those played in the frame of the classical theory.

When Spain discovered the New World and the gold started to flow form Mexico and Peru, in the entire Europe have been recorded prices increase. There were more money in the circulation but the same quantity of real goods, so the money worth less and the goods more.

This type of experiences has determined the economists to see a mathematical relation between the quantity of active money,

the goods prices and the quantity of products goods. This relation was called *the trade equation*, because it tried to explain the goods exchange in a free economy. Irving Fisher (1920) perfected the equation taking also into consideration the speed of the money.

The quantitative theory explains the report between the monetary quantity and its value, a larger active quantity reduces the value of the monetary signs (increasing the goods prices) as the active quantity reduces as its value rises and the prices of the goods are reducing.

Inflation is a negative phenomenon, which affects the economy on both long and short terms. On short term, denudes the buying power of the currency and through this affects especially the most vulnerable citizens, those with fix incomes. On long terms, inflation discourages the investments and inhibits the economical growth.

On long term, the inflation is presented in every economy. The phenomenon cannot be totally controlled and at the same time it is not advantageous for everyone. Those who anticipate correct the evolution of the inflation can always find ways to become rich in spite of the other who cannot.

A conception regarding the explanation of the inflation refers to the monetary theory¹. The monetary thinking appears from the quantitative theory of money, but its area is beyond that. Karl Brunner introduced the term "monetarism" in 1968.

In the monetarists works (Milton Friedman, Karl Brunner, A. Meltzer, H.G. Johnson, D.E.W. Leidler, M.J. Parkin and others) the leading part was played by the inflations

¹ Elena Pelinescu, "Monetarismul – abordare teoretică și aplicații. Cazul României", în *Anale, Institutul Național de Cercetări Economice, Academia Română, INCE, CIDE, București*, 2001, p.45-70.

explanations.

Inflation is a monetary phenomenon. In 1970, Friedman said: "Inflation is everywhere and always a monetary phenomenon...and can be determined only by a rapid raise of a money quantity than of a production".

A rapid raise of monetary mass will develop a prices raise. It is true that the monetary aggregates are not a perfect indicator to describe the state of an economy, but on the long terms the relation between money and prices will remain intact. Moreover, this relation is analyzed in the studies done by the European Central Bank, which demonstrates that the dynamics of the monetary mass contains information referred to the inflation. Economical history is full of examples in which those agents working with the implementation of the economical and monetary politics had been ignored the signs given by the monetary mass. The Great Crises from 1929-1933, the hyperinflation from 70's, the financial collapse from Japan in 80's and the Asian crises from 1997. All these crises were preceded by rapid raise of the monetary mass. We can introduce the idea that between the monetary mass and the inflation there is a direct relation.

Monetarism sustains that the market economy equilibrium can be done, almost automatically, using an official control of the active monetary mass.

Because of the importance that Friedman and his disciples allowed to the monetary politics, their economical thinking became known as the "monetary school". It can be defined as an economical school that provides the importance of changing from the real production and the price's level.

Milton Friedman, mentor of Chicago School, recognizes the need to use a govern-

mental measure rational limited required by the economy recover at a certain point. State must not interfere in the domains and problems that the free market can successfully resolve. It must intervene only when and where, without his support, the problems cannot be resolved.

Monetarists believed that the market economy functioned in every condition but recorded success only when it is left alone.

2. The cause of the inflation

The causes of the inflation are defined differently in the economical literature. These points of view could be framed in two groups: I. Adepts of the monetary inflation and II. Adepts of the nonmonetary inflation.

The first conception has at the basis of the inflation factors that act around the monetary circulation and especially it's mass. This conception corresponds to the classical explanation of the inflation, which has seen the cause of the inflation in the abundance of monetary mass irrespective to the currency forms that compose it, that attracts the price rise- explanation given by Davanzati and especially Jean Bodin in XVI century and carried on by the Chicago School through Milton Friedman.

Milton Friedman makes a distinction between the immediate causes and long term causes of the inflation. On long term, it is considered as immediate cause of the inflation the rapid raise of the monetary mass than the production raise. The question is: where this raise comes from?

The answer given by Friedman reflects the monetary conception regarding the inflation:

a) The first cause is the government wish to spent more than it collects, to rise the public expenses without rising the tax, without benefits the supplementary incomes.

b) The second cause of inflation is the government wish to reduce the unemployment and to assure "full occupancy", which gave birth to the politics with the same name. If the government raises the public expenses to create job placements the inflation appears.

c) The third cause mentioned by Friedman is the wrong politics of the Central Bank. So, the Central Bank, wishing to maintain the interest rate for certain limits, it raises the monetary mass and it provokes inflation, which develops the growth of the interest more than if it wouldn't require the monetary mission. The raise of the interest discourage the private investments and its reduction stimulates the income reduction a well being phenomenon known as eviction effect.

For the contemporary supporters of this conception, the control of the inflation must be realized through pressure measurement over the monetary mass, reducing it with the help of some restrictions of the credit and interest domain.

Taking into consideration the period of the First World War and what followed – the irreversible break down of the gold etalon from all over the countries at the same time with other changes in the economical mechanisms – especially after the Second World War- it marked an important accenting of the inflationist phenomena and a very powerful raising of the prices slowed down in the 90's. Under this situation, the quantitative theories over the currency, the monetary explanations of the inflation were no longer efficient and that is why, the analyst attention was drawn

more upon the real processes of great depth, non-monetary.

The non-monetary causes are:

- The solvent demand pressure face to the economy capacity (global offer) stays;
- The production cost pressures, following the continuum rise of the prices' factors, especially of the salaries (as an effect of the union's pressure);
- The psychological factors which determine the transactional participants to take cover measures for inflation at the previous level rate – salary and prices rise.

Among the deep causes of the inflation we can find: the disturbance of the supply and demand report, where we can have either an excess demand or an adverse supply.

3. The effects of the inflation

Some economists believe that the moderate inflation can be accepted by the contemporary society, and others, especially the monetary economists, which share the same point of view as the International Monetary Fund, discourage the inflation by recommending stable prices and salaries. The monetarists consider the inflation as a scourge, a malady harmful for the society, a public enemy.

We must distinct between the impact of a moderate inflationist process and that of an excessive inflation escaped over the macro-economic control.

Some effects generate by inflation.

- a. Inflation has as effect the diminishing of currency's buying power.
- b. Inflation distributes the existent wealth and modifies their meanings.
- c. Inflation affects negative the uses of the economical resources of the society, be-

cause are neglected activities of great importance for the achievement of a general economic equilibrium.

d. The inflationist rise of the prices diminishes the life level of the employed, pensioners with fixed and reduced incomes.

e. Inflation stimulates general unbalance for the national economy; the economic instability does not encourage the productive investments but contrary, it stimulates the speculative ones.

f. Inflation has an impact over the external economic relations, especially for the states with unconvertible currency.

g. Hyperinflation leads to the decay of the civil society in general; stimulating the middle class poverty, it undermines the impose system, generates corruption and degradation of the social institutions.

As conclusive, by its effects, inflation was and still is a negative phenomenon. That is why; the society tries to elaborate anti-inflationist strategies to adhere at the accomplishment process of slowing down the inflation (disinflation)

4. Who is responsible for the romanian inflation?

The state is responsible for the inflation. Governments declare that the inflation is a scourge which must be eradicate. The state is not out the inflationist game. Anticipating the prices raise, raising the taxation, raising the social contribution rate, the state revives deliberately the prices raise.

The banks are also responsible. The banks lent the industry and the private. It receives and manages their deposits. The interest rate collected followed the prices dynamics.

The Romanian National Bank took the

decision to increase the monetary politics interest by 50 base points, from 7% to 7,5% and to leave unchanged the levels of the minimum compulsory reserves, both for the foreign currency liabilities (40%) and those in Ron (20%), of the banks to save as much as possible in the battle against inflation.

The Romanian Central Bank Governor launched a warning for the government: "Do not pull off this economy because it's broken! We cannot have salary and pension raised and the reduction of the taxation at the same time, we must develop a priority list".

The acceleration analyzed at the annual rate level of the inflation was generated in 70% by the volatile prices, the annual dynamic reached in September 2007 outrun by 10,9 % the value from the middle of the year. The determinant factors include on one hand, the tension induced by the drought of the vegetables and fruits market- not only internal, but also regional-, and on the other hand, the base effect associate to the abundant harvest of the previous year. A favorable influence exerted the deceleration by 1,9% of the annual raise rate of the fuel price (to -0,7%) where the recent tendency of increasing the price of petrol on the international market have not yet produced significantly movements on the internal market.

Conclusions

Contemporary inflation represents a structural unbalanced monetary-material, which expresses the gold convertible money's depreciation and of those unconvertible in general and the length and generalized rise of the prices that can be identified as an existence in circulation of a monetary mass that overcomes the economy needs.

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The economic scientific research, a production neo-factor

❖ ELENA CIUCUR ❖

Abstract: *The scientific research represents a modern production neo-factor that implies two groups of coordinates: preparation and scientific research. The scientific research represents a complex of elements that confer a new orientation of high performance and is materialized in resources and new availabilities brought in active shape by the contribution of the creators and by the attraction in a specific way in the economic circuit. It is the creator of new ideas, lifting the performance and understanding to the highest international standards of competitive economic efficiency. In the present, the role of the scientific research stands before some new challenges generated by the stage of society. It's propose a unitary, coherent scientific research and educational system, created in corresponding proportions, based on the type, level and utility of the system, by the state, the economic-social environment and the citizen himself.*

Key words: economic progress, incorporability, moral wear, the non-additive character, the reporting, the proper documentation, capitalization.

The scientific research represents a modern production neo-factor, which has a decisive influence on the evolution of the economy on the broad paths of the sustainable growth. It can fulfill the multiple functions it is given, in deep relationship with macroeco-

nomical policies, which are meant to galvanize the general economic progress.

The understanding of the economic scientific research problem as a production neo-factor implies two groups of coordinates. The first category is that of preparation, of pro-

fessionalism, with its formative educative aspects regarding the research staff; the second one refers to the content of the proper scientific research, with its aspects regarding knowledge and creation.

Because of the major economic stake and the predominantly axiological chronology, the achievement of the scientific research aims are placed at a high level in the public attention, the actions and responsibilities implied by the scientific research being, firstly, of national interest for the entire population.

The scientific research seen as a production neo-factor represents a complex of elements that confer a new orientation of high performance, giving them, in general, a dynamic ascending, intelligent and innovating character. The components of the scientific research are specific elements of accession in the production process, in the entire economic activities, representing modern necessary and sufficient conditions for developing these activities that have as result economic goods.

The scientific research is materialized in resources and new availabilities brought in active shape by the contribution of the creators and by the attraction in a specific way in the economic circuit, by allocating and consuming them according to pre-established destinations chosen by economic agents modern manufacturers. In this sense, the research operates and conveys systematically scientific data that are distinguished as existential entities with a certain degree of generality. The scientific research is deeply involved in the production complex, as well as the in the circulation complex¹.

Using the scientific data as an object of

economy involves the emphasis of some specific characteristics² like: **incorporability**, namely the information, as an intellectual elaborate, has a symbolic, immaterial nature, so that we must not mistaken it for the physical support on which it is recorded in order to be transmitted or used; **durability**, namely the information has a perennial existence and it's consumed without being destroyed, no matter how long it's been used; **moral wear**, namely the evolution of knowledge determines the superannuation of the existing information content that becomes obsolete for using, making way for a new one; **the non-additive character**, namely for a holder the addition to an existing information of a an identical one in content and shape is economically unjustified.

This kind of characteristics connect with other characteristics that refer to human nature information in regard to origin and final destination, as well as to the role of information as a substitute for other resources (mat-

² Some specialists consider the contemporary science as a "neo-factor", as being one of the most important economical progress resources, an immediate productive force (see Aurel Negucioiu, „Dezvoltarea mai rapidă a științei, lege obiectivă a lumii contemporane” („The faster development of science, the objective law of the contemporary world”), in the „**Analiză și perspectivă economică**” („Economic Analysis and Prospective”) magazine, no.3/2006). We assimilate this opinion considering it important and useful, but we think that science is not only in the production area involved, but in the circulation area as well, being concomitant and satisfactory. That is why I state that the contemporary science is an important production neo-factor, involved in modern production (this modern production having a new content and a new expression) and in all components of the current circulation sphere. The scientific research has become an endogenous factor of the entire economic activity, a new and important modern resource, with a great productivity capacity in the economic system.

¹ See, "Economie", 7th edition, The Economic Publishing House, Bucharest, 2005, Chapter 9.

ter, energy, work), being capable of free and co-available propagation through communication. Thus, the information exercises its' presence and effects in the scientific research in the entire cycle of life of the production factor. The scientific research generates intelligence carrying wealth, contributing to the definitive escape from utopia and periphery. It is the creator of new ideas, lifting the performance and understanding to the highest international standards of competitive economic efficiency. Of course, this implies the probity of the scientific researcher, the veracity of the explicative model and its exercise for synthesis and solutions, without eluding the fact that the ideas can't be deprived of the generosity with which they determine feelings, impressions or emotions.

The new production factor has a dynamic character being in a mutual relation with the essence of society, in the sense that it is, at the same time, the cause and effect of its evolution. In the present, the role of the scientific research stands before some new challenges generated by the stage of society. Some specialists consider³ that **the level of informational society** has already been over-passed, the informational society being characterized by the adoption of the computer as a work, communication and daily life instrument, transcending to **the knowledge society**, based on creativity, innovation and its capitalization for the good of mankind.

Romania is in a special state, being able to compress the stages of this natural process, transcending from a poor and impoverished country situation to a situation where it has

an educated population decisively connected to material culture flows increased by a high performance, permanent and financed accordingly scientific research, in the higher educational system, as well as in the institutionalized units of scientific research.

In order for this to happen, the scientific research and educational system must be made a national priority. We support the idea that they must be conceived and achieved in a unitary, coherent scientific research and educational system, created in corresponding proportions, based on the type, level and utility of the system, by the state, the economic-social environment and the citizen himself, without mentioning the disparate segments or delimitations on diverse restrictive criteria. The acceptance of this system in cybernetic sense must determine its institutionalization and promotion as "communitarian patrimonial monopole", to which it should be participated with a thorough professional-scientific background, in precise conditions and with an appropriate economical and social-cultural finalization. This system is a public good, regardless of the institution property form that it promotes, stimulating the development of society and the capitalization of the human with its' needs and interests.

The proper scientific research⁴ is a complex process of scientific knowledge that includes scientific creation and education, systematic in schools, contributing to the economic-social progress (Figure 1).

³ Ion, Gh. Roșca, „Învățămintul superior, O abordare postindustrială” („The higher educational system, a postindustrial approach”), Theoretical and applied Economy, AGER Magazine, No.1, Bucharest, 2006.

⁴ Constantin, Popescu and collaborators, „Metodologia cercetării științifice economice” („The economic scientific research methodology”), ASE, Bucharest, 2006.

THE PROPER SCIENTIFIC RESEARCH

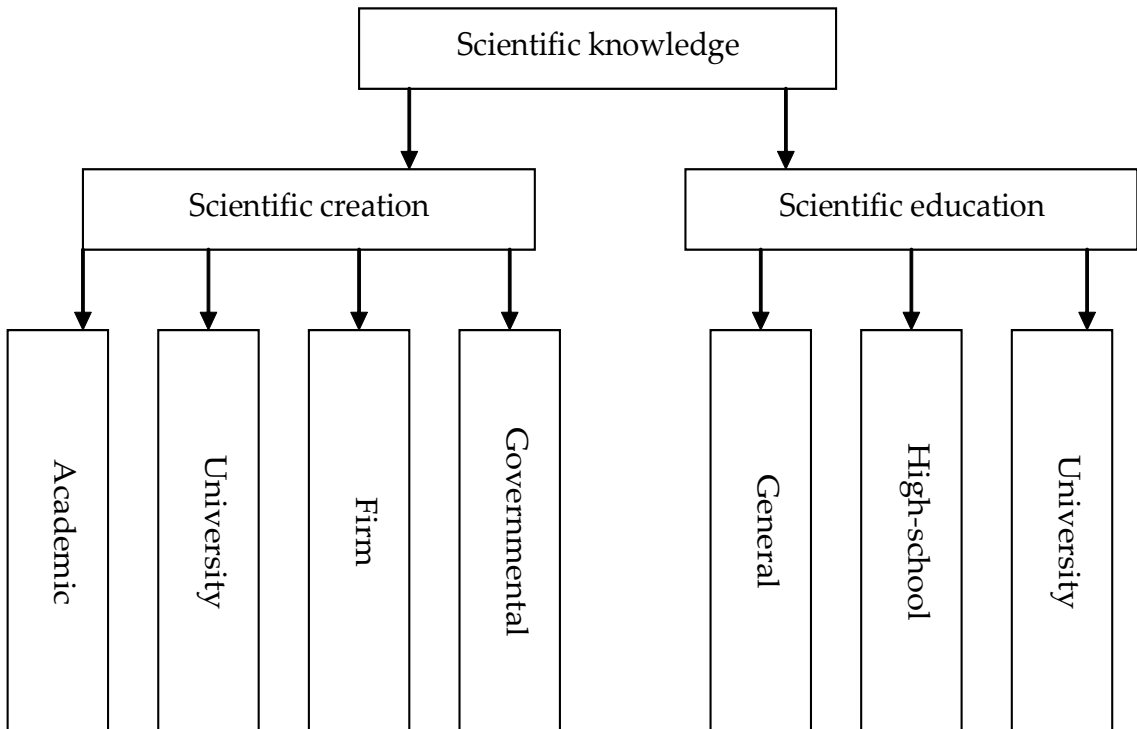


Figure 1

The two components of scientific knowledge overlap in the university area. We point out that:

1. in the university system, a thorough professionalized educational process is provided and, for the most part, updated in accordance with the new scientific conquests;
2. in the university system, the students learn to execute scientific research and, practically, perform it under the teachers' guidance.

We also introduce in the content of scientific knowledge the scientific education, taking into consideration the fact that each new research subject in the active period of a person implies an accurate past knowledge of all interdependent phases and stages of scientific research. Nobody can create anything before rigorously learning the scientific creation of the predecessors. This doesn't mean that we deny the specific differences between education and creation; we underline, in fact,

the need of continuity in research through the permanent evaluation and capitalization of the previous works.

This way, we emphasize that the word “create” means to invent, to conceive something new based on following certain informational circuits and on discovering specific connections, while the word “educate” means to seize science, to attain and understand what science has already conquered.

The organic interdependency of these two sides is imperiously necessary, but we must take into consideration that not any education automatically transforms into a scientific creation and, at the same time, the danger of conservatism settling in and the knowledge to become obsolete may emerge on both sides. This is why it's useful to permanently operate, under all circumstances for the active methods promotion that participate in the process of logical education and for the flexible organization of the scientific creation, by viewing and rendering more efficient every stage of the scientific research.

The scientific research involves many stages, each one of them having interdependent operations, phases or specific sub-phases, namely each of them being connected to the precedent and the successor, without a rigid delimitation between them or in their absolute succession.

In this context, we emphasize the special significance of **the economic phenomenon explanation, the formulation and checking of the scientific hypotheses and conclusions**. In general, these reflect the creative content of the entire scientific research discovered and systematized through methodological operations like: scientific observa-

tion; hypothesis elaboration and theoretical model building; conclusions and solutions substantiation; analysis and economic measuring methods, techniques and instruments definition; creation of new hypotheses and models elaboration and testing procedures etc.

In this stage, operations that contribute greatly to the crystallization of the scientific research as a production neo-factor are accomplished. Here the impact of the phenomenon or of the economic process on the selection and usage of the most different calculus and analysis methods and techniques happens, the hypotheses and theoretical constructions (models) are elaborated and verified, the proportion in which the scientific researcher disposes of all options and knowledge that the study of a certain phenomenon implies, is affirmed and verified, the act of scientific creation locates in essence.

Also, in this stage the greatest efforts for improvement and modernization of scientific research, as well as for its methodology, are made, increasing the economic science capacity to stimulate the efficiency of the real economic activity. But, also here the most part of errors and drawbacks that are reproached to economic science manifest themselves. The synoptic presentation of this stage is significant (Figure 2).

The underlying of the importance of this stage must not leave the impression of underestimating the other stages; each stage has its' functions and contributes to the sum that we are trying to achieve in the explanation, evaluation and stimulation of the economic phenomenon or process, in the continuous flow of its renewal.

**THE PLACE WHERE THE ECONOMIC PHENOMENON AND
THE METHODOLOGY OF ECONOMIC
SCIENTIFIC RESEARCH IS EXPLAINED**

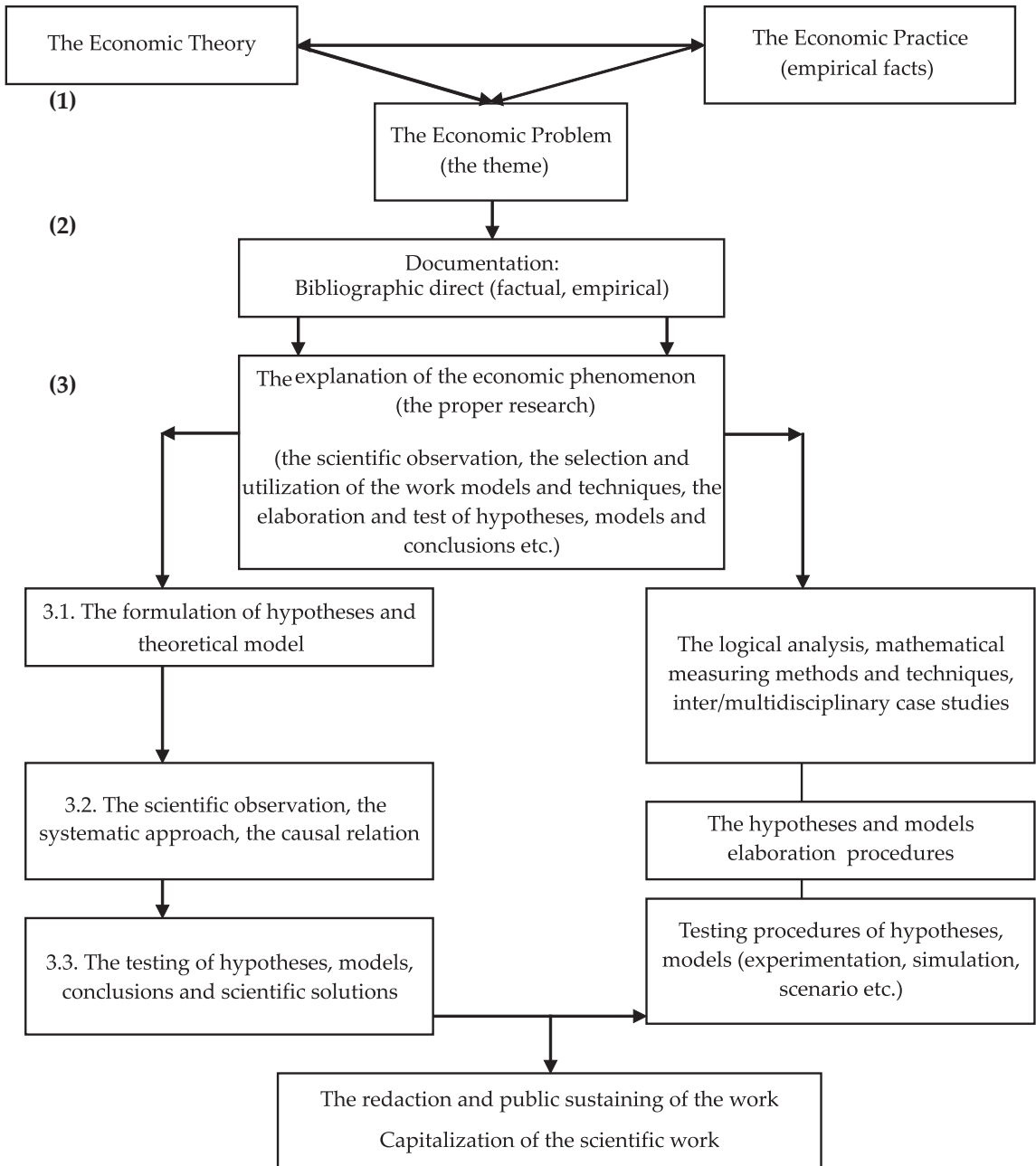


Figure 2

The **economical problems** accrue from the constant confrontation of the existing theory with the new empirical facts. They become research subjects and are proposed to be approached and solved by researchers individually or in research teams. The solving

process of an economic problem is attained on the basis of two actions: a **creator-constructive** one, where hypotheses are elaborated and formulated; and a **critic-capitalizing** one, where the constant testing of hypotheses takes place (Figure 3).

THE GENESIS OF ECONOMICAL PROBLEMS

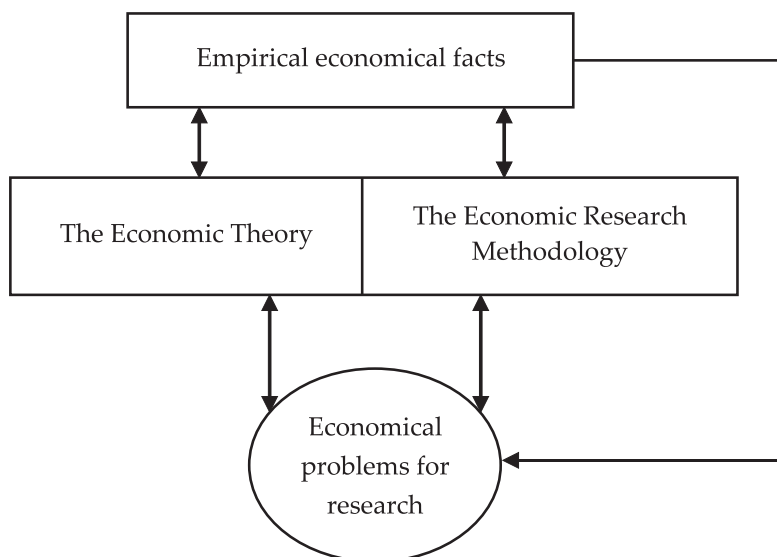


Figure 3

The economical problems can be the result of falling behind on an economic activity aspect or another or can be formulated by researchers based on the desire to develop the economic science. The knowledge of the economic theory insufficiency in regard to the empirical facts, the evolution of real economy, is the most fertile moment of economic scientific research and, at the same time, the hardest because of the complexity and dynamism of the internal and international economic life.

The **documentation for the scientific research** has a complex content determined

by two components: scientific reporting and the proper scientific documentation. **The reporting** is the complex process through which a specialized unit of the documentation network systematizes the scientific literature on well established criteria and provides the beneficiary the result by adequate methods. **The proper documentation** is the process through which the specialized unit provides the solicitant with the documents requested by him after the first process, the reporting.

The explanation of the economical phenomenon or the proper research is the

most complex stage of the scientific research methodology because in this stage deep observance, hypothesis, interpretation, conclusion and testing related operations of the researchers' conclusions and proposals are attained through adequate methods, techniques and procedures. It generates the incubation or the illumination that materializes into a theoretic or pragmatic discovery of great significance for the economic science and for the development of real economy.

The writing and public reading of the scientific work is next, as well as its **capitalization**, through which the social value of the respective scientific research is, in fact, validated.

Hence, the legitimacy of the scientific research as a production neo-factor is reflected through, its capacity to capture the perennial function of the scientific knowledge in individual decisions and actions, as well as, especially, a new social-economical reality defined by major attributes like: the predominance of the conception acts and of activity logic guided by projects; the systematization of the practices characteristic to the work based on the rigorous scientific knowledge and the extension of specialists professional training; the proliferation of activities based on scientific research in the detriment of those strictly accustomed; the development of a scientific research "industry" and of a specific market for this industry etc.

In these circumstances, the intellectual property in modern society is crystallized more clearly, together with the main groups of rights associated to it: rights regarding the object of the intellectual property and moral rights of the researchers and scientific research institutions. Under the legal aspect, the object of intellectual property is protected

through special procedures like: copyright; patent; trademark etc.

In the context of Romania's accession to the European Union the importance of scientific research is increasing, as an individual and communitarian necessity in the effort to adapt to the national economic environment, as well as to the international one. Currently, more than ever, you do research to know much more than you knew until now and to approach in a good way a new step of the economic activities. The scientific research must help to better satisfy the current needs, so you can create because this action is better paid, so you can go forward through occupations and ranks, so you can feel freer in society.

Furthermore, the Romanian scientific research must relate not only to the European continental integration exigencies, but also to the world globalization ones. It is the only way in which the Romanian can stay a Romanian, and win and live anywhere in the world, where he feels more fulfilled; this changing also the meaning of concept of nationalism, also globalized in a world of profound scientific knowledge, creativity, innovation, a civilized and modern world under all aspects – economical, social, moral, in behavior.

The global dimension of the economic scientific research is obliging us to prevision the liberalization of the scientific research market at a global scale, making possible for research antennas of the research institutions from outside our country to appear in Romania. This way, it will be even harder to keep up with the competition at home and it will even harder to export the scientific research with its results.

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Transport sector in the administrative and socio - economic context of Romania

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Abstract: *In any modern economy, transport sector plays a key role. In order to reduce the disparities between levels of transport development of the various regions of Europe, European Union has focused on the creation of a sustainable transport systems for a connected Europe. Romania has already created the conditions for the improvement of its transport services and the modernization of transport infrastructure. According to the Sectoral Operational Programme Transport, Romania understood the need for the future development of the transport sector in order to increase its economic competitiveness.*

Keywords: transport, economy, European Union, Romania, competitiveness.

Located in the southeastern part of Europe, Romania is situated at the crossroads of the main communication axes: West-South-East and North-South-East. Romania is neighboring Ukraine in the North, Serbia and Hungary in the West, Bulgaria in the South, and Republic of Moldova in the East. In Europe, Romania is the seventh largest European Union (EU) Member State, a middle-sized country with a surface of 238,391 sq km and a population of 21.7 million. While its population is equivalent to 6.0 % of the EU-15 population and its territory is the equivalent

of 7.5% of the EU-15 territory, Romania only produces 1.4 % of EU's Gross Domestic Product (GDP). It means that the Romanian economy is lagging significantly behind many European economies. In 2005, the Romanian GDP per capita recorded in purchasing power standard was just 30 % of the EU-25 average.

The Romanian territorial-administrative structure comprises 41 counties, 266 towns and 2,686 communes. More than half of the towns are small ones, the majority of them having less than 20,000 inhabitants. Only 10%

of the towns have a population exceeding 100,000 inhabitants. The capital of the country is Bucharest.

In order to create a competitive, dynamic and prosperous country, the Romanian government has designed the National Strategic Reference Framework 2007-2013 (NSRF). NSRF has the following two key objectives:

- To reduce the social and economic development disparities between Romania and the EU Member States.
- To reduce the disparities with the EU by generating an additional 10 % increase in Romania's GDP by 2015.

Both of these objectives demonstrate the need for economic growth in Romania. Starting from the SWOT analysis of the present situation of the country (Table 1), economic growth requires the creation and development of a modern and competitive Romanian economy by:

- sustainable development;
- effective public and corporate governance;
- dynamic entrepreneurship;
- increasing productivity;
- continuous research and innovation;
- social inclusion;
- improving socio-economic regional development.

Table 1 - A SWOT analysis for Romania

Strengths	Weaknesses
<ul style="list-style-type: none"> • Fiscal policy • Macroeconomic stability • Political stability • Annual GDP growth • Functioning market economy • Monetary policy • Geographical location in Europe • Natural resources • Industrial and technology parks • Tourism potential • Wage level • Information and communication technology (ICT) professionals • Quality of higher education • Labour force • Railways traffic safety • Domestic consumer market • Number of students entering higher education etc. 	<ul style="list-style-type: none"> ○ Corruption ○ Black economy ○ Structure of the economy ○ National competitiveness ○ Legal framework ○ Regional disparities ○ Inflation rate ○ Demographic trend ○ Administrative capacity ○ Basic facilities (water, sewerage) ○ Road traffic safety ○ Energy usage ○ Intermodality connections ○ Environmental policy ○ Productivity ○ Entrepreneurial culture ○ Access to business finance ○ Ageing population ○ ICT infrastructure ○ Mobility of labour force ○ High employment in agriculture etc.

Opportunities	Threats
<ul style="list-style-type: none"> • EU policies • EU funds and projects • Globalization • World knowledge-based economy • Worldwide demand for ICT products and/or services • Global tourism expansion • EU labour market • EU consumer market • EU research and development activities • EU transport networks • Worldwide e-commerce • Strategic alliances • Outsourcing etc. 	<ul style="list-style-type: none"> ○ EU legislation ○ World competition ○ World economic crisis ○ Competition within a Single Market ○ Worldwide demand for ICT professionals ○ Globalization ○ Wars ○ International terrorism ○ Migration of highly skilled and educated people etc.

According to NSRF, Romania intends to build environmental sustainability and equality of opportunity to fight social exclusion in the future period. Based on the Lisbon Strategy, the Romanian government decided upon some main directions of action such as:

- The increase of a long-term competitiveness. The ranking in international competitiveness comparisons has shown a low position of Romania in the last decade. In spite of the fact that Romania has remained a relatively large economy in the region, it has not been managed to increase its competitiveness position like other countries. Some of the main reasons were the difficult transition to a market economy and the delayed privatization and restructuring of the state-owned enterprises. This is why Romania aims to be-

come a dynamic entrepreneurial society. In this respect, Romania has to build a strong productive business base, to support business start-ups, to encourage innovation and small and medium enterprises (SME), and to stimulate growth, particularly through investment in higher added value products and services and tourism. The role of the state in the Romanian economy has dramatically decreased after 2000. Despite a worsening world economy, the average of annual GDP growth was 5.7 % between 2000 and 2005. The service sector has continuously increased its contribution to GDP growth, from 26.5 % in 1990 to 48.3 % in 2005, but the composition of GDP still shows the structural imbalances of the economy (Table 2).

Table 2 - Structure of the Romanian GDP by sectors (%)

	2000	2001	2002	2003	2004	2005
Gross added value, of which:						
Manufacturing	27.3	27.7	28.1	25.0	25.1	24.4
Agriculture	11.1	13.3	11.4	11.6	12.8	8.9

Construction	4.9	5.3	5.8	5.8	6.0	6.5
Services	46.3	44.5	45.3	46.4	45.2	48.3
Other components	10.4	9.2	9.4	11.2	10.9	11.9
GDP	100	100	100	100	100	100

Source: National Commission for Prognosis, 2006

For the next six years, it is estimated that there will be higher increase rates in the service and construction sectors (Table 3).

Table 3 - The average increase rate of GDP per sectors (%)

	Average Rate 2007-2013
Industry	4.1
Agriculture	2.9
Construction	10.2
Services	5.8

Source: National Commission for Prognosis, 2006

▪ The development and more efficient use of human capital. Romania understands that the entire world is living in a knowledge society. In this respect, Romania has to provide better education and training to its citizens, and to improve the health care services. The modernization of the education and training infrastructure is needed to raise the quality of the educational system. Since 1999, awareness of the Bologna Process has constantly increased during the last years within the Romanian higher education institutions. In order to become more competi-

tive, they have created and developed quality assurance departments and established quality assurance strategies. In the period 1989-2005, Romania experienced an unprecedented growth and transformation of its higher education system. The total number of the higher education institutions almost tripled from 44 in the academic year 1989/1990 to 112 in the academic year 2004/2005. There were 55 public and 67 private higher education institutions. The number of students enrolled increased very rapidly from over 150,000 in 1989 to more than 620,000 in 2004 (Table 4).

Table 4 - The evolution of the number of students enrolled in Romanian higher education institutions for the academic year 2003-2004

Public institutions	Private institution	Total
476,881	143,904	620,785

Source: CEPES, 2004

Each year, more than 5,000 students are graduating from the ICT specialities. Romania is among the ten countries of the world regarding the concentration of certified professionals in ICT. Awareness of the need for knowledge imposes Romania the creation of a knowledge-based society. The perspective for the development of a knowledge-based society in Romania will ensure:

- A strong and durable economic development.
- The increasing use of knowledge in society.
- The decrease of socio-economic discrepancies.
- A full integration into EU.
- The increase of the national competi-

tiveness.

- The transformation of knowledge into capital.

▪ The promotion of a balanced territorial development. The Law no. 151/1998 authorized the creation and development of the following eight regions: North-East, South-East, South-Muntenia, South-West, West-Romania, North-West, Centre and Bucharest-Ilfov (Table 5). Without being administrative units and having legal personality, these regions represent the main objectives of a balanced Romanian development policy. The aims of the policy are to significantly decrease the socio-economic disparities between these regions and to promote a balanced economic growth within the country.

Table 5 - The eight regions of Romania

No.	Development Regions	Counties	Total Surface (sq km)
1.	North-East		36,850
		Bacău	6,621
		Botoșani	4,986
		Iași	5,476
		Neamț	5,896
		Suceava	8,553
		Vaslui	5,318
2.	South-East		35,762
		Brăila	4,766
		Buzău	6,103
		Constanța	7,071
		Galați	4,466
		Tulcea	8,499
		Vrancea	4,857

Source: Statistical Yearbook of Romania, 2002

No.	Development Regions	Counties	Total Surface (sq km)
3.	South-Muntenia		34,453
		Argeş	6,826
		Călăraşi	5,088
		Dâmboviţa	4,054
		Giurgiu	3,526
		Ialomiţa	4,453
		Prahova	4,716
		Teleorman	5,790
4.	South-West		29,212
		Dolj	7,414
		Gorj	5,602
		Mehedinţi	4,933
		Olt	5,498
		Vâlcea	5,765
5.	West-Romania		32,034
		Arad	7,754
		Caraş-Severin	8,520
		Hunedoara	7,063
		Timiş	8,697
6.	North-West		34,159
		Bihor	7,544
		Braşov	5,355
		Covasna	6,674
		Harghita	6,304
		Mureş	4,418
		Sibiu	3,864
7.	Centre		34,100
		Alba	6,242
		Braşov	5,363
		Covasna	3,710
		Harghita	6,639
		Mureş	6,714
		Sibiu	5,432
8.	Bucharest-Ilfov		1,821
		Ilfov	1,583
		Bucharest	238

Source: Statistical Yearbook of Romania, 2002

▪ The building of an effective administrative capacity. According to the public opinion barometers citizens' opinions on the public administration's performance are negative. The public administration is perceived to be weak and corrupted. There is no surprise that Romania is placed in the 85th position out of 159 countries regarding the perception of corruption in the world. One of the big problems facing the Romanian government is the lack of clarity on allocation of responsibilities and financial resources between the county and the local councils. Other problems are:

- The lack of political consensus over the goals of administrative decentralization.
- The ambiguous domestic budgeting system.
- The limited knowledge and competences in the strategic planning and management of the EU projects in public administration.
- The absence of resources and structures for local development planning.
- The lack of administrative capacity to manage the EU funds.

▪ The development of the basic infrastructure to European standards. Romania occupies a key location in Europe, but suffers from severe underdevelopment of its basic infrastructure. Romania's efforts will focus on improving energy efficiency in the entire chain (production, transportation, distribution and utilization). Also, investments in transport, road and rail networks will improve accessibility and inter-connectivity of the national, county and local roads, railways, airports, maritime and fluvial ports. For example, Romania has remained a country with one of the largest, most dense and frequently-used railway network in Europe,

but with a relatively outdated infrastructure. After the fall of the communist regime, railways transportation entered in massive decline and suffered huge losses. In 1998, the reorganization of the single state-owned railways company allowed private operators to hold 10 % of Romanian railway tracks. Thus, a national company (CFR SA) and other four commercial companies (Freight Company CFR-Marfa, Passengers Company, Railway Management Company and Assets Management Company) appeared from the old ex-communist railways company. This new organization has imposed new principles, such as: exploitation and maintenance activities of public railway infrastructure are separated from that of operation, the public and private railway patrimony is exploited on economic criteria, the access of different operators on the infrastructure is achieved in the terms of competition.

The transport sector plays a fundamental role in the development of a Romanian modern economy. Some of the recent trends in the Romanian transport sector are the following:

- Change from a state planned economy to a market driven transportation economy.
- Decline of many industries that made use of rail transport.
- Decreasing usage of public transport.
- Increasing private vehicle ownership.
- Under-investment in infrastructure.
- Low density of road and rail transport.

For example, road density in Romania is low compared to the EU-25 average (Table 6).

Table 6 - Comparison of road densities

Country	Km of road/100 sq km	Km of road/million population
Romania	33.3	3,624
EU-25	110.1	9,388
EU-15	110.6	9,421
Czech Republic	70.3	5,432
Hungary	145.7	13,366
Poland	117.0	9,879

Source: Eurostat Pocketbook: Energy, transport and environment indicators, 2005 edition

Also, the railway density is above the EU-15 and EU-25 average (Table 7).

Table 7 - Comparison of railway densities

Country	Km of railway/1,000 sq km	Km of railway/million population
Romania	46.1	504.7
EU-25	51.2	450.6
EU-15	48.1	409.3
Czech Republic	121.7	941.2
Hungary	82.5	752.5
Poland	65.2	551.6

Source: Eurostat Pocketbook: Energy, transport and environment indicators, 2005 edition

The Sectoral Operational Programme (SOPT) currently being implemented within Romania is based upon the White paper 'European transport policy for 2010: time to decide', which was adopted in 2001 and aims to improve transport quality and efficiency. The SOPT is the main instrument that elaborates upon the objectives of the NSRF, establishing priorities, goals and the allocation of funds for the development of the transport sector in Romania.

One of the key issues for the Romanian economy during 2007-2013 will be the development of transport infrastructure. It will lead to improvement of transport services offered to customers within Romania.

In sum, it is obvious that Romania is making huge efforts to modernize the transport sector. The future development of the transport sector will have significant impact on increasing the economic competitiveness of Romania.

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Attitudes towards risk and insurances

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Abstract: The paper presents the attitudes towards risk and their influence in insurance theory. Based on these attitudes, the insurance companies can distinguish between agents with inclinations towards risks and the ones with aversion towards risk, who interest them.

Key words: risk, attitudes towards risk, insurance, Arrow-Pratt indices.

Among the different ways of measuring attitudes towards risk, the Arrow-Pratt indices are the most used in the scientific literature. The paper will present the most important ways of measuring the attitudes towards risk as well as the advantages and disadvantages that they generate.

1. Absolute and relative risk aversion – coefficients

We shall consider two von Neumann-Morgenstern utility functions U_1, U_2 defined on \mathfrak{R} , monotone increasing, strictly concave

and of a C^3 class (at least three times differentiable). The *risk aversion coefficients* are defined as follows:

Definition 1. Absolute Risk Aversion.

U_1 shows a strictly larger risk aversion in Arrow-Pratt sense if its *absolute risk aversion coefficient* is larger:

$$ra_1(x) = -\frac{U_1''(x)}{U_1'(x)} \geq ra_2(x) = -\frac{U_2''(x)}{U_2'(x)} \quad \forall x \quad (1)$$

Definition 2. Another classification is based on the **relative risk aversion coefficient** that represents the elasticity of the marginal utility respect to the wealth

$$r_1(x) = -x \frac{U_1''(x)}{U_1'(x)} \geq r_2(x) = -x \frac{U_2''(x)}{U_2'(x)} \quad \forall x \quad (2)$$

These coefficients are local measurements of risk aversion excepting the cases of utility functions with *constant risk aversion* for $\beta > 0$, such as: $U(x) = \alpha - \beta e^{-ax}$, where a is the absolute risk aversion coefficient.

2. Pratt Theorem

In 1964, Pratt created a risk aversion measurement that can also have some flows. For instance, any classic economic problem is about the risk aversion agent's willingness to pay for insurance. If, economically speaking, it is necessary to measure the risk aversion, and then an agent with a larger risk aversion will be willing to pay more for an insurance package. The insurance premium is defined as the maximum availability to pay in order to avoid to get a lottery X with an expected value of $E[X]=0$. So, the insurance premium π will actually be the certainty equivalent of the lottery X , which satisfies the following condition:

$$E[U_i(w+X)] = U_i(w-\pi_i), \quad i \in \{A, B\} \quad (3),$$

where w is the initial wealth.

Pratt Theorem. The following three conditions are equivalent:

$$-\frac{U_1''}{U_1'} \geq -\frac{U_2''}{U_2'}, \quad \forall x \quad (i)$$

$\exists G$ - A monotone increasing transformation, $G' \geq 0$, $G'' \leq 0$, $U_1 \equiv G(U_2)$ (ii)

$$\pi_A \geq \pi_B, \quad \forall w \quad (iii)$$

a. Strong Absolute Risk Aversion

Because the failures of associating a larger risk aversion to a larger insurance premium, Ross gave a new definition: the *strong absolute risk aversion*.

Definition 3 (Ross). U_A shows a stronger absolute risk aversion than U_B if:

$$(\exists \lambda > 0) \frac{U_1''(x_1)}{U_2''(x_1)} \geq \lambda \geq \frac{U_1'(x_2)}{U_2'(x_2)} \quad (\forall x_1, x_2)$$

This new approach is strictly more powerful than the Arrow-Pratt measure.

Proposition 1. If U_A shows stronger absolute risk aversion than U_B , then it also shows a larger absolute risk aversion but the reciprocal doesn't hold.

b. Risk Aversion that depend on wealth

But, most of the times, the risk aversion is dependent of the investor's wealth. This is why, it is expected that the wealthier individuals are more inclined towards risk than the others. This leads to the assumption of decreasing risk aversion.

Definition 4. The utility function $U(x)$ shows a *decreasing absolute risk aversion (DARA)* if the following condition is satisfied:

$$-\frac{U''(x+y)}{U'(x+y)} \geq -\frac{U''(x)}{U'(x)} \quad (\forall x, y > 0)$$

and it shows a *strong decreasing absolute risk aversion* if:

$$(\exists \lambda) \frac{U''(x+y)}{U''(x)} \leq \lambda \leq -\frac{U'(x+y)}{U'(x)} \quad (\forall x, y > 0)$$

Analogous, the increasing absolute risk aversion (**IARA**) can be defined if:

$$-\frac{U''(x+y)}{U'(x+y)} \leq -\frac{U''(x)}{U'(x)} \quad (\forall x, y > 0)$$

as well as an increasing *stronger* absolute risk aversion if:

$$(\exists \lambda) \quad \frac{U''(x+y)}{U''(x)} \geq \lambda \geq -\frac{U'(x+y)}{U'(x)} \quad (\forall x, y > 0)$$

Proposition 2. (Equivalent Conditions for DARA) The utility function $U(x)$ shows a decreasing absolute risk aversion if and only if:

$$\frac{U'''(x)}{U''(x)} \geq \frac{U''(x)}{U'(x)} \quad (\forall x)$$

A necessary condition is that $U''' < 0$.

If the relation between the risk aversion and the risk premium or the demand for riskier assets is not very clear, then it can be said that the wealthier agents have more risky assets if the risk aversion is decreasing in wealth. We shall study the influence of the attitude towards risk over the Insurance Theory

3. Attitudes towards risk

A risky situation or a lottery is a situation where the possible outcomes are associated to a certain state of the nature that will take place with certain probabilities. The probabilities sum is 1. For instance, we shall consider a lottery L that has equal probabilities to get the outcomes x_1 and x_2 where $x_1 < x_2$. The expected income (expected monetary value) from the lottery is $E(L) = \frac{x_1 + x_2}{2}$.

The attitude towards risk of an individual can be determined. The individual is questioned if he is willing to invest in a lottery L

or if he prefers to receive a certain amount of money, Ec named **certainty equivalent**. This represents the individual's benefit that gives him a satisfaction equal to the mean satisfaction from the lottery: $U(Ec) = E[U(L)]$, where U is the utility function associated to the lottery L .

Comparing the certainty equivalent to the expected monetary value of the lottery, we can get three attitudes towards risk:

- An individual who is indifferent between the amount of money that he can receive with certainty and the expected monetary value of the lottery is **risk neutral**.
- An individual who prefers to invest in the lottery instead to accept the certainty amount of money, Ec , is considered to be **risk loving**.
- The individual that prefers the opposite situation is **risk averse**.

If we assume that the individuals compute the expected utility of the lottery as a weighted mean of the possible outcomes, then there is a strong connection between the attitudes towards risk and the marginal utility of the individual's wealth.

In the case of the risk aversion, we get the situation where:

$$\frac{U(x_1) + U(x_2)}{2} < U\left(\frac{x_1 + x_2}{2}\right)$$

which means that the mean of the outcomes utilities is smaller than the utility of expected income. So, if the economic agent has aversion towards risk, then the following inequality will take place: $U[E(L)] > E[U(L)]$. Using the notion of certainty equivalent, the inequality can also be written as: $U(Ec) = E[U(L)]$.

But, we know that the utility function U is strictly increasing, then $Ec < E(L)$, which means that the individual prefers to receive

less money but he is certain that he can receive this amount.

4. Risk aversion and insurances

If the individuals are risk averse, then they will be willing to get an insurance against the risk. Because most individuals buy insurances against large risks, such as houses or car insurances, we can assume that most individuals are risk averse. These individual can act as individuals with an inclination towards risk: they gamble, they go to casinos, etc. But, these activities can be only for fun and they imply a small amount of money that can be lost. These individuals are actually risk averse when it is about large amount of their money.

Insurance demand

We shall consider a risk adverse individual that owns an expensive property (a house or a car). This property is subject to the risk of

being stolen. The individual wealth is T and the value of the car is C . Then, the probability for the car to be stolen is p . We assume that p is exogenously given (it doesn't depend on the individual's actions and it is known by both parties in the insurance: the insurant and the insurance company. Obviously, this is a case of symmetric information.

Then, the problem that the individual is faced with is represented in Figure 1, where we represent the insurant's utility function depending on the wealth. We shall assume the situation that the individual encounter if he doesn't buy the insurance. If the car isn't stolen, the individual's wealth will be T and his utility is $U(T)$ and when the car is not stolen, the individual's wealth is $T - C$ and his utility is $U(T - C)$. His expected wealth will be $E(W)$:

$$E(W) = p(T - C) + (1 - p)T \quad (4)$$

And the expected utility is $EU(N)$, where N is the un-insurance situation:

$$EU(N) = pU(T - C) + (1 - p)U(T) \quad (5)$$

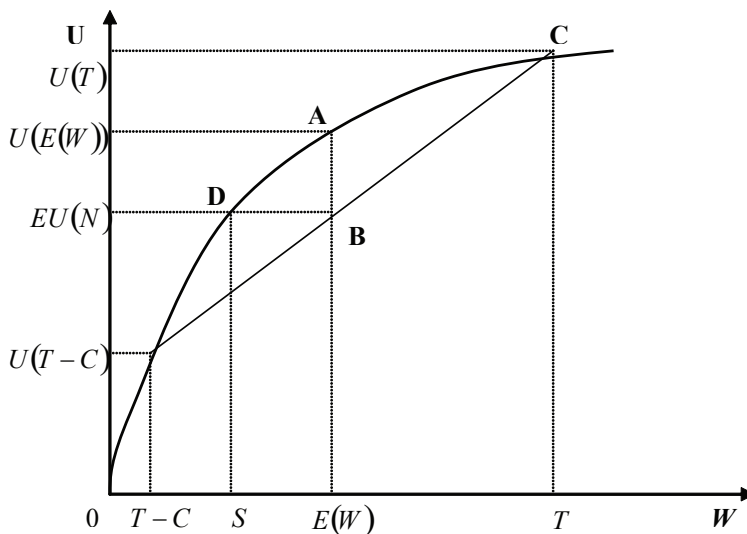


Figure 1. Risk aversion and insurances

Because this individual is risk adverse, then his expected utility in the risky situation, $EU(N)$, is smaller than the utility $U[E(W)]$ which he will get for a certain level of wealth equal to the expected wealth $E(W)$; in Figure 1, this situation is described by B, that is situated under A.

We can see that the wealth S will certainly lead to the same utility level $EU(N)$. So, if an insurance company decided to replace the insurer's car or to pay him a compensation Y , equal to the value of the car, then if the car is stolen, the insurance company will pay an insurance premium X as long as $X < T - S$ because it will guarantee a revenue of S or larger.

When the compensation paid by the insurance company to the client when the car is stolen is high enough to fully compensate him, then the insurance company will provide a *full insurance* that will be the subject of the following analysis.

When an individual is fully insured, he becomes certain of his wealth and if the car is not stolen, then his wealth is $T - X$ and if his car is stolen, his wealth will still be $T - X$ because the loss of his car is fully insured. As long as $X < T - S$, the individual has more wealth than S due to the payment of the premium in order to buy the insurance. Because $U(S) = EU(N)$, for a wealth larger than S , the utility is larger than the expected utility when there is no insurance and this is the reason for the individual to buy the insurance. If the insurance premium is $X > T - S$, for a compensation level of C , the individual would prefer to remain uninsured as long as his expected utility when he is not insured would be larger than a certain utility level when he is insured.

An individual that buys a full insurance

receives a premium X for an uncertain payment from the insurance company. The compensation of the payment received from the insurance company is 0 with probability $1-p$ (if the car was not stolen) and C with probability p (if the car was stolen). Thus, we can say that the insurer takes a risk because he makes a certain payment for an uncertain compensation.

Insurance supply

We shall consider the insurance premium required by the insurance company. We assume that an insurance company is risk neutral and that the insurance market is a competitive one. Thus, the insurance company is in a competition with other companies in order to attract clients by reducing the insurance premium to a level that will bring it at least zero profit. Also, the operation costs are assumed to be zero. At the equilibrium point, for a full insurance, the premium is given by:

$$X = pC \quad (6)$$

From the equation 6, we can see that the insurance company receives the premium X with certainty and it pays the compensation Y , that is assumed to be equal to C with a probability p . The profit will be zero. In this case, the insurance is called a fair chances insurance; if $X > pC$, the insurance is an unfair chances one and if $X < pC$, then the insurance is one with favorable chances. This is why the equation 6 is also called fair chances constraint.

The individual's certain level of wealth, after he buys a full insurance is $T - pC = E(W)$, that is equal to the expected wealth when the individual is not in-

sured. But, $E(W) > S$, then the insured's utility increases after he buys a full insurance at fair chances and the utility level is $U[E(W)]$, that will be larger than the utility when he is not insured, $EU(N)$. Then, the premium is $X = pC < T - S$, which means that the sum of money that he could pay and be indifferent between buying and not the full insurance.

Starting with this type of analysis, things tend to be more complicated. This is the case of finding the optimum contract that can be offered to insurants, as well as different other type of insurances or different types of risk measures (for instance, Yaari measure) and their impact in the insurance theory.

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Information Systems Security Audit

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Abstract: *The article covers:*

- *Defining an information system; benefits obtained by introducing new information technologies; IT management;*
- *Defining prerequisites, analysis, design, implementation of IS;*
- *Information security management system; aspects regarding IS security policy;*
- *Conceptual model of a security system;*
- *Auditing information security systems and network infrastructure security.*

Key words: Information system, information technologies, IT security, basic regulations, standards, norms, automat data processing systems' audit, informational systems' audit, information security management system, IS security policies, firewall.

1. Information Systems – Development, Audit, Security Policies

An *information system* (IS) represents a set of human and capital resources, invested within an entity for the purpose of collecting and processing the necessary data in order to produce information, which can then be used

throughout all management decisional levels and in controlling the organization's activity.

In the Anglo-American literature, although the distinction is made between "information system" and "computer based information system", due to the technological level reached by USA, all authors after making the said difference, use the term "infor-

mation system", motivating such by the high level of informational activities automation.

Most benefits are obtained in a business by introducing the new **information technologies** (IT). In the case of a IS project, the benefits are not obtained immediately, but throughout the project's life cycle. Along with the business case study, upon the beginning of a project for designing a IS, planning must be performed of the benefits' achievement, which must be then followed-up by means of an efficient management process, which includes:

- Validating the benefits presented in the business;
- Planning the benefits to be achieved;
- Describing the benefits, measuring the outcome and the objective;
- Researching assumptions;
- Setting up key responsibilities for achieving the benefits.

The benefits achievement management is an important component of project management, also involving the project's sponsors.

IS Development is an extremely complex activity. Actual production, consisting in drafting, testing and optimizing the programs, as well as the rules for using such, must be preceded by designing a project, that must establish the necessary details for defining the procedures, however not before establishing which are the necessary programs and in what global cooperation framework (in what environment) will they function. The project design cannot be made without knowing the information prerequisites which the system must meet. All these have already shaped a set of activities to be fulfilled: *defining the prerequisites, analysis, design, creating the IS.*

***Information systems' audit** represents a complex activity for assessing an information system in order to set forth a qualified opinion regarding the conformity between the system and the regulating standards, as well as over the information system's capacity of achieving the organization's strategic objectives, by efficiently using the informational resources and by ensuring the integrity of the processed and stored data.*

Usually, such activity must be carried out by a competent person, trained and qualified in the field of information systems' control, security and management, person who is named "IS auditor". Such sort of licensing is granted by **ISACA**, by means of the **CISA** (*Certified Information System Auditor*).

Under such circumstances, **IT security** implies implementing specific IT environment protective measures (computers, networks, information systems, and data bases) both against accidental damaging actions, and against intended attacks, such as espionage, sabotage, murder etc. Taking into consideration the said risks, in 2000 the International Standardization Organization (ISO) adopted as international standard the **British Standard BS 7799**, by publishing it under the name of ISO 17799 – "*Practical Code for Information Security Management*".

The said **Standard** allow for 36 control objectives and 127 control elements to be identified, grouped in ten categories:

1. security policy;
2. continuous business planning;
3. controlling the access to the system;
4. system development and maintenance;
5. physical and environmental security;

6. conformity;
7. personnel security;
8. organization security;
9. computers and network management;
10. information resources classification and control.

In order for the **ISO 17799** standard to become operational, the creation was necessary of the **BS 7799-2** standard. Its advantage lays in the fact that it allows for an information security management system to be implementing by successively fulfilling the following phases:

- a) defining the information security management system and afferent policies;
- b) setting out responsibilities and necessary resources;
- c) assets specification and risk management;
- d) risk administration;
- e) controls selection;
- f) applicability;
- g) implementation.

According to this standard, the **IT Governance Institute** functioning under the wing of **ISACA**, provides *the best practices* for the IT processes by the "**COBIT**" paper – "**Control Objectives for Information and related Technology**". **COBIT** structures the IT processes into four areas:

- a) planning and organization;
- b) acquisition and implementation;
- c) functioning and support;
- d) monitoring and evaluation.

In reality, these four areas include 220 controls, classified into 34 high level objectives.

The **security policy**, central part of the security plan implies research and rigorous

informing before applying own controls to the IT environment. The security policy comprises the description of purposes and intents, representing a difficult process imposing for adaptation to each organization's specific features. A first step in implementing the security plan is represented by establishing the systems, applications, data and entities to be securitized. Once the security policy is clearly defined, it is mandatory for the users to be trained.

A well defined security policy must exactly specify aspects regarding:

- organization's security related objectives, which implies that the data protection must be ensured against information leaking towards external entities, data protection against natural calamities, ensuring data integrity or ensuring business continuity;
- the personnel designated to ensure security, which can be represented by a small working group, a management group or by each employee;
- the whole organization's involvement in ensuring security, exactly establishing who will provide training on security matters, as well as the modality in which the security aspects are to be integrated in the organizational structure.

In order to achieve security objectives and obtaining a high protection level, the security plan should be developed and implemented on levels. Thus, the conceptual model of a security system will include the following levels:

- **application security**, first of all implying the security of the software products which can be used in order to develop business applications, such as web servers, SSL (*Secure Sockets Layer*) etc.;

- **system security**, implemented on the level of system commands, and which will control all software functions of the system. The users are identified and authenticated on a system level by a single security mechanism, for all operations they might perform on the system;

- **network security**, integrant part in designing such, including controls by firewalls, VPN (*Virtual Private Network*) and gateways;

- **physical security**, aiming for systems protection, backup devices and supports, including access controls, uninterruptible power supplies, redundant communication lines;

- **organization security**, responsible for all aspects of the organization's security plan, incorporating security policies, taking into consideration the training in the field of security, organization's business systems, and also the planning for recovering in case of disaster.

It is mandatory for the security plan to establish a working framework for making specific decisions such as deciding upon the defense mechanisms to be used, and consequently on the modality of configuring the provided services. It must be mentioned that planning a security system and managing vulnerabilities are activities implying compromises and successive optimizations. The conclusion can be drawn that planning security measures can be also defined as the art of reaching a compromise between the relative value of the information, the cost for protecting such and the probability for them to be attacked.

The main security objectives, defined like such by the prerequisites of any business environment, are:

- **confidentiality** – assumes preventing

unauthorized access to information. By confidentiality it is ensured that the information, either in transit or stored, is accessible only to entities which are authorized to access those resources;

- **integrity** – information is protected from losses or modification is unauthorized; by using adequate procedures and methods, by means of the integrity it is ensured that information, either in transit or stored, cannot be modified;

- **availability** – it ensures that authorized entities have access to information resources only when they need them; for instance, preventing DoS (*Denial of Service*) attacks;

- **conformity** – with applicable laws, regulations and standards.

Obviously, implementing an information security management system provides numerous **advantages**, amongst which we mention:

- gaining the trust of business partners (either suppliers or clients);

- improving prevention systems and response systems in case of incidents;

- minimizing the risk for information theft, corruption or loss;

- safely accessing information (by employees and customers);

- justifying and optimizing costs necessary in order to implement security control;

- proving the management's involvement in and commitment to information security;

- proving the conformity between own security practices and recognized standards;

- compliance with legal prerequisites, regulations and local regulations;

- ensuring that risks and controls are permanently revised;

- business continuity.

At the present moment, the **audit and evaluation tools** are expressly focused on those basic aspects of information systems and networks, without paying enough attention to the problems existing in organizations, namely the applied policy and procedures, or human aspects, calling for adequate management, culture, and knowledge. It is not surprising or inevitably that such are factors the influence of which can prove dramatic for information infrastructures' security.

2. Information Systems' Security Audit

Information systems' security audit implies both physic access audit and logic access audit. Moreover, specific techniques must be used (aiming to test the security) and investigation techniques. Consequently, **phases** are fulfilled, such as:

- reanalyzing the entity's specific policies, procedures and standards;
- security policies regarding physical access;
- security policies regarding logic access;
- awareness and permanent training of the users on security policies;
- establishing the data owners and users;
- establishing the data in custody;
- establishing the security administrator;
- defining new users;
- establishing former employees' access;
- establishing authorization procedures for accessing documents;
- establishing basic security measures, implying: defining the working environment, antivirus software to be used, access passwords for every level, the way in which backups are going to be made, vulnerabili-

ties definition, minimizing services that can be provided by the service, modality of patching the system, involved IT personnel;

- standard access.

Logic access audit implies:

- determining those security risks regarding transactions processing;
- evaluating controls regarding system access paths;
- evaluating the control environment in order to establish to what extent that control's objectives are achieved by the test results;
- evaluating the security environment, by revising the used policies, practices and procedures.

Obviously, in order to obtain a clear situation of the environment's security and of risks evaluation, the logic access audit needs first of all good knowledge of the IT environment. In this respect, a determinant element is represented by the researching of the access paths, and more exactly establishing the logic way for each individual user towards information. Also, the access to the system's components, for an efficient control, imposes most times the use of specialists in this field. They can provide data regarding system's security, and that is why they are regarded as a valuable source for the auditor. Consequently, the **auditor** is entitled to request an interview with those specialists, hence determining to what extent the managerial policies are vulnerable, or to what extent the logic security and confidentiality are complied with in that particular entity. Also, there must not be neglected by the auditor the analysis reports regarding the control of access to software, nor the analysis applications of manual system operations.

The techniques used by the auditor in testing the security are different. Some of them involve:

- keys and card verification;
- terminal identification;
- users identification and authentication;
- resources control;
- entering the working session and reporting unauthorized access;
- investigating unauthorized access;
- uncontrolled security and compensation controls;
- access controls analysis and passwords administration.

Techniques investigation also involves investigating the evidences' protection, the modality of custody obtaining, and the existence of crime in computer networks.

3. Auditing Network Infrastructure Security

Controls regarding network infrastructure security audit involve verification by the auditor of the network architecture's identification, determining the efficiency of applying security policies, determining the used standards and procedures, identifying the personnel in charge with network security, reanalyzing the network administration procedures, in case vulnerabilities are noticed. In this respect, auditing involves the audit of distance access, the audit of the points where the computers network interacts with the internet.

Combining these procedures can be found in the so-called penetration tests or of network intrusion. These tests are of many kinds, depending on their purpose, objective

and nature, such as: external tests (simulating attacks and external controls, an access way being the internet), internal tests (similar to the external ones: intranet), "blind" tests (that test is limited or has no information regarding the system) and double "blind" tests, of particular purpose.

The phases of the penetration tests are: planning, revealing, attack and reporting. In the penetration testing there are taken into consideration the network evaluation analysis, the LAN network evaluation, the development and authorization of network changes, and authorized changes.

4. Security Measures in the Entity – Client Relationship

Security of commercial transactions

The matter of security concerns the client, the network, the information site of the company trading its products or services on the internet. The risks arising on the client's behalf are closely connected to disclosing confidential information, and also to unlawful use. The security issues on a network level are concretized in terms of performances represented by the response time, data traffic etc. An important risk that can be faced by the entity is that regarding the information environment penetration from the very internet site, finding authorization solutions in all possibilities of using such.

Buyer-seller connection security

Ensuring trading transactions security is not only a matter of security of the internet connection between the customer and the seller, but it is equally a matter of the client service. The client's information environment should be different than the seller's informa-

tion environment. An internet connection between a browser and a web server can be established by using the logic SSL module (*Secure Sockets Layer*). SSL is integrated into the browser and ensures confidentiality.

The main credit card operators promote SET (*Secure Electronic Transaction*). In this case, the transaction and client's credit card number are enciphered by the application and it is only then that they are sent to the seller. The seller, in its turn will reimburse its identification number and message returning figure before being sent to the bank. Upon receipt, the bank will decode, authenticate and identify the user, in the same time delivering its agreement to the seller which in its turn will perform the requested transaction or not. At no moment during the transaction will the credit card be made public or will the seller be identifiable.

Server securitizing

Securitizing the server involves controlling the requests addressed to such and securitizing the information system to which it collaborates in order to return the service requested by the customers. Grounded on the strict system configuration, its protection against the exterior is usually made by a *firewall*. A *firewall configuration* is made by the security criteria established for filtering the covered traffic and thus a control policy is applied over the system access. Therefore, data protection consists of limiting access to such, as well as of placing them to the disposal of authorized clients.

In this respect businesses can also use companies that are specialized in creating data securitizing models or even specialized experts in this field. Nonetheless, network administrators will not be able to implement and maintain the functionality of the designed plan. Organizations must ensure material and financial conditions in order to train their own network administrators, thus avoiding unpredicted situations.

In reality, there will never be possible for an information system to be totally securitized, because hackers will always discover security vulnerabilities you couldn't think of, which they will use in order to break the system. Depending on the hackers' purpose, they will affect the system or they will only attract the attention over the respective "fissures". In time, the organization's information system evolves and expands by new hardware and software components. Along with the system's evolution, other vulnerabilities will also appear for which new securitizing solutions should be developed.

In **conclusion**, we can assert that only by permanently investing into a complex security model we will be able to have safer IT systems. Therefore, the security solutions and also the security policy should be considered globally, and not just punctually. There must not be neglected the fact that the security level of the entire system is represented by its weakest link, and that is why the security policy should be updated periodically.

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The necessity, organization and administration of management accounting within the SMEs

❖ ANCA BRATU ❖

Abstract: *For the development of SMEs competitiveness in the present context of Romania's integration in the European Union, we consider that a good management of the enterprise, a process in which the management accounting has an essential role, is absolutely necessary.*

Key words: *manager, professional accountant, accounting management.*

The contribution of the SMEs to the economical development of our country is of great importance in regard to the labor force market and the creation of the gross value added.

Starting from the limitation of financial accounting in providing information regarding only the costs registered after their nature, and the knowledge of costs is compulsory for making managerial decisions in an enterprise, the organization of an accounting management in view of satisfying the informational needs of managers is necessary. In this sense, the Romanian legal regulations

also impose all enterprises the organization and administration of the accounting management adapted to the activity type.

There is yet to be made a distinction between the organization and the administration of accounting regarding the person responsible, the enterprise administrator being responsible for both of the activities. In the specialized literature, a clear distinction is made regarding the responsibility for the two activities: "according to the law, the administrator is responsible for the accounting organization and for book-keeping only when the unit lacks a financial-accounting

compartment and it does not use authorized natural and legal persons.”

Thus, while the administrator is in charge with the organization of the accounting management, the professional accountant is in charge with its administration.

The accounting management provides necessary information for elaborating internal reports and analyses used by the enterprise administration in making decisions; the presentation and analysis requests offered by the accounting management are not restrictive.

The organization of accounting management is a process through which the prospective and retrospective evaluation base of the enterprise activity is provided. In the frame of this project the obtained information must satisfy the existing information need, as well the ever changing needs.

The procedures and techniques used in the accounting management organization are established according to the qualitative characteristics of the information requested by the users, as well as the particularities of the developing activity.

We present a possible accounting management organization according to the following stages:

- *Choosing the type of accounting management;*
- *Choosing the information application;*
- *Forming the staff;*
- *Establishing the work procedures;*
- *Implementing the system;*
- *Monitoring the system;*
- *Improving the system.*

As we mentioned in a previous paragraph, the professional accountant holds the key position in the accounting management organization. The impact of the professional

accountant on the decisional process of the enterprise can be measured by analyzing the degree of involvement in each stage.

In this context, the role of the manager is to express his information needs and future plans for the enterprise he is managing. On the basis of the information received from the manager, the professional accountant elaborates the organization process of the accounting management.

Choosing the type of accounting management

The accounting management is organized by the administrator of the legal person either by using particular accounts or by developing accounts from the financial accounting or by using an own technical-operative book-keeping, as provided by the legislation in force. Thus, every enterprise has the possibility to choose the optimal organization method. The professional accountant directly involved must:

- know the activity of the respective company to the smallest details in order to evaluate it regarding its organization.
- know the managerial information needs, as well as the future strategic plans regarding the managed enterprise.
- offer optimizing solutions for the internal reporting, which involves good knowledge of the enterprise regarding the reporting, activity, practice history etc.
- choose an accounting system motivated by economical reasons and not future subjective of the professional accountant (for example: the facility of working with a certain information application, choosing an internal reporting method that can make his work easier or from financial reasons).

Choosing the information application

Based on the previous decision, this stage implies:

- the analysis of the permission of the accounting information application currently used to develop the accounts in the financial book-keeping according to the information needs;
- the analysis of the management information application currently used;
- the development of an own technical-operative book-keeping.

Forming the staff

More than the material resources, the human resources are the ones that guarantee the success of the system. The role of the professional accountant is not to find these persons, but to communicate their profile. The rigor, conscientiousness, intelligence, special studies are just some necessary characteristics for the human capital involved in this proces.

Establishing the work procedures

We understand by procedures the complex of rules meant for leading the good running of business.

Having as starting point flow-charts (the position of each employee in the enterprise), as well as attributions, mentioned in the job description, the necessary connections regarding the information, documents, responsibility and responsibility delegation flow can be made, beginning with the person the introduces the first information in the system and ending with the person that makes the final decision.

The role of the professional accountant is to identify the possible optimal connections and, finally, to establish the necessary work procedures. The synthesis ability, the degree of detail analysis and of comprising in the process, the ability to view as a whole the accounting activity represent major qualities of this person. His professional knowledge in the field of accounting, but also in other related domains, must be solid because his work effected in the rules established in this stage will be validated in the implementing and monitoring phase of the entire process.

Implementing the system

This stage implies the training of the staff, as well as the effective implementation of the system. The training can be made in the unit by the professional accountant or by external organizations (for information applications). The effective implementation of the system implies the activation of the work procedures with the help of the information applications and of the staff under the direct supervision of the professional accountant, taking into account the internal practices validated by the enterprise.

Monitoring the system

The system monitoring must be made incessantly in order to acknowledge the performance degree that can be corrected. An attentive monitoring can have as a consequence the redefining of the objectives, of the work procedures, improving them as a response to new problems identified on the way or base on some changes that interfered.

The system monitoring shall be made by all those involved in the activity and the

professional accountant will permanently analyze if the results of the system are according to the informational needs of the management. A proficient and sustained evaluation of the system is necessary in order to prevent the delivery of imprecise and distorted information.

Improving the system

It implies the application of corrective management in the stages where there is lack of accordance with the needs. In order to assure the efficiency of the system, certain corrective or preventive actions will be made.

Based on the business size, at the enterprise level, an internal audit department can be organized; its activity reported to the created system will have a positive effect on the good running of business.

In conclusion, the understanding of the internal mode of a business organization, of its complexity, as well as of its informational book-keeping advantages is absolutely necessary. The professional accountant activity has long exceeded the information production stage, being engaged in other related domains as: business strategy, organizational management, informational technologies.

The professional accountant must be competent, professional, objective and efficient.

His work means reporting financial-accounting information to the decisional factors, followed by the long-term planning strategy, the management of accounting and fulfilling the financial tasks, internal consultancy, short-term budgets, economical-financial analysis etc.

In order to make the best decision, the professional accountant must know really well the running mode of the respective business and must take action for benefit of the enterprise. Thus, the objectivity of the professional accountant is put to the test. An important aspect is the evaluation activities of the professional accountant at the enterprise level. Thus, the validity, the fairness, the realness, the fitting into the budget and the data and information security is assured.

Through this paper we wish to emphasize the major role of the professional accountant in identifying, processing, measuring and communicating information. In this sense, the professional accountant must offer proficient professional services by maintaining his own knowledge and professional abilities to the necessary level.

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The problems and directions of financing mechanisms' development in Health Assistance System

❖ GHEORGHE COSTANDACHI ❖

Abstract: The essay discloses the main problem of Moldovan public health system is the significant gap between state free public health maintenance and its financial support. Here're the problems are met moldovan public health during reforming financing mechanisms in the transition period, also are presented interests of subjects of this system and informal sources of incomes. Author describes the interests of head physicians of medical institutions in relation to system of financing of public health services consist. In the final of work is making conclusions and is offered waies of the solutions created present situation and financing mechanisms' development in Health Assistance System on Moldova.

Keywords: reforming financing mechanisms, system of financing of public health, financing mechanisms' development in Health Assistance System, obligatory medical insurance, deficiency of financing of public health.

Serious changes occurred in management and financing of public health in the Republic of Moldova in early 90th. Here are the main:

- Decentralization of management;
- Implementation of obligatory medical insurance system;
- Development of central and local medical aid system.

At present the state inherited free aid obligations from the ex-USSR. The Soviet public health system was oriented to mass simple aid.

The medicine and pharmacy development increased the range of aiding capacities. Unfortunately, the state cannon and will not be able to provide the whole range health maintenance to its population.

Our research indicates that today a lot of vital problems are still unresolved or partially resolved. Here are some of them:

- a) There is a gap between the state guarantee program costs and the state financing;
- b) The present configured budget medical care system is tedious and inefficient;
- c) The medical care system restructure (implementation of general practices, substitution of hospital treatment by outpatient treatment; reduction of bed population ratio) is changing slowly;
- d) Public health management and financing operations are not coordinated properly;
- e) Nobody evaluates the efficiency resource supply and disposition and nobody can improve this process

We can explain the reasons for reform slowdown by public health configuration features.

In our opinion, it can be justified by our researches; the further pace of reforms will depend upon the struggle and cooperation of the public health financing entities:

- Different level authorities;
- Public health authorities;
- Obligatory medical insurance state foundations;
- Private medical insurance organizations;
- Managers of medical organizations.

The main problem of Moldovan public health system is the significant gap between state free public health maintenance and its financial support.

According to conservative estimation, the volume of state public health maintenance expenditures (in accordance with the 1997 year budget data) were 537,0 millions of Moldovan lei, then the above mentioned expendi-

tures were reduced by 179,4 millions of Moldovan lei within the next three years and in 1999 they were at 357,6 millions of Moldovan lei.

The increase of expenditures began in 2000 but it didn't achieve the 1997 level. In the meantime, the free public health safeguards, configured in Soviet period, remained unchanged. The costs increased due to new medical technologies and new expensive medical products.

Development countries with the same share of public health maintenance expenditures can provide only minimal packages concentrating their efforts at social important matters (fighting infectious diseases, etc). Developed countries expend 6-7% of their GDP to finance health maintenance. It is many times more than in the Republic of Moldova. Almost none of the developed countries have free health maintenance of all citizens.

Moldovan health maintenance expenditures are at about 2.7% of the GDP. The countries with the same per capita GDP level expend the same ratio for health maintenance. In 2007 the health maintenance foundation paid off in total about 6.1% of the Moldovan GDP.

Imbalance between the state obligations and their real financing negative impact on functioning of system of public health services makes.

In our opinion financial assets are spent for maintenance of existing medical institutions, first of all stationary, to the detriment of necessary development of preventive work and the out-patient-polyclinic help.

Because of impossibility free of charge to give desirable medical aid to all citizens there is a deterioration of availability of any qualitative medical aid for various strata of society, increase medical services and expan-

sion of practice of informal payments. In the greatest measure lower-income strata suffer from it. The inequality of possibilities of various social groups in reception of qualitative medical aid is great.

References to insufficiency of state financing of public health services and to impracticability of declarative rules of free health services serve as the self-justification for medical workers and heads of public health services for decrease in quality of medical services and for granting for a payment of services which could be really rendered for citizens free of charge.

Thus, the problem consists that in modern conditions of a guarantee of granting of medical aid to the population and the mechanisms of their maintenance generated still in 30th 20th century, do not allow to reach fair and effective granting to the population of necessary qualitative medical aid at the expense of those resources, which society in a condition to spend for health protection of the citizens.

Our research assumes *three basic strategy* of achievement of financial security of the state guarantees:

The first strategy provides growth of state financing of public health services in a combination to the limited actions for re-structuring of system of health services and to increase of its efficiency.

The second strategy focuses on essential increase of efficiency of use of the available resources, reached at the expense of scale re-structuring of medical aid with carrying over of its greatest possible part on an out-patient stage and the simultaneous termination of financing from public sources of liberated capacities of stationary medical institutions.

The third strategy assumes a combination of measures on increase of a system ef-

fectiveness of public health services with partial revision of guarantees and medical aid reduction (by the kinds, the guaranteed volumes and granting conditions), completely paid at the expense of public sources.

What is available actually? Actually, since 2000, the first strategy is realized. The sizes of state financing of public health services increase in real expression, reflecting gross national product growth. At the same time process of re-structuring of system of health services of the population goes slowly.

For the answer to a question why real actions disperse from declared problems, it is necessary to address to the analysis of interests of various types of subjects of management and public health services financing.

Further our research will carry out such analysis. At first we will prove *an inefficiency of the developed system of financing*.

Since 1991, in Republics Moldova the public health services system has suffered three attempts of reforming.

The first. Just after announcements of independence of Moldova. Reforming of system of public health services by means of the international financial organizations has begun, but and has not reached the purposes. The system of financing of public health services had not time to develop because of high rates of growth of inflation.

The second. Has begun simultaneously with creation of new administrative-territorial formations in district territorial formations. For that moment transformation and adaptations of system depending on formation of new territories has begun.

The third. Simultaneously with transition from districts on areas.

Despite process arisen in administrative-territorial reforming, since second half

1990th attempt to reform system of financing of public health services of Republic Moldova has been undertaken. Replacement of budgetary financing of the medical organizations by insurance financing which at present is not finished yet has begun.

The developed combination of systems of budgetary and insurance financing focuses on maintenance of an existing network of treatment-and-prophylactic establishments and health services volumes, but not on the decision of the ripened problems of their restructuring and increase of efficiency of use of resource potential available in branch.

Expected positive effects from activity of new subjects in the public health services system, connected first of all with more rational use of available resources and with treatment quality assurance, were not showed with sufficient definiteness and do not counterbalance charges of these organizations. The insurance medical organizations and treatment-and-prophylactic establishments do not have stimulus to more effective utilization of available resources. Therefore Obligatory Medical Insurance and in particular the insurance companies began to be perceived by a considerable part of medical workers as unnecessary and expensive intermediaries in system of financing of public health services in the conditions of an economic crisis.

Insurance principles of the organization of financing of granting of medical aid to the population have appeared practically not expressed in that system of financing which really functions under the name «Obligatory medical insurance». In a today's condition system Obligatory medical insurance has settled the possibilities, and it is necessary or to refuse it, or to modernize.

In our opinion new workings out are

necessary. One of possible variants can be possibility studying (on an example of separate territory for experiment) for *creation of uniform system obligatory health maintenance insurance*. It is supposed to be made by association of existing systems of obligatory medical insurance and social insurance.

The working group of experts which will develop offers on association obligatory and social insurance in uniform system obligatory *health maintenance insurance* should be for this purpose created. The question on sources of insurance payments for the idle population can become a key obstacle to creation of such system. Effective way of the decision of this problem is unequivocal fastening of financial sources of such payments in the form of an establishment of the marked tax revenues - for example, such, as a certain part of the tax to incomes of physical persons, or excises on tobacco products and alcohol.

The offer to stratify approaches to preservation of guarantees of free medical aid are supplemented with offers on introduction of memory system on medical aid or other offers, allowing to minimize payments from the population or to stretch them in time. Practically all who positively concerns legalization of paid services, considers, that to introduction of such payment the differentiated approach is thus necessary for different categories of the population

At the same time the part of doctors does not support idea of introduction of stratification in payment for different profitable groups, explaining it is complexity of practical realization of similar idea.

Development of system of paid services and their subsequent legalization is skeptically enough estimated by practicing doctors that speaks a low share of the means received

by attending physicians from incomes for paid services. Moreover, doctors recognize, that development of system of paid services can result and in a reality leads to occurrence of "a parallel corridor» informal payments which can be below the official prices and both parties arrange.

The given researches allow to fix, however, the important tendency - the above a level of development of paid services, the smaller scope of informal payments can be ascertained. And on the contrary: the paid services, the above probability of occurrence of informal payments are less developed. It allows saying that development of system of paid services keeps probability of presence of informal payments, however their scope nevertheless remains smaller in comparison with a situation when development of paid services in any reasons restrains.

Unequivocally support idea of development of system of paid services and legalization of informal payments, without additional conditions, those from doctors who receive informal payments only incidentally or in small in comparison with their salary volumes. For such persons introduction of compulsion of payment by patients of given themes of services is a real way to raise the incomes, having removed with itself cargo of risk and the moral responsibility connected with reception of money from patients in hands. Those medical workers, who regular-

ly receive informal incomes in considerable volumes, are interested in their preservation as it gives them for today considerably the big increase to wages, than rendering of paid services. Therefore they support possible legalization of payment of medical aid provided that it will not lead to essential decrease in their incomes.

The senior nurses consider steps on reforming of guarantees as supportive notice in the interviews what exactly rich people and the big chiefs try to receive medical aid free of charge and are not generous on gifts though recognize, that a situation at which level of incomes of nurses remains at such low level, demands the decisions. However, in the expectations they are guided by the help from the state in the form of increase of wages for the average and younger medical personnel as more difficult schemes and possibility of medical institutions to earn on paid services of appreciable increase of wages to the average and younger medical personnel do not guarantee more.

As a whole the carried out research allows to be convinced of inexpediency of radical measures on reforming of rules of granting of medical aid to the population that speaks as low readiness of the territorial authorities and head physicians of hospitals for similar measures, and low level of trust to radical reforming of medical branch from doctors and the average medical personnel.

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The taxation installment in Romania . Between mass - media's "impressionism" and Eurostat's reality

❖ RĂZVAN - MIHAIL PAPUC ❖

Abstract: *The essay brings out into relief the situation of Romanian taxation in contrast with taxation level from European Union. To this end there are used a series of statistical data in relation to major category of tax, in the way how Eurostat presences. At the same time the research brings into relief a certain option as regards of pressure taxation assignment on some categories of tax payer.*

Key words: *fiscality, public expenses, social security, tax payer.*

Should you ask a foreign investor in the Romanian economy how he would appreciate the taxation level in this country, the answer, of course presumed, shall be without doubt, that we have an economy with a high taxation system.

The opinion is stressed loudly by the mass-media, but also by the political and cultural people. And obviously, by the common citizen.

When looking at the fiscal situation of Europe, the things seem to develop very

striking edges in confirming such assertion. We are located in a space with a taxation level of 39.6% of the GDP (calculated as weighted average)¹, regardless of taking into consideration the Monetary Union Europe, of the 25 or of the 27.

In the same time, according to the same report, the USA and Japan had taxation levels of 26.27% of the GDP. Moreover, in 17 of the member countries, the taxation rate of 2005

¹Eurostat – *Taxation trends in European Union*, European Commission Taxation and Customs Union Luxembourg, 2007, p.7

was higher than the one of 1995, although until 1999 public actions leading to the reduction of taxation in most of the EU 15 countries have been taken.

Consequently, in average, the taxation rate in the E.U. is high whether we compare, for a temporal comparison, with the situation of the middle 90s, or to the eternal economic rivals, USA and Japan, or to the OECD member countries, non European where near us is just the New Zealand, with a rate of approximately 35%. Of course, an unitary situation in all the European countries does not exist, being determined both by social political choices characteristic of the respective countries and by technical factors, such as excepting the social transfers from taxation or not. Besides that, the traditional case of Sweden where the taxation level is the highest in the entire world, reaching probably 51% of the GDP, is certainly added.

Should we continue the analysis with the EU 27 – EU 15 comparison, the situation acquires new lines, but also new waiting horizons. The newly joined countries, in 2004 and 2007 contribute in reducing the taxation in the EU and not in increasing it. The percentage is of approximately 7 units.

The taxation of the newly joined 12 is reduced with such percentage than the old 15. Such matter of fact may also be a prediction exercise: what may the newly joined 12 expect or conversely what may the seniors expect in the future. I believe that what we may expect.

Other facts are also relevant for the fiscal future: between 1995 and 2005 only nine countries have succeeded in reducing their taxation, while sixteen countries increased their taxation level, including the countries having a high taxation level (e.g. France, Bel-

gium, Denmark). And of the countries with medium-low taxation, 9 have increased the taxation level and only 5 have reduced it.

Generally, we may assert that the taxation level in the EU states has increased since the 1970s, from approximately 34% of the GDP in 1970 to 39% of the GDP in 2005, with a peak of 42% in 1997 – 1998. The analysts deem such growth to be the result of increasing the public sector's share in the economy all these years and mostly the result of increasing the labor contributions, for financing the objectives of the state's wellbeing, with regard to pensions, health, and education.

In the same time, with the growth and then with the maintenance of the unemployment level relatively constant, the expenses afferent to the active or passive programs with regard to the unemployed and thus the contributions paid to the respective unemployment funds, have also increased. Adema (2000) considers that 75% of the tax growth is due to the increase of the public expenses.

Under such general background, is the assertion that Romania is a country with a burdening fiscal system true?

28 % of the GDP is the first figure that fiscally characterizes Romania. This is the taxation rate in 2005, as it is measured unitary by the Eurostat, for all member countries. Such figure represents the lowest level of taxation of all the European Union countries.

46.3% is the second figure that might characterize the Romanian fiscal system. It represents the share of the indirect taxes of the total incomes obtained from taxes, which places us on the third place after Bulgaria and Cyprus. The average of the Union was of 39.1% in 2005. As share of the GDP the indirect taxes represented, in 2005, 13.0% opposite to 11.4% in 2001, VAT representing 8.1%

of the GDP, and excises only 3.3%, increasing opposite to 2001, when they represented 2.3%. The share of the VAT of the total incomes (29%), places Romania on the second place in the EU.

19.1% is the share of the direct taxes of the total incomes. Under the terms of the share in the GDP, they represented 5.3 % in 2005, decreasing from 2001 (6.3%), with shares approximately equal for taxes on personal incomes (2.4%) and on corporations' incomes (2.7%). The European average (EU 27) is of 32%. As size of the tax 16 %, of the personal incomes it represents the lowest value of the EU, where the average is of 36.68% with a maximum reached by Denmark of 59% or Sweden, on the next position with 56%. Also with regard to the share of the corporations' incomes (16%) we are on a leading position, fifth place after Bulgaria (10%), Cyprus (10%), Ireland or Lithuania, however far from the European average 24%, or the maximum reached by Denmark 38.7%.

34 %, the share of the social contributions of the total incomes places us near the average of the union's states. As percentage of the GDP they represented 9.7%, with an accent on the employers' contributions 6.4%, opposite to 2.9% employees' contributions.

Analyzing the taxes level with regard to their distribution depending on governing level criteria, which in the European statistics is represented by 5 levels (central, state and local government, social security funds and European Institutions level), we may observe that the first and second level represent a share of 59%, the local level approximately 11%, security 29% and just 1% for the European institutions. With regard to us, whereas the incomes from taxes of the central government totalize 12.3% of the GDP, decreasing

from 2001 (16.3%), those of the local authorities represent just 6.1%, anyway increasing from the same year of 2001, when they represented just 0.7% of the GDP, which pictures the general trend, although shy, of the decentralization in the fiscal field inclusively, however far from the level reached by Denmark (16.7%) or Finland (11%), countries making an exception in such matter. In such field, Europe is making more of a rhetoric exercise than taking actual decentralization measures. In the European countries, the variation of the share of the fiscal incomes at sub-central level (which comprises the state level, the municipality level and the regions level is between 1% in Greece and 33% in Denmark. Near Greece come Cyprus, and also Malta and Ireland, while in the upper side we find Sweden, Belgium, Spain, Germany. Romania is placed above the European average with approximately 24%.

Next to supervising the general categories of taxes and their contribution as sources of incomes for the state, the international statistics also performs an analysis of tax categories using the *tax incidence* criteria. This means analyzing the duties and taxes level by different categories of tax payers. Thus, we can distinguish the taxes on consume, labor and capital.

In accordance with the same statistic source mentioned above, between Romania and the other states of the European Union, convergence is a word which senses remain to be discovered in the future.

On the EU 27 ensemble, the distribution of such incomes from taxes, grouped by the economical criteria establishes the high incidence of the taxes on labor and of those on non-occupied labor (taxes on social benefits and pensions of the pensioners), like the

cases of Denmark, Germany, Finland, Netherlands or Sweden. The taxes on work represent almost half of the total attracted incomes in the EU 27 countries. The analysis of the distribution of such taxes on countries reveals the fact that, generally, a high level of taxation is identified in the Union countries with the highest incomes. The capital taxes follow, with a share of approximately 20%, the rest being represented by the consume taxes. If, as stated, the work taxes represent a higher share in the senior-states of Europe, the consume taxes represent the main source of income in the new and poorer countries.

Bulgaria is leading with more than 50% of the total. Romania follows with a percentage of 44.3 %, respectively with 10 percentage points above the European average. Examining the average on 10 years 1995 – 2005, we notice an increase, the average being of 42.5%, while the European average (of 28.2% decreasing), as is the one of the 13 Monetary Union (from an average of 30.5%, to 29.7% in 2005).

With regard to the work taxes Romania occupies the 21st position, with a level of 39.1%, opposite to the leading place Sweden with 60.8%, whereas the European average is of 49.8%.

The stated shares reveal a fiscal strategy having as main pile the taxation of consume.

With regard to the *implicit tax rate*, Romania has such a tax on labor of 26.7%, under the European average of 35.2%, and the one representing consume is of 18.5%, under the EU-27 average of 22.1%.

As far as the taxes on capital stock are concerned, with an average of 0.6%, we are placed far below the EU-27 average of 2%. Finally, the environment taxes represent a percentage of 2.1% of the GDP, under the EU-

27 average of 2.9%. As percentage of the total incomes out of taxation with 7.4% we are placed on the 13th place, whereas the EU-27 average is of 6.6%, decreasing compared to the last 1 year average.

General elements Of the fiscal system

Taxes applicable to corporations

In 2005, the unique tax system has been introduced, which meant the taxation to a rate of 16%, instead of 25% until then. The corporations' profits are taxed to their level, and the distributed profits are taxed again both at corporations and in the hands of shareholders. Capital incomes are taxed at the same rate.

Gambling games, casinos, night clubs are taxed with 5% of the turnover, while the micro companies with maximum 100000 Euro turnover, may choose to be taxed at 2% of the turnover, instead of 16% of the incomes.

Taxes of the individual incomes

The progressive taxation system on income levels has been abandoned in 2005, the 16% quota being applicable in this case also.

VAT

The standard quota is of 19% and the reduced quota is of 9%.

In accordance with the engagements undertaken under Chapter 10 Taxation of the Romania position Document, the following VAT exemptions non-compliant with the 77/388-CEE Directive, have been canceled: exemption for activities subject to shows taxation, exemption for goods produced and marketed by units in the prison system, exemption for cable broadcasting of audio-visual programs, exemption for selling of movies or programs licenses, broadcasting rights,

subscriptions to news international agencies and other similar broadcasting rights, designated for the radio and television activity.

Taxes on houses and lands

They represent local taxes that vary between 0.5% and 1% .

Social security

The contributions are paid both by the employees and by the employers. The employees pay a contribution of 9.5% of the gross wage and one of 6.5% for health insurance and 1% for the unemployment fund.

Following the adhesion to the European Union, a number of fiscal political measures take into consideration a higher compatibility of the own system with the European one. Thus: The European Directive 6 on VAT shall have to be transposed from 1 January 2007, The European Community Directive (90/435/CEE) Parent – Subsidiary, which refers to the abortion of the double taxation of the profit distributed between the mother-company located in a member state and its subsidiaries located in other member states has been applied, the Interest and Royalties Directive has been accepted followed by a period of transition, the „Merger” (90/434/CEE) Directive which refers to the reduction of the fiscal burden that might prevent the reorganization of companies, the 90/436/CEE Convention, based on article 239 of the Treaty, introduces an arbitrary procedure for avoiding the double taxation regarding the adjustment of the profit between the associated companies located in different member states, have been also accepted by the Romanian authorities.

Conclusions: The Romanian fiscal system has known significant transformations not only under the waiting period to adhere to the European Union, but also in the short post-adhesion period.

The most spectacular of these transformations is the introduction of the unique taxation quota, since 1 January 2005.

The arguments for introducing such fiscal political measure are very different, out of which we might mention the following:

“-The unique quota reduces fiscal evasion, by reducing the opportunity cost for avoiding payment of the taxes to the state budget.

When the fiscal system is simple and efficient, the psychological effect of reducing the taxation quota makes people pay their debts towards the state in a rapid and correct way.

-The unique quota reduces the fiscal administration expenses, increasing the taxes efficiency.

The public administrations shall spend less money for handling the system because most of the expenses related to calculation of the taxation base, payment notices etc. shall disappear.

- The unique quota offers tax payers more control of money and it reduces the involvement of the authorities in handling the excess of every person.

By applying the unique quota people are stimulated to work more because only a small part of their earnings goes to the state.

Thus, the remaining difference can be administrated as they please, such liberty emphasizing the development of property and of the private sector of the economy, more than of the public sector, in which the state initiates programs and politics supporting the citizens

- The unique quota develops a very attractive environment for the investors.

The competition regarding the taxes level represents a benefit of the globalization.

In a global economy in which the labor force and capital move freely beyond the national borders of any state, the fiscal politics set adopted by every country represents an important instrument used in attracting the limited international resources.”²

These are just a few of the arguments sustaining the unique quota cause.

Next to these not less important are the counter-arguments:

- The unique quota places the fiscal duty mainly on the ones with small and medium incomes. Reducing the unique quota resulted in increasing the high incomes of the economy and almost not at all, the low and medium incomes. Some studies state an increase of just 1 Euro for almost half of the registered employees.

- The unique quota has increased the taxation base of the economy by introducing taxation for several sectors that until then have not been taxed and which represent a dynamic sector of the economy. Thus, stock market transactions with shares owned for a period of less than 365 days have also been taxed, and the economies are likewise taxed, with a tax of 16% of the incomes earned from term deposits. Taxation of the gross profit for stock investors represents another modality of increasing the taxation base

The unique quota has increased the taxation base not only by drawing many businesses out of the grey area (although the results of the unique quota in such direction are debatable) but also by the necessity to find other taxation sources for covering the remaining empty spaces. Thus, the vice tax appeared, the first vehicle registration tax.

- the unique quota is not the “main rea-

son” for the increase of direct investments in Romania during 2001 – 2007 with more than 35 billion dollars (from a little over 1 billion in 2001 to approximately 37 billion this year). Rather the high degree of stability and predictability of the economic environment as well as the low levels of the salaries have been the origin of such increase, which resulted in obtaining profit rates quadruple opposite to their west level.

- the unique quota has impeded the reduction of the social contributions and of the VAT, as well as of the labor taxes. Although we praise with the lowest taxation rate in Europe, first place of indirect taxes of the public incomes share, makes us state that the present taxation system is rather very non-equitable and not more equitable as asserted. It is known by all students that VAT is the tax, that obviously, has the highest fiscal efficiency, but in the same time affects the most the individuals with fixed and low incomes, because the share of the VAT in the basket of their own expenditure is higher, a lot higher than the same share in the very high incomes of the lesser. Practically, we afford an external image exercise, the unique quota, in the detriment of the autochthonous consumer.

Such image exercise, hardly fools somebody, if we also take into consideration that a report of the World Bank in 2006, “Doing business in 2006” classified us with a number of 62 taxes to be paid by the Romanian entrepreneur, while the same Swedish colleague pays only 5.

- moreover the National Bank Governor, Mugur Isărescu, stated that we can no longer afford another decrease of the taxation rate, because the National Bank is no longer capable to cover through restrictive monetary politics, the increase of the buying pow-

² CNIPMMR – Press conference, 8 July 2007.

er, which will result in stressing the current account deficit, that has already become uncontrollable. This happened immediately after introduction of the unique quota.

And, instead of a final conclusion, a remark. The increase of the share of the incomes

attracted to the budget to 34 – 35% is not the result of the unique quota but rather the result of increasing the other tax categories as well as the increase of the tax base. **The main effect of the unique quota is the increase of the VAT returns.**

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Learning Management System and Shareable Content Object Reference Model

❖ COSMIN OLTEANU ❖

Abstract: Educational Management Software is on an increase stage of development. Almost all has good intentions and much has bright ideas at the heart of it. Some is weighty with academic pedigree, some is joyous but slight. Some is ostentatious and some is badly inept.

Various proposals have been advanced for standardizing this kind of software in one way or another, published mostly in the form of guidelines, and some of these have been recommended formally for adoption in particular localities or projects.

There are standards which refer to the programming itself and others concerned with the way a program should behave in relation to a manager, registrar, teacher or a student using it. Standards have also been put forward on modes of operation, on presentation, on documentation, on packaging and on classification.

Key Words: educational software, integrated information system, new technologies.

1. Introduction

Learning Management System (or LMS) is a software package, usually on a large scale (that scale is decreasing rapidly), that enables the management and delivery of learning content and resources to students. Most LMS systems are *web-based* to facilitate “*anytime, anywhere*” access to learning content and administration.

The Shareable Content Object Reference Model (SCORM) is a standard for web-based e-learning. It defines how the individual instruction elements are combined on a technical level and sets conditions for the software needed for using the content. SCORM is distributed by the Advanced Distributed Learning (ADL) Initiative, a US organization under the Department of Defense (DoD).

With the entrance of Romania in the European Union the issue of finding some unique quality models is related more often than before, in order to assure an European compatible learning system for all countries of the Union, by creating a unique European education boundary.

The educational importance, in development for an active attitude of the people for a knowledge and innovation society, leads to some enhanced attention of the problems for social cohesion and implies a better understanding of quality of education.

This idea is underline also by control and coordinating entities from Research, Learning and Youth Ministry of Romania like ARACIS (Romania Agency for Quality Assurance in Higher Education) and CNCSIS (The National University Research Council), which are affiliated to Bologna process of development and which emphasize the necessity of existence at every University for a centralized interconnected computerized system for each service and segment with a real time synchronization of the teaching, testing and learning of the educational system.

The necessity of integrated informatics systems is an obvious requirement of the mentioned entities (but nether the less from students) to be developed and implemented in the educational system since we develop a powerful long distance learning and also for the enhancement of the quality of attendance less system.

The advantages of such systems are well known from other fields of activities and are based on:

➤ User friendly access for students, registrars, accounts men and not the last, for

teachers to knowledge and teaching materials from anywhere, anytime;

- Logged and encrypted access for everyone;
- Efficiency of human and resort resource planning;
- Easiness of internal administration and organization;
- Permanent real time access for the student of his records and payments to the university;
- Reports for complete image for the knowledge level of students;
- Better and improved real time Teacher - Student communication system and an efficient transparency model for online material and online test;
- Removing the bureaucracy and long time resolving results;
- Building an organized active archive.

Looking back in past and up in future, I can emphasize that such a system should have some advanced functions for:

- ✓ Teaching, testing and evaluation;
- ✓ Management of registrar's activities;
- ✓ The report and management of financial and economics activities;
- ✓ Measurements and reports of engaged entities in local educational system;
- ✓ Easiness for learning techniques;
- ✓ Enhancement for student attention and for knowledge assimilation;
- ✓ Real time supervision of didactic methods, administrative requirements and management activities;
- ✓ Testing of new ways of learning techniques;
- ✓ Interlink-ing of new courses with new subjects.

2. Stages in development of an integrated informatique system

Educational Management Software is on an increase stage of development. Almost all has good intentions and much has bright ideas at the heart of it. Some is weighty with academic pedigree, some is joyous but slight. Some is ostentatious and some is badly inept.

Various proposals have been advanced for standardizing this kind of software in one way or another, published mostly in the form of guidelines, and some of these have been recommended formally for adoption in particular localities or projects.

There are standards which refer to the programming itself and others concerned with the way a program should behave in relation to a manager, registrar, teacher or a student using it. Standards have also been put forward on modes of operation, on presentation, on documentation, on packaging and on classification.

For all that, many educational programs, including a lot which conform to these standards, often display features which are distinctly uncongenial. These usually reveal themselves by a program's capacity to irri-

tate or frustrate someone who tries to use or browse through it in real workaday circumstances.

Therefore, the development of such a system, which is meant to function errorless, presume that the first step, the one of the system analysis, to be done very well and objective.

Also, this kind of system should be analyzed very well from the perspective of personnel, qualified one, which would have assure a successful functioning of the system but also the future development prior of implementation procedure which is named maintenance.

Almost all the times, this last issue is left over, and in my opinion, is the most important in the successful functioning of such a informatic system. The general statements is that the maintenance should be taken care afterwards and only if errors occurs.

On the software market there are some companies that sells software programs only if a maintenance program is signed and in such conditions the price of software will be 0. And this only to have a successful and unstained company.

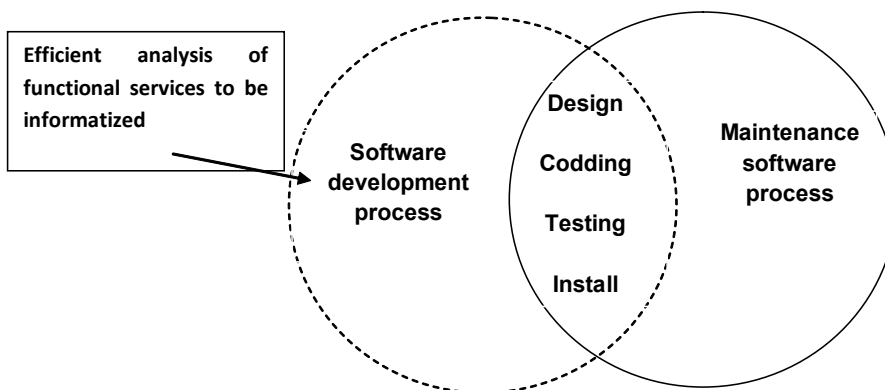


Fig. 1: Stages of maintenance and development of an Integrated Informatized System

It should be mentioned that such a system is to be used in universities where simultaneous and concurrent users (hundreds, thousands etc.) are working on that software.

3. Conclusions

The time has come to be more exacting in our demands. Many programs which got past by yesterday's standards should to-

day be given a more cautious welcome. And some should positively be sent packing.

But we must take care not to turn away uncut gems.

Evaluating educational management software fully and fairly is no mean task, but in any program which is to be used with students there is one quality which should be unfailingly conspicuous:

It should give enjoyment, real time results and positive feedback.

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An Introduction to Outsourcing

❖ IONUT CONSTANTIN ❖

Abstract: *Outsourcing has come a long way. Initially, the practice made a well-publicized mark when U.S. manufacturers began sending their operations to developing-market countries and laying off blue collar employees back home. Multinational corporations are looking at near-shoring, offshoring and outsourcing as a means of restructuring themselves strategically in order to better compete in an increasingly global economy.*

Key Words: outsourcing, ITO, BPO, KPO, back sourcing.

Outsourcing became part of the business lexicon during the 1980s and refers to the delegation of non-core operations from internal production to an external entity specializing in the management of that operation. Outsourcing is utilizing experts from outside the entity to perform specific tasks that the entity once performed itself.

The decision to outsource is often made in the interest of lowering firm costs, redirecting or conserving energy directed at the competencies of a particular business, or to make more efficient use of labor, capital, technology and resources.

What is outsourcing?

There are as many definitions of outsourcing as there are ways to screw it up. But at its most basic, outsourcing is simply the farming out of services to a third party. With regards to information technology, outsourcing can include anything from outsourcing all management of IT to an IBM or EDS to outsourcing a very small and easily defined service, such as disaster recovery or data storage, and everything in between.

Outsourcing involves the transfer of the management and/or day-to-day execution of an entire business function to an ex-

ternal service provider. The client organization and the supplier enter into a contractual agreement that defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of people, assets and other resources from the client. The client agrees to procure the services from the supplier for the term of the contract. Business segments typically outsourced include information technology, human resources, facilities and real estate management, and accounting. Many companies also outsource customer support and call center functions like telemarketing, customer services, market research, manufacturing and engineering.

Why outsource?

The decision to outsource is taken at a strategic level and normally requires board approval. Outsourcing is the divestiture of a business function involving the transfer of people and the sale of assets to the supplier. The process begins with the client identifying what is to be outsourced and building a business case to justify the decision. Only once a high level business case has been established for the scope of services will a search begin to choose an outsourcing partner.

The business case for outsourcing varies by situation, but reasons for outsourcing often include one or more of the following:

- lower costs (due to economies of scale or lower labor rates);
- variable capacity;
- the ability to focus on core competencies by ridding yourself of peripheral ones;
- lack of in-house resources;
- getting work done more efficiently or effectively;

- increased flexibility to meet changing business and commercial conditions;
- tighter control of budget through predictable costs;
- lower ongoing investment in internal infrastructure;
- access to innovation and thought leadership.

ITO, BPO, KPO - what's the difference?

Business process outsourcing - or BPO - is the outsourcing of a specific business process task, such as payroll. It's often divided into two categories: back office outsourcing, which includes internal business functions such as billing or purchasing, and front office outsourcing, which includes customer-related services such as marketing or tech support. Information technology outsourcing (ITO), therefore, is a subset of business process outsourcing.

While most business process outsourcing involves executing standardized processes for a company, knowledge process outsourcing - or KPO - involves processes that demand advanced research and analytical, technical and decision-making skills. Less mature than the BPO industry, sample KPO work includes pharmaceutical R&D, data mining and patent research. The KPO industry is just beginning to gain acceptance in corporate America.

IT outsourcing clearly falls under the domain of the CIO. But often CIOs will be asked to be involved - or even oversee - non-ITO business process and knowledge process outsourcing efforts. CIOs are tapped not only because they often have developed skill in outsourcing, but also because business and

knowledge process work being outsourced often goes hand in hand with IT systems and support.

Why is outsourcing so hard?

There's no debate about it. Outsourcing is difficult. The failure rate of outsourcing relationships remains high. Depending on whom you ask, it can be anywhere from 40 to 70 percent. At the heart of the problem is the inherent conflict of interest in any outsourcing arrangement. The client is seeking to get better service, often at lower costs, than it would get by doing the work themselves. The vendor, however, wants to make a profit. That tension must be managed closely in order to ensure a successful outcome for both client and vendor.

Another cause of outsourcing failure is the rush to outsource in the absence of a good business case. Outsourcing is increasingly pursued by organizations as a "quick fix" cost-cutting maneuver rather than an investment designed to enhance capabilities, expand globally, increase agility and profitability, or bolster competitive advantage.

Generally speaking, risks increase as the boundaries between client and vendor responsibilities blur and the scope of responsibilities expands. Whatever the type of outsourcing, the relationship will succeed only if both the vendor and the client achieve expected benefits..

How is outsourcing priced?

There are various ways to structure pricing within an outsourcing contract, including:

Unit pricing: The vendor determines a

set rate for a particular level of service, and the client pays based on its usage of that service. For instance, if you're outsourcing desktop maintenance, the customer might pay a fixed amount per number of desktop users supported.

Fixed pricing: The customer pays a flat rate for services no matter what. Paying a fixed price for outsourced services always looks good to customers at first because costs are predictable. And sometimes it works out well. But when market pricing goes down over time (as it often does), a fixed price stays fixed. And suddenly it doesn't look so good. Fixed pricing is also hard on the vendor, who has to meet service levels at a certain price no matter how many resources those services end up requiring.

Variable pricing: This means that the customer pays a fixed price at the low end of a supplier's provided service, but allows for some variance in pricing based on providing higher levels of services.

Cost-plus: The contract is written so that the client pays the supplier for its actual costs, plus a predetermined percentage for profit. Such a pricing plan does not allow for flexibility as business objectives or technologies change, and it provides little incentive for a supplier to perform effectively.

Performance-based pricing: At the opposite end of the spectrum from cost-plus pricing, a buyer provides financial incentives that encourage the supplier to perform optimally. Conversely, this type of pricing plan requires suppliers to pay a penalty for unsatisfactory service levels. This can be tricky to pull off successfully, but is becoming more popular among outsourcing customers, dissatisfied with performance in their previous forays into outsourcing.

Risk/reward sharing: With this kind of arrangement, the customer and vendor each have some skin in the game. Here, buyer and supplier each have an amount of money at risk, and each stands to gain a percentage of the profits if the supplier's performance is optimum and meets the buyer's objectives. The buyer will select a supplier using a pricing model that best fits the business objectives the buyer is trying to accomplish by outsourcing.

What about bundling?

Bundling services means paying an IT services provider one price that has more than one IT service or product lumped together. It's usually not a good idea. If you agree to the bundling of certain service levels into the price of a product, for example, you must buy that service every time you buy the product - whether you need it or not. Bundling also makes it difficult to understand what you're paying for individual products or services and to benchmark that against market pricing. Itemizing products and services keeps the vendor more accountable and enables the buyer to be able to charge back the usage fees to its various user departments.

What is an SLA?

A service level agreement (SLA) is a contract between an IT services provider and a customer that specifies, usually in measurable terms, what services the vendor will furnish. Service levels are determined at the beginning of any outsourcing relationship and are used to measure and monitor a supplier's performance.

Often, a customer can charge an out-

sourcer vendor a penalty fee if certain SLAs are not met. Used judiciously, that's an effective way to keep a vendor on the straight and narrow. But no CIO wants to be in the business of penalty charging and collecting. Bad service from an outsourcing vendor, even at a deep discount, is still bad service, and can lead to greater problems. It's best to expend that energy on finding out why the SLAs are being missed in the first place and working to remedy the situation.

What is the best length for an outsourcing contract?

What's the best length for a skirt? While the outsourcing industry is not quite as fickle as fashion, the prevailing wisdom about the best length for an outsourcing contract has changed over the years. When outsourcing first emerged as a viable option for providing IT services and support, long contracts - as many as 10 years in length - were the norm. As some of those initial deals lost their shine, clients and vendors began to look at contracts of shorter duration.

So what is the best length for an outsourcing contract? As with most other questions about outsourcing, the answer really depends on what's being outsourced and why. A transformational outsourcing deal will require more time to reap benefits for both client and vendor and therefore must be structured as a longer-term contract. But when outsourcing desktop maintenance or data center support, a shorter relationship may work better. Generally speaking, overly long contracts (more than seven years) are frowned upon unless there is a great deal of flexibility built into the contract.

Should I outsource everything to one vendor? Or should I use a best-of-breed approach?

Several years ago, the megadeal - multi-billion-dollar IT services contracts awarded to one vendor - hit an all-time high, and the IBMs and EDSs of the world couldn't have been happier. But this wholesale outsourcing approach proved difficult to manage for many companies. Today, although the megadeal is not dead, the trend has turned toward the multi-vendor approach, incorporating the services of several best-of-breed vendors to meet IT demands. And the major IT services players say they're able to accommodate this change. The highest-profile example of this brand of outsourcing is GM. After years of outsourcing much of its IT to EDS, GM is pursuing what it calls the "third wave" of outsourcing, bringing together a cadre of competing outsourcers to work together.

How do I decide what vendor or vendors to work with?

Selecting a service provider is a difficult decision. But start by realizing that no one outsourcer is going to be an exact fit for your needs. Trade-offs will be necessary.

To make an informed decision, you need to articulate what you want to gain from the outsourcing relationship and extract from that your most important criteria for a service provider. It's important to figure this out before soliciting any outsourcers who will undoubtedly come in with their own ideas of what's best for your organization, based largely on their own capabilities and strengths.

Some examples of the questions you'll

need to consider include:

- What's more important to you: the total amount of savings an outsourcer can provide you or how quickly they can cut your costs?
- Do you want broad capabilities or expertise in a specific area?
- Do you want low, fixed costs or more variable price options?

Once you define and prioritize your needs, you'll be better able to decide what trade-offs are worth making.

Can I get outside help with this decision?

Many organizations bring in an outside sourcing consultant or adviser to help them figure out what their requirements are and what priority to give them. While third-party expertise can certainly help, it's important to research the adviser well. Some consultants may have a vested interest in getting you to pursue outsourcing rather than helping you figure out if outsourcing is a good option or not and then helping you figure out your requirements and priorities. A good adviser can help an inexperienced buyer through the vendor-selection process, aiding them in steps like conducting due diligence, choosing providers to participate in the RFP process, creating a model or scoring system for evaluating responses, and making the final decision.

Help can also be found within your own organization, from within IT and from the business. These people can help you figure out what your requirements should be. There is often a reluctance to do this because any hint of an impending outsourcing decision can send shivers throughout IT and the

larger organization. But anecdotal evidence suggests that bringing people into the decision-making process earlier rather than later makes for better choices and also creates an openness around the process that goes a long way toward allaying fears.

The advice given above for selecting a provider holds true for negotiating terms with the outsourcer you ultimately select. A third-party services provider has one thing in mind when entering negotiations: making the most money while assuming the least amount of risk. Clearly understanding what you want to get out of the relationship and keeping that the focus of negotiations is the job of the buyer. Balancing the risks and benefits for both parties is the goal of the negotiation process, which can get emotional and even contentious. But smart buyers will take the lead in negotiations, prioritizing issues that are important to them, rather than being led around by the outsourcer.

Creating a timeline and completion date for negotiations will help to rein in the negotiation process. Without one, such discussions could go on forever. But if a particular issue needs more time, don't be a slave to the date. Take a little extra time to work it out.

Finally, don't make any steps toward transitioning the work to the outsourcer while in negotiations. An outsourcing contract is never a done deal until you sign on the dotted line, and if you make steps toward moving the work to the outsourcer, you will be handing over more power over the negotiating process to the provider.

What are the "hidden costs" of outsourcing?

The total amount of an outsourcing contract does not accurately represent the

amount of money and other resources a company will spend when it sends IT services out to a third party. Depending on what is outsourced and to whom, studies show that an organization will end up spending 10 percent above that figure to set up the deal and manage it over the long haul. That figure goes up exponentially - anywhere from 15 to 65 percent - when the work is sent offshore and the costs of travel and difficulties of aligning different cultures are added to the mix.

Among the most significant additional expenses associated with outsourcing are: the cost of benchmarking and analysis to determine if outsourcing is the right choice, the cost of investigating and selecting a vendor, the cost of transitioning work and knowledge to the outsourcer, the costs devolving from possible layoffs and their associated HR issues, and ongoing staffing and management of the outsourcing relationship. It's important to consider these hidden costs when making a business case for outsourcing.

What do I need to know about the transition period?

Vantage Partners calls the transition period - during which a new provider's delivery team is getting up to speed on the buyer's business, existing capabilities and processes, expectations and organizational culture - the "the valley of despair." During this period, the new team is trying to integrate transferred employees and assets, begin the process of driving out costs and inefficiencies, while still keeping the lights on. Throughout this period, which can range from several months to a couple of years, productivity very often takes a nosedive.

The problem is, this is also the time when

executives on the client side are looking most avidly for the deal's promised gains; business unit heads and line managers are wondering why IT service levels aren't improving, and IT workers are wondering what their place is in this new mixed-source environment.

IT leaders looking to the outsourcing contract for help on how to deal with the awkward transition period will be disappointed. The best advice is to anticipate that the transition period will be trying and attempt to manage the business side's expectations and set up management plans and governance tools to get the organization over the hump.

How important is ongoing relationship management to outsourcing success?

The success or failure of an outsourcing deal is unknown on the day the contract is inked. Getting the contract right is necessary, but not sufficient for a good outcome. One study found that customers said at least 15 percent of their total outsourcing contract value is at stake when it comes to getting vendor management right. A highly collaborative relationship based on effective contract management and trust can add value to an outsourcing relationship. An acrimonious relationship, however, can detract significantly from the value of the arrangement, the positives degraded by the greater need for monitoring and auditing. In that environment, conflicts frequently escalate and projects don't get done.

What if outsourcing doesn't work out? Can I just bring the work back in?

Backsourcing (bringing an outsourced service back in-house) when an outsourcing

arrangement is not working - either because there was no good business case for it in the first place or because the business environment changed - is always an option. However, it is not easy to extricate yourself from an outsourcing relationship, and for that reason many clients dissatisfied with outsourcing results renegotiate and reorganize their contracts and relationships rather than attempt to return to the pre-outsourced state. In a recent study, outsourcing consultancy TPI found an "unprecedented" concentration of contract restructuring in 2005, with a significant number of mega-deals being reworked.

7 Tips for Secure Outsourcing

Burton Group Analyst Diana Kelley offers a handful of critical tips to secure your data when working with an outside vendor.

1. Know what you're outsourcing. Assess internal controls and policies and decide what level of risk management needs to be extended to the outsourced process (more, less, equal and so on). Remember that most accountability and almost all reputational risk cannot be outsourced.

2. Understand risks and dependencies. Learn about regulations and compliance controls of the country, financial stability, geographic risks (flood zone, power grid stability) and legal recourse options.

3. Assess outsourcer's risk management level. Review outsourcer's policies and procedures as well as any key audit findings.

4. Ask about training and background checks of personnel. Assess experience level of employees. Look for checks of any past criminal behavior.

5. Ensure data is protected appropriately. Review access control policies and technologies to ensure only authorized access to

data and systems, review physical and virtual separation controls, restrict outsourcing by outsourcing, review data lifecycle management processes and encryption procedures (creation, storage, destruction).

6. Request transparency for monitoring and controlling data and services housed at outsourcing vendor. Here's some to consider: Daily or weekly reporting and audit log reviews, remote admin rights to monitor log files.

7. Create clear and explicit service-level agreements (SLAs) and have legal review them. Reserve "right to audit" (physical/logical) clauses, escalation path and altering process, quantify remuneration for data loss or service down time.

Success and Failure in Outsourcing

In a strategic partnership, vendors provide an integrated set of operational services. For example, a single IT outsourcing deal might encompass mainframe operations, WAN and LAN management, telephony and help desk services - some of which are commodity services. By integrating its service offerings, the vendor adds value beyond the value of the individual services.

In a strategic partnership, the client expects to be able to focus on core competencies

after handing off major operational responsibilities to the vendor. Clients also usually expect to realize cost savings and have access to variable capacity. To meet these expectations, vendors rely on economies of scale and scope, shared resources and best practices. Despite the potential for mutual benefit, these deals are risky. Only 50 percent of strategic partnerships in our study were successful.

Metrics are part of the problem. While vendors expect to earn a margin on the integrated set of services, client assessments of their partners often rely on a set of service-level agreements for the individual services. We believe the value of a strategic partnership is better assessed by its impact on the client's bottom line.

Strategic partnerships work best when they are treated by both client and vendor as long-term interdependencies with shared risk. Clients need vendors to adapt their offerings and processes to changing business conditions; vendors need clients to adapt their expectations and behaviors to permit appropriate process innovations and service changes. Successful strategic partnerships often apply a first-choice provider principle, meaning that the strategic partner is favored when new activities are to be outsourced. This reduces search costs for the client and sales costs for the vendor.

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Innovation, entrepreneurial system and the peculiarities of the Romanian enterprises strategy

❖ ALINA HAGIU ❖

Abstract: *Economic reality demonstrates that the future isn't decided by genetics, informatics or new materials, but by professional, creative and cultural capacities of the human subject. Performance is conditioned by the existence of an information, intelligence and creativity fond, a capital that can't be replaced by anything and which changes the concept of efficiency.*

Key words: strategy, innovation, creativity, performance.

1. Introduction

The strategy, as expression of a thinking and action on long term in all economic areas, became commonness in daily language. The strategy is an instrument which allows participants to national and international economic changes to anticipate the different influences emanated from the intern and extern environment, and to find adaptive to change solutions.

An enterprise is competitive if is capa-

ble to maintain durable and voluntary on a competitive market, realizing a self-financing bottom line sufficient for assuring itself the financial independence and the proper ways of adapting to environment. The main resources of competitive capacity and implicit of the competitive advantage are innovation, information and communication.

The business strategy appears at the decision level and is conceived for improving the competitive position of enterprise's goods and services inside a sector or a market seg-

ment well defined. Decisions appear as a result of enterprise's activities segmentation, in function of products, markets, technology or other criterion. A good competitive position is always the consequence of the existence of a competitive advantage, e.g. a lower cost, access to certain markets or channels of distribution, a better brand image, all these evaluated comparatively with the rival enterprises situation. Success strategies at this level have as goal, the creation of a distinctive competence in one or more functional activities of the company, and after, using these in opening a competitive advantage. A distinctive competence represents something that the enterprise does very well comparatively with its rivals. This competence can refer to research and development, know-how, productive capacity, distribution, service or any other aspect important in the creation, production and selling firm's good or services.

Competitive strategies do not issue from analyses, but from a special spirit estate, in which the perspicacity and the immovable volition to realize a certain stake induce an intuitive, creative thinking process and a rational one.

2. Strategy and competitiveness

From the enterprise point of view, the elaboration of a strategy is a permanent process. While the mission and the objectives can remain unchanged for years, strategies permanently evolve pursuant by the firm's internal and external environment changes.

Two are the main aspects on which is based the choosing of the competition strategy. The first is the attractiveness of the activity sector from the point of view of long term profitability, and the factors that deter-

minates it. The second refers to the determinant factors of the competition position from an activity sector. An enterprise from a very attractive sector, is possible not to realize important profits if chooses a weak competitive position. Reverse, an enterprise in an excellent competitive position can be situated in such weak sector so that can not be profitable.

Assuring competitiveness became the main objective of enterprises, thereby is necessary the identification and application of some strategies which to assure the realization of a high competitiveness. The essential element of a strategy success or failure is competitiveness.

In the market economy maintaining competitiveness supposes a permanent creativity, innovation in developing new goods or services, more sophisticated and more personalized.

Competitive advantage allows a better positioning on the market to the enterprise, and it increases the form in which confronts with the other rival enterprises by creating a viable and enough large segments of buyers which are interested by its goods and services because they perceive it like having a superior global value.

3. Innovation in the frame of entrepreneurial system

In our days, innovation is the less risky way of progress, because even if a moderate success of an innovation assures sufficiently profits for compensating these risks.

Entrepreneurial policies, regarding innovation refers to:

- systematical abandonment of all that is bypassed or unproductive;
- accepting the fact that products, ser-

vices, markets, processes, technologies and channels of distribution have a limited life;

- covering through innovation the differences between old and new;
- wording an entrepreneurial plan.

The best organizational structure for entrepreneurial system is represented by the existence of a total separate company, which to deal with innovation and development. The founder can assume entrepreneurial duties while the enterprise extends, for assuring the continuity of the innovation policy, simultaneously with a strategic management, integrator and powerful.

4. The peculiarities of the Romanian enterprises' strategy

- *The situation of the technical progress and the scientific research*

The elimination of the multiples deregulations which manifests in Romania imposes an effort of changing mentalities on the channel research – projection – production.

Until now it was neglected the distribution of the research effort being emphasized more than on weights that recur to fundamental, applicative and on branch research. Thus it is imposed the inversion of the proportion between product research and material and technological research, in favor of the last one.

In the same time, a way in which creativity would self-finance would be the establishment of a risk in technique financing bank, by the cumulative contribution of inventive thinking of the bearer and of the state.

As products of the new scientific culture, in developed countries appeared expertise centers, which acts as intermediaries, provides consultancy and information

to the researchers who collected it, answer to requirements for effecting laborious calculations which can't be made by usual methods.

Substitution innovations represented the solution which induced in error Romanian specialists, because only created the impression of renewal, in fact maintaining the old form and complicating it.

Advanced studies graduates specialize too early in a certain area, and have a narrow vision of what truly means the team work. Employees rewards should be based on the whole functional departments contributions, and not only on their own success or on individual success.

Collective achievements, as well as research development and the labor productivity increasing rarefied because of the bouleversement of the cooperating reports between firms which belong to the same industrial branch.

The major trends which have high implications on the productive performances and on the future firms are:

- intermediaries and consume goods markets will become more sophisticated;
- economic activity will continue its internationalization;
- the rhythm of technological change will remain accelerated.

In an opened economy, dominated by risks and change, the accent is stand on surviving and not on profit, the last one existing only if we talk about the ephemeral profit of the authentic inventor.

In Romania, the density of small and medium enterprises is three times smaller than in the European Union, business environment continues to be instable and we are part of the group of countries with the lower level of technology in the world.

- *Exceeded organizational structures*

Subsystems of the informational system don't overlap with the subsystems of the management structure, but go parallel, so is important that calculation departments from the socio-cultural institutions, and firms to be invested with some attributions in the management area. It would be useful to exist analysts consultants in management and informatics with a plural-disciplinary preparation, and managerial capacity checked in production.

In the economic activity of our country, will take precedence the following objectives:

- the establishment of an adequate system of rewards and possibilities of promotion for specialists;
- in an organization composed by specialists it imposes the creation of an unified vision;
- for the enterprise in which the activity is done by teams with specific duties it imposes the conception of an adequate managerial structure;
- the creation of a recruitment, training and professional control system of managers;

These actions encounter too little in practice, and the trends on long term of the labor productivity provides few information regarding the effort of the Romanian firms on innovation, production and confronting the rivals.

Some branches of activity play an important role in the frame of competitiveness and labor productivity increasing on long term, either because exercises effects of technologic training either because some branches depend on them. These branches can little influence the actual productivity, but have a decisive contribution on growing on long

term. For this reason, international corporations which don't take into account the rapports of forces between these branches became confusing.

In any economy there are four types of enterprise cultures:

- "power" type culture;
- "duty" type culture;
- "role" type culture;
- "person" type culture.

In Romanian enterprises dominates the "role" type culture, managerial practices often having strong red tape accents.

Romanian strategic vision is dominated by the following negative aspects:

- it approaches more to the budgetary techniques than to the strategic reflection, abiding more on predictable evolutions;
- it adapts hard to unexpected changes which can appear in surroundings.
- it neglects psychological factors, becoming technocratic planning.

- *Shrift human resources*

There are some opinions by which each employee touches on hierarchical scale his level of incompetence, i.e. they are promoted until they touch their limit. In reality though, the problem is that enterprises don't allow them to contribute beyond a certain point and not that they attained their limit. The solution is unfettering the existing potential and not finding new human resources.

The rationality and creativity were always considered opposed characteristics, enterprises being more preoccupied by rationality. Rational refers to facts, and these regard the past. Creativity in change regards the future. Thereby, the more enterprises bases on facts, the higher is the resistance at change.

An important obstacle in the way of Romanian economic performance amelioration is the lack of cooperation between individuals, but also between organizations, because of the narrow specialization, emphasized partitioning and bureaucracy. Thus decisions that should be integrated are fragmented.

Lately, an important strategic component became learning at labor place. In that direction, important enterprises implement the following principles: the enterprise assures the emission on large scale of the know-how at the level of production personal, for obtaining maximal advantages from the new technology and, the organization of the labor place rotation and of the preparation programs with the goal of develop the taste for learning.

In Romania, there is observed numerous manifestations at enterprises and employees level:

- the existence of a large gauge between generations;
- hierarchical structures must be obvious and respected;
- the preference for coherent and precise instructions;
- avoiding conflicts;
- high level of population anxiety;
- high nervous tension at the labor place;
- employees prefer to work to the same enterprise;
- population prefers large enterprises;
- authority delegating applies only if is controlled the initiative of subordinates.

• *Deregulations in the enterprise activity and ways of economic redressing*

The main causes of the enterprise deregulations are: the absence of prognosis and

planning, anti-economic orientation, procedures and delegations absence and surveillance absence.

The financial repercussions of these causes are:

- the insufficiency of the financial structure. This situation imposes to the enterprise to back down comparatively with its rivals, pursuant to the absence of capitalization, insufficiency of the capital, anomalous consumption of realized profits, or of a week management of labor resources.
- the insufficiency of capitalization - is owed to the low notoriety products, inadequate prices, high costs, but also to the inefficient choosing of the instruments used in the movement of enterprise.
- stock forming – diminishes the enterprise's capitalization, being constrained to appeal to financial reorganization.
- over-endowing – is the effect of a week knowledge of using and maintenance materials, of the insufficient market study or of the annulment of some orders.
- exaggerated expansion – as effect of the bigger development wish than allows the financial means.
- wastage selling.

5.Strategic priorities for achieving performance

For achieving a high level of productive performance, in Romania, it is considered that are necessary four main types of investments:

- education and research;
- infrastructure investments;
- stimulation of productive investments;
- the elaboration of enterprise strate-

gies on short term.

Until now, Romanian enterprises elaborated a strategy based on a summary financial analysis. A production strategy mustn't assure the maximum efficiency or technical perfection, but the coherence of "structural" decisions, e.g. the production capacity substantiation, installations type and location, choosing process technology or the limits of vertical integration. To this it is added, the effects nature, quality administration, materials flow and the organization of production and labor.

Labor productivity doesn't guarantee enterprises competitiveness, but must be completed with the innovation and quality which depend of each employee initiative and imagination. Thereby for registering a real progress in socio-economic life, Romania must begin with the structural reform in education and scientific research. It is necessary for the students to have the capacity and motivation to form through themselves and continuously, proving the development of competences in the written and oral communication area. They must dedicate more to concrete problems, productivity, team work as well as to abroad culture and business practices.

The passing from the adaptive learning to creative learning, as well as participative education and learning through direct experience represents basic achievements of the contemporary didactic methodology fully confirmed by the economic development practice. Learning shouldn't be reduced to education. Education is only a component of the comprehensive learning process.

Regarding the second type of investments, to Romanian enterprises is observed

the encouragement of excessive and dangerous overvaluation of the short term profitability, without improving investments exploration on long term even if they are more profitable.

The main strategic directions to follow up, which results from the previous aspects are:

- the amelioration of long term production performance through focusing of the production process;
- adopting the distribution on market of first quality products, in wanted time and at competitive prices;
- new techniques must incite engineers and managers to incorporate in the initial conception of goods, the quality of the manufacture procedure;
- the supervision of the actions that wage engage more specializes less and is disposed to learn continuously.

6. Conclusions

Innovation must be more and more present at enterprise level, as an answer to the fast evolution of the market, grace to increasing competition, as well as to consumer's requirements and incomes, emerged in their round into an accelerated change.

The objectives followed by the innovation activity are multiples, and depending on the global strategy, it is followed the increasing or keeping of the market quote, products diversification, keeping a top position in innovation area and maintaining competitive advantage.

Nowadays, innovation must be the main instrument of a firm strategy, which wants to register success and performance

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Management at the 21st Century

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*„The reasonable man adapts himself to the world:
the unreasonable man persists in trying to adapt the
world to himself. Therefore all progress depends upon
the unreasonable man“*

George Bernard Shaw

Abstract: *The 21st Century's business environment differs significantly from the previous decades. The new Post-modern era is more dynamic, uncertain and confusing. This convulsive and global oriented environment requires improving and introducing more sophisticated techniques into management theory and practice.*

Advanced Management is an art; which combines logical concerns with intuitive comprehension. It should focus on leading and inspiring people and carrying out missions that computers and robots cannot undertake.

Keywords: management, technology, globalization, intuition.

Introduction

Following the above G.B. Shaw citing I argue that when **“progress depends upon**

the unreasonable man” only a **highly qualified manager** could direct those unreasonable persons who are the innovation's agents, and lead them to progress and prosperity. The primary task of Management study, therefore, is to prepare and train these highly qualified managers and to teach them how to

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develop and lead these unreasonable but creative individuals.

A momentous contribution to the study of advanced management was given by **Peter Drucker**, (1909-2005), "**The man who invented Management**" (Business Week 2005). He was awarded, by 2002, the Presidential Medal of Freedom by President G.W. Bush, as a prominent scholar who concluded eighty years of advanced management teaching.

For better understanding the origin of Management teaching it is helpful to follow the well known Harvard Business School, which divides the 20th Century modern management thinking into six periods:

- a. **Scientific Management – 1922 - 1932,**
- b. **Government Regulation –1933-1946,**
- c. **Marketing and Diversification – 1947 – 1959,**
- d. **Strategy and Social Change – 1960 –1971,**
- e. **Competitive Challenge and Restructuring 1972 –1988,**
- f. **Globalization and Knowledge – 1989 – 2000.**

It is my belief that because the tremendous changes taking place in the 21st Century time comes to offer a novel management paradigm while reconstructing an advanced management thinking and practice.

Using former instruments for treating and nurturing Post-modern phenomena does not fit the prevailing conditions and does not provide appropriate solutions.

Common wisdom today agrees that leading successfully the business and the public-non-business sectors demands a **new management paradigm**.

After shortly discussing the meaning of

the 21st Century reality, this article portrays some guiding lines for the new management paradigm.

The 21st Century Business Environment

Every discussion on a socio-economic subject must be linked to the relevant period. Many cultural, social and individual values change over time and they affect also management thinking. For that reason it is necessary to explore the prevailing changes in the business and non-business environment and than to deduce how they affect the management profession.

The Modern era, which lasted some hundreds years, came to its blossom at the second half of the 20th Century, when many believed that technology gave human-beings the ability to run the World. This development results with adopting two major lines of thought, which lasted years in Europe:

1. Organization's superiority over Individuals.

Many in Europe were caught by the false idea that science and technology promote organizational life and prefer social structures rather than maintaining individual liberty. This belief led to the acceptance of two extreme ideologies, the Fascism-Nazism and the Communism, which ruled over Europe for many years. But even after the collapse of the dictatorial regimes and despite the French heritage of "Liberty Equality and Fraternity" and the British tradition of Democracy, many of the modern writers and scholars perceive people as building blocks of a social structure.

2. Superiority of Logical and Scientific thinking over Arts and Cultural teaching.

The remarkable achievements of Science and Technology at this time support the social tendency to base many academic and theoretical activities on scientific foundations using scientific methods for analysis and explaining. Management, as a social instrument, was also part of this scientific approach as its role was defined by one of the early writers in the field. **Management** role was: "to forecast and plan, to organize, to command, to coordinate and to control" (Henri Fayol 1916).

But, ironic enough, the sophisticated instrumentation and the advanced techniques developed by science, have demonstrated to open minded scientists the limits of logics and rational thinking. The advanced observation methods indicate that sometimes Nature behaves unpredictably and in irregular patterns.

These observations hasten the quest for a new paradigm one, which rests on **Chaos Perception, Fuzzy Reality, the Butterfly Effect, the Fractal Geometry and the Complex Systems Perspective**. More and more scholars were convinced that both physical and social nature have some hidden rules and guidelines that not always fit into the rational scientific ways of thinking.

So developed the **Post-modern approach** that first embraces the physical complex and later refers to cultural and social structures. The 21st Century World faces, therefore, a new very dynamic reality. It is, an **uncertain reality**, which is **permanently in transition** and contains **unpredictable transformations, continual developments**

and **simultaneous occurrences**.

The Business Environment, which naturally is part of the whole Socio-economic complex, changed also in the 21st Century. Below are three processes, which mostly affect the business world today:

1. **Technological** achievements – the enormous results emerged from the scientific advancement

2. The **Globalization** intensification – the new division of labor and increase of international trade

3. **The Victory of Democracy** – it became the leading political regime in most of the world's nations.

The Post-modern 21st Century **Business world of the West**, which operates within a very dynamic and changing environment, faces also a different type of people. It has to be able to serve affluent educated free citizens, which have many choices and have the resources to purchase almost everything they wish. For demonstrating the significance change occurs in the 21st Century, it is suffice to observe the change in the ultimate power of decision in an organization. **Most of this power moves dramatically from top management level to the customer and consumers preferences**. It matter less what the top managers says, it is much more crucial for the organization to well understand the preference of its customers. **The downward move of the firm power of choice and the change of the location of decision-making process is one of the important yardsticks characterizing the 21st Century organizations.**

Management at the 21st Century

The traditional modern Management teaching contains four major undertakings:

Goals and Strategy Setting, Implementation and Organizing, Human Resources Development, and Monitoring and Controlling.

This set of activities and in this sequence were taught and delivered by most of the Business schools. Traditionally, management was perceived as a method for running and adjusting three major groups of production means: raw materials, manpower and finance. Many techniques were developed for assisting managers to carry out this duty. For fifty years the external setup was steady, the rules of the game were clear and even the severe competition was led on a solid ground of mutual understanding.

In the 21st Century most of the surrounding conditions changed and the whole business environment became uncertain and very dynamic.

Due to Technology, Globalization and Democracy, people in many countries are more knowledgeable and they began realizing their civil freedom and their power of choice as customers. The traditional theory of Economics of Scarce Resources lost most of its relevancy and the Economics of Affluence is replacing it. Thus, the Supply-Side Economics increased its influence since it provide better tools for understanding the new reality where goods, manufacturers and services are in affluence.

The strong impact of **technology**, **globalization** and **democracy** also hastened the deterioration of the superiority assumptions of organized life and of rational thinking. The affluent, knowledgeable and free society of the 21st Century promotes **individuality** and accepts many **holistic** and **intuitive** arguments that emerge from feelings and beliefs. Thus, advance management theory and

practice were forced to adjust themselves to act within a new framework. Although many old fashion managerial methods are still in use, many others, especially global and transnational corporations adopt and practice the following advanced management concepts:

Planning: Goal Setting and Strategy Formulation – two main changes

A. Widening the scope of organization's concern. Whereas in the past management was concerned mostly with the organization's area of activity, today it has to comply with many external constraints: First come the physical environment and the surrounding infrastructures. No body will dare today to plan or to run operation, which does not comply with environment restrictions.

Second are the social and communal constraints and demands, which affect running and future activities. A growing number of leaders understand today that in order to survive and succeed every organization should formulate its **vision** and must stick to it. This vision, which must openly be stated, should coincide with the firm's social environment and meet its cultural tradition.

Thirdly are the international and rational rules and directives, which gain a growing influence in today's global economy. The EU, for example, forces its state members to follow its directives, even if or when they do not concur with the country original ruling. Resulting from these changes goal setting and strategy formulation by top-level management become much more complicated.

B. Shortening the long term planning. Due to the rapid advancement of technology there is no more justification for the traditional long-term planning and designing. The main reason for that change is that dur-

ing such a period (25 years) changes in many fields of activity are foreseen: demand may change, competitive products may appear, processing, storage and delivery systems may be obsolete and need to be replaced and in fact the whole business environment would be different. Thus, in most organizations the appropriate long term planning period should be 10 years, while in some high-tech. industries it would even be shorter.

Implementation: Organizing the Operations

Because of the above factors, not only planning is complicated, but, rather, managing all the operation is more complex. The old former processes of combining raw materials labor and capital for manufacturing industry or providing a given service by administering local resources do not suffice any more. The Global economy forces to use international resources, deepens the transnational competition and shortens time of deliver.

The **Supply Value Chain** of every organization is a good example for the new trade reality. Due to the communication and transportation rapid development and by adopting computerized planning methods the storage and stock policy should be changed. The new approach, termed "Just in Time" (JIT) teaches that there is no need to keep large stocks of components and sub assemblies since all the required materials could be delivered in real time and good quality. Introducing such methods into a working organization is not an easy task but it is critical for advanced management.

The new reality affects both the supply and the demand sides of the economy. At one hand it increases the range of choice and the

resources' availability, but on the other hand, it enacts a more capricious demand, which wants more goods and services in shorter time. Since the "rules of the game" are not so clear and relevant always, the player, the director or manager, must be **more open-minded**, more **attuned to changes** and more **aware to unforeseen dangers**. Competent managers must be more **informed and knowledgeable** on one hand, but also more **flexible and aware of their experience and intuition**. Nobody is free of making mistakes, in fact they are part of the learning curve, but the **competent, creative and energetic manager** should be able **to react fast and correct mistakes at any moment**.

Human Resource Developing

Traditional management teaching perceives the management of manpower similar to the management of other means of production. While designing an organization, a job description was written containing all the responsibilities and obligations. Recruiting, teaming and performing were conducted in accordance with written guidelines and the status of every member in the organization was clear and accepted.

People were treated as peons on the chessboard, as subordinates in a bureaucracy or minor members of an organization while directors and managers were second to God.

Progress changed this situation. Big industries and organizations understood that in order to improve the organization's performance they should change their perspective on people. Changing the term of manpower management into **Human Resource Development** well demonstrated the transformation the area had passed. First, most organizations recognize the crucial task and duties

of the people who are in touch with them. It became a matter of common wisdom realizing that organizations must take into account all stakeholders with whom they are in contact. These stakeholders are employees and managers, suppliers and subcontractors, competitors, substitutes and complementary products manufacturers, bankers, brokers and stockholders. Another point in this transformation is the fact that today the different groups change their roles as one group replaces the other. Employees can become subcontractors and competitors could turn to be suppliers.

Secondly, as part of the general public, many of the organization's employees today are better educated, they are individuals who live in more knowledgeable communities and maintain a higher standard of living. As free citizens of 21st Century Democracies they have social and cultural aspirations, which surpasses the mere meeting of elementary survival. Those who wish to lead these people must, therefore, be aware of the new social and cultural challenges of the 21st Century.

Thirdly, Twenty years ago Peter Drucker has introduced to management theory the term of "Knowledge Society". Today everybody understands the importance of knowledge and Information Communication Technology (ICT) in all walks of life. Similarly, many agree upon the need to learn and the term of "Long Life Learning" (LLL) became very popular in many instances. Since technology advanced so fast and new practices appear simultaneously, one must keep him or herself professionally abreast if they wish to keep themselves relevant. Thus, **learning** and **training** become key factors in developing human resources and they constitute an

indispensable part of advance management.

Monitoring and Controlling

The amount of information available today to managers is tremendous. Due to the computers and all the Information Technology (IT) instrumentation managers are bombarded with unlimited flow of data. As a result from this data revolution mid-level managers in many organizations lost their jobs. Top-level executives can get today on their computer screen and in real time, almost any information they need, without involvement of lower managers. In addition, because of the dynamic character of the business world today, time is also very crucial, since present important news may be obsolete tomorrow.

In such situation, **defining the relevant information needed** becomes very crucial. Thus, **How to choose what data is needed?** Becomes a key question for managers. The best way for deciding what is the important information can be done by identifying key measures and mile stones on the main tracks of the organization's activity. These mile stones should be scattered along the input or supply chain, within the manufacturing processes and along the output, delivery and sale channels.

The control or check points should provide information in both physical units and financial values. Using only one type of measure may lead to an error or a misunderstanding. It is also necessary to set up a meaningful timetable for reporting. Since too much repeated information may lead to negligence while too long intervals in reporting may make it obsolete and of little use.

As a conclusive rule of thumb it makes sense to say that the 21st Century **advanced**

manager are equipped with all the technological equipment required for making good decisions. But in addition to all this instrumentation, **advanced managers must listen to their intuition and must be able to lead and inspire the people they work with in accordance with the organization's vision. Favorable external conditions and good luck** are always very helpful assistants.

Conclusion

Management at the 21st Century is much more complicated than in the previous years.

The main reason for this complexity is

the significant changes in the world, which moves from local almost autonomous economies, into a global transnational economy. Technology, globalization and democracy, which initiate and inspire that move, also affect the nature of Management. Management at the 21st Century Post-modern world is no more a mere rational mode of operation, which runs within a fixed framework of rules and instructions. **Advanced Management today is an art; which combines rational concerns with intuitive comprehension.** It should **focus on leading and inspiring people. Competent managers** are required to carry out missions that computers and robots cannot fulfill.

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The costs of quality – potential growth source for the entity performance

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Abstract: For the last 15 years, an increased number of entities have learned that the quality of the products must be designed prior their manufacture and that it is expensive, but not impossible, to control the product quality after the product has exited the manufacture line. Sellers must take into account the powerful competition, the alternative products and services, as well as their prices. It can be noticed that in the same period in several countries, for instance in Japan, the quality of the products has been improved concomitantly with the decrease of their prices. To cope with the domestic and external markets, economic entities from our country must manufacture qualitative goods at competitive prices. However, quality is not something that the economic entity brings in during a certain stage of the manufacture process or something that is automatically produced. In this respect, the USA have suggested the implementation of an operational mechanism where all the economic functions act together to assure the quality of the company's products and services, under the name: Total Quality Management- organizational environment which allows the calculation of reliable quality pointers needed by managers to fulfill the manufacture goals regarding high quality products and services at reasonable prices.

Key words: quality, cost, expenses, administration accountancy, quality pointers.

1. Establishing the costs of quality

The costs of quality are factored based on the data registered under the administration accountancy and presumes the fulfillment of the following stages:

- To establish the consumption of raw materials and materials related to the costs of quality;

In this respect, there must be separated the expenses made with the raw materials and the materials which concern the manu-

facture related quality cost or the administrative expenses. Such allotment may be performed by registering a preset pointer under the consumption document.

- To establish the wages due to quality costs

Such estimation starts from the information within the payrolls and from the duties of the personnel within the qualitative center. This can be computed according to the relation: $q_{sc} = S_c/S$ where:

q_{sc} = the wages of the research personnel involved in the quality costs;

S_c = the wages of the research personnel who have performed research regarding the quality assurance;

S = total of the wages owed to the personnel within the research-design center.

- To identify the amortization of the technologic equipment used for quality control;

Given that such devices and equipment have specific destinations, it is mandatory to locate their amortization within the quality control.

- To factor the production costs for the rejected products.

Based on the "Rejection minute", there is established the loss generated by the rejected products as difference between the costs of the rejected products and the amount recovered from the guilty people and the amount gained by selling the rejects.

The calculation of the quality costs has a series of advantages: it assures the comparison of the quality improvement programs, with priority for the one which leads to a higher cost decrease; it allows highlighting the expensive nature of non-quality.

2. Quality pointers based on costs

The quality based costs represent a class which reflects the significance paid by a productive entity to quality and permanent improvement of products and manufacture stages.

Competition has always determined the productive and services entities to focus on the manufacture of qualitative goods and services, as otherwise the economic entities may lose their market share on behalf of competitors and, finally, they may even interrupt their economic activity.

For a certain person, quality means a product which is better than another one – whether due to design, resistance or different features. But, within an economic system, quality represents an operational environment where the good, the service designed or provided by the entity for the first time complies with the requirements of a third party. The quality related costs represent expenses explicitly related to the fulfillment or non-fulfillment of a certain quality level for the respective goods or services. In other words, the total quality costs include:

a) Appropriate quality costs, made in order to assure the efficient performance of a good or service;

b) Inappropriate quality costs, made to transform a rejected product or service into one which is acceptable for the client.

The quality related costs represent a significant portion of the total cost of a good or service. Some studies assess that between 25% and 40% of the labor force and total assets of manufacture units are represented by inappropriate quality costs. Therefore, a proper control regarding the quality costs has a significant impact upon profitability.

Managers should be able to identify the activities related the quality improvement and should be aware of the costs of the resources used to reach a high quality level.

The quality related costs have two constituents: compliance expenses, which are represented by the consumptions made to achieve a qualitative good or asset and non-compliance expenses, which are represented by the consumptions made to correct the flaws of a good or service. The compliance expenses comprise: preventive expenses and assessment expenses.

The preventive expenses are represented by expenses associated with the prevention of flaws and defects of goods and services, for instance: the training of employees regarding quality; the projects' review; the quality planning activities; the current-preventive repairs; the design and development of qualitative equipment; the quality improvement projects; etc.

The assessment expenses are represented by expenses related to the activities of products' assessment, quantification or control, processes and services in order to assure their compliance with quality standards and performance requirements, for instance: samples' preparation; control activities; necessary adjustments and tests for the products' simulation and manufacture; controls and trials at the seller; current repairs of the testing equipment and of those used for quality improvement; etc.

The non-compliance expenses are represented by expenses regarding the flaws before delivery (internal) and flaws regarding the flaws after delivery (external).

The expenses regarding the flaws before delivery (internal) are represented by expenses made subsequently discovering

flaws before delivering the product or rendering the services towards the client, for instance: definitive and recoverable flaws; re-control of remade products; qualitative static time; flaws related losses; flaws related unit degradation; etc.

The expenses regarding the flaws after delivery (external) are represented by expenses made subsequently delivering the rejected products or services, such as: loss of trade fund and further orders; requests for warranties and adjustments; processing of complaints received from clients; clients' service; trials regarding product related debts; returned goods, etc.

The practical activity of the productive trade units has proved that the two main classes of expenses are balanced: if an economic unit makes compliance expenses, the non-compliance expenses decrease and, on the other hand, if little attention is paid to the compliance expenses, the non-compliance expenses increase.

The administration accountancy is the one responsible for the control of the quality costs. Its overall objective is to avoid non-compliance expenses because the internal and external rejects affect the clients' satisfaction degree. A high level of compliance expenses is justified when it triggers a stultification of the total quality costs throughout the entire existence of the respective product or service; in other words, the financial means spent now will pay off later.

3. Non-financial quality pointers

The quantification of the quality costs represents the amount of money spent by the economic unit for its efforts to improve the quality and services provided. However,

managers need a quantification and assessment system which would highlight the inappropriate quality in due time in order for coercive measures to be taken before the product gets to the client. Therefore, the assessment of the performances regarding the exploitation activity endorses the use of non-financial pointers of the overall quality.

The non-financial quality pointers address: product design, incoming of the raw materials, control of the manufacture and delivery process and products' acceptance by the clients.

- **Quality pointers regarding the product design**

Quality problems are often the result of an inappropriate design of the product. At present, in our country, as well, most of the productive units use computer based design, an electronic design system, with software which identifies the integrated design flaws. This software detects automatically the deficient sub-ensembles or manufacture process so that engineers may correct such problems before starting the actual manufacture.

Although, accountancy is not directly involved in this process, it must know about the existence and use of the product design's control pointers.

- **Quality pointers regarding the incoming of the raw materials**

In order to assure the quality of the raw materials and sub-ensembles used to manufacture the product, the productive units must give up the old thinking way, namely to work with tens of suppliers, searching the lowest price. They must analyze the raw materials suppliers in order to assess who are more reliable, who have more qualitative products, who deliver on time and have competitive prices. After identifying them, these

suppliers become integrant part of the manufacture team and may play their role in the product's design in order to make sure the proper sub-ensembles and raw materials are used. The administration accountancy must make the necessary study in order to identify and monitor the trustworthy suppliers so that highly qualitative raw materials at acceptable prices to be available when needed.

- **Control pointers regarding manufacture and delivery**

Automatic equipment may be associated to control mechanisms of the products throughout the manufacture process so that there is not necessary to wait the control moment to discover the products' flaws. The control techniques represent a permanent control system which highlights the deficient areas, contributes to the significant decrease of the rejects' frequency, decreases the total time the equipment is used to process the rejects and eliminates the manufacture costs which do not generate value made by the traditional control activities. Although the administration accountancy does not have any duties regarding the creation and programming of the quality control within the manufacture system, it must understand the control's goals and to obtain a report of the frequency of the goods made as rejects, for instance: the number of rejected per a million rejects (pursued per product lines), also, the accountancy must keep track of the timely deliveries in order to identify the performances of the company's delivery system.

4. Pointers of client reaction

The sale and delivery of a product should not represent the last stage of the accountancy's duties, in general, and of the ad-

ministration one, in particular. The analysis of the clients' reaction contributes to the assessment of their satisfaction degree. The accounting pointers used to determine the acceptance degree of the products by the clients comprise:

- the predominance of the products delivered and returned by the clients
- the number and type of complaints received from clients
- the predominance of the products de-

livered on time

- the analysis of the number and reasons of the calls to warranty

These pointers help the productive unit to reach its permanent improvement goal regarding the products and services' quality and the activity's performance. Entities, being highly concerned with the quality performance, invest a lot in the informational system in order to measure the client's satisfaction.

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The impact of the quality of life on the quality of the managerial act

❖ CĂTĂLINA BONCIU ❖

Abstract: *The studies of the experts in management or human resources management gravitate around the human personality, in respect of completing the professional formation and improvement, the achievements and behavior at the place of work, the results of individuals and of the organization compared to the competitors...*

But how many theorists and practitioners are aware of the dependence relation existent between the quality of life and all the aforementioned?! Which is the percentage of managers concerned not only of their own diet, but also of the one of their subordinates?!

Key words: human resources, incomes, manager's role, personality.

In the spirit of wishing to improve the activity, for each manager, the individual at the place of work must become the subject of a complex study, especially for those who still reject the idea of using the psychological and sociologist concepts at organizational level.

There is – however not enough – also the concern for the behavior of staff employees. At management level, methods for achieving the organizational goals must be thought

out permanently, but only by entrapment of workers so that full motivation is achieved.

The incomes of Romanians are, generally, under necessity and consequently, the stimulation of individuals can not be insured mainly material. In such situation, the workers choose as motivational refuge the work itself, through its content and dimensions.

People are different, they react distinctively in similar situations, consequently, their observation and evaluation, and finally,

the use of their work potential, must not respect rules applicable to everyone. The value of a leader depends on the way he knows and succeeds in knowing each personality near him, and by using the managerial levers, he succeeds in obtaining the most efficient combination of interests at organizational level: the guidance of the activities of individuals towards the efficient achievement of the enterprise's objectives and high satisfaction of the employees' needs.

The manager's role is amplified if he knows how to use everything visible to everyone, but indecipherable for most people. Such an example is the human personality. A manager who makes out correctly and in time the personalities of his subordinates has the advantage to use them for the most appropriate activities, to the scope of increasing the efficiency, respectively the competitiveness.

Personality may be defined by means of dynamic organization manners, in what concerns the individual's psychological and physical features, of the cognitive, affective, conative (of the activity), physiological and morphological¹. "Personality is the set of psychological features that affects the way the individual interacts with the environment..., which represents his personal way of dealing with the world"². The five main dimensions of personality refer to: introversion – extroversion (the sociability level of a person); emotional stability (the level of affective self control); agreeability (the level of tolerance and cooperation acceptance); conscientiousness (the level of responsibility and

confidence); open mind to new (flexibility of thinking and receptivity to new and daring ideas).

The accommodation of individuals to the outside environment has had as genetic support the unaware acceptance of certain ingredients of nourishment. History ages have been able to assure the perpetuation of the human species and the shaping of personalities according to such nourishment. The sanguine differentiation represents exactly the evolution stage of the human adjustment to what was selected for people's own nourishment.

Blood-group O has its origins in the primitive society, when proteins of the game represented the main source of energy, and along the years has marked the individuals with a powerful and hyperactive immune system. This has made out of individuals with blood-group O powerful personalities, with a genetic memory of power, intolerance to diet adjustments and surrounding environment, resistance, boldness, self confidence, concentration power, action and a developed sense of self-preservation. With a vigorous and resistant physic, an individual of this category responds optimally to stress by an intense physical activity, thus able to perform difficult activities on a long term.

Blood-group A reunites the vegetarian type. In respect of metabolism, blood-group A is the opposite of blood-group O. Blood-group A individuals have a sensitive digestive canal, with a low level of gastric acid (that does not favor meat digestion), with a tolerant immune system (predisposed to diabetes and cardiac diseases). Their personalities respond efficiently to stress through calming actions, they adapt well to the surrounding environment and the vegetarian diet, neces-

¹ H. Pierron, "Vocabulaire de la psychologie", Paris, PUF, 1957

² G. Johns, "Comportament organizațional", Editura Economică, București, 1998, p.67

sary for maintaining the physical suppleness and psychomotor activity.

Blood-group B represents the nomad, balanced, with a powerful immune system. His tolerant digestive system does not require nutritional restrictions, having the most flexible alimentary regime. Great consumer of dairy products, he remains exposed to chronic tiredness. Blood-group B personality responds best to stress through creativity and does not require balance between the physical and psychological activity for suppleness and activity in behavior and physical aspect.

Blood-group AB defines the enigmatic, the mysterious evolutionist, the individual created by the modern combination of the aforementioned blood-groups, A and B. Despite a sensitive digestive system, it has an excessively tolerant immune system. Such a personality always has a chameleonic response to environment and diet changing conditions, but also an adequate one in stress situations.

From management perspective and related to the blood-group, there are known the dominant features of the "universal donors" (O blood-group), of the "universal receivers" (AB blood-group), or of those belonging to the A and B blood-groups. Few are those who also take into account factors such as M, N, Rhesus – positive and negative.

Thus, the methodical individuals (O blood-group) – dynamic, opportunist, rapid, realistic, useful, open-minded – can be diplomatic and skilful bosses. They reach professional accomplishment mostly in jobs that allow freedom of movement, although also having a technical character, adapting almost perfectly.

The harmonious individuals (A blood-

group) – slow, vulnerable, autonomic, profound, sensitive, stable – can be loved bosses, due to the fact that they prefer the activities with a high level of creativity, sometimes as handicraft work, but generally alone, not in a team.

The rhythmic individuals (B blood-group) – active, determined, rigid, perseverant, meticulous, calculated, cold, can be feared bosses. They crave for jobs demanding continuity, perseverance and method, but not rhythm and long time, with low chances to adapt, except for the cases when their own understanding, personal decisions or acceptances prevail.

The complex (AB blood-group) – hypersensitive, receptive, instable, and contradictory – may be confusing or highly human bosses as they prefer professions which lack inactivity, monotony and ineptness, rigidity, being rather in harmony with people (but all with those who encourage their self-expression).

It is well known the close connection between the blood-group and people's nourishment and health. Few people, and even few managers, think about the role of the blood-group, although it represents a powerful genetic force. Unfortunately, more and more people are not paying proper attention to the connection between nourishment and its use for their daily consumption.

Lately, the preoccupation of nutritionists for the selection of proper nourishment has been endorsing the prevention of certain diseases, the slowing of the aging process, the treatment of obesity and not the increase of labor productivity, the increase of the creativity degree or labor under circumstances of physical and psychological harmony. Medical experts recommend diets in order to

reach an increased energy level, to decrease the digestive problems, to improve chronic healthy problems and, most frequently, in order to control the weight, often for its decrease. However, managers do not correlate the adaptation of nourishment to the specific needs of every person and their condition or the resistance to effort, being limited only to understanding the nourishment's significance for the preservation of health and dysfunction treatments. The blood-group imprints people with a particular existential path, with tendencies towards disease or health, influencing lifespan, vitality, emotional or caloric-energetic balance.

Should a person be asked, regardless of the professional instruction, age or sex, social statute or material potential, how to define the biological act of feeding, excepting the scientific explanations, surely he would say that "eating has always been one of the great pleasures in life".

There are, again, the obvious phrases "we are what we eat" and "the food of an individual is the poison of another one". The great spirits of human kind have never had doubts in respect of aliments' significance. The nourishment, far from being a secret or a stranger, was considered a blessing, which sometimes, might have been converted into a curse. One of the first books of recipes belonged to Miteco and appeared in the IVth century.

Herodot's affirmation "let the nourishment be your remedy, and the remedy be your food" (377 b.Chr.) is valid also today.

And the intention is not to remind the diseases that might occur due to unhealthy nutrition. The alarming high percentage comes near 65% of the total health problems – headaches, stomach acidity, shivers, weak-

ness, high temperature and fever, illness, dizziness, intoxication, stomachaches and abdominal pain, nausea, anorexia, alimentary intolerance, allergies, blocked transit, insomnia, dehydration, distension.... but also infarct, heart attack, circulation affections, high blood pressure, different types of cancer (62% of the cancer diseases are localized to breast, colon, prostate, kidneys), cholesterol, obesity... Studies performed within the state with the most alarming effects of a long and inadequate nutrition reveal a more than alarming situation: in the last 20 years, the number of overweight children has doubled, and the one of teenagers has tripled³, and overweight leads to lack of self confidence and clinical depression.

The objective of all observations leads to what must be done in order to have a healthy body, a healthy mind, a pleasant work, a state of happiness.

But, such steps are made, firstly, by any person interested in healthy living and working. Only secondly the managers' role is extended.

The fact that people are starting to die at the place of work is very dangerous. Only in the last years the situations of young people deceased either of exhaustion, or of severe non-treated internal lack of balance have been publicly commented.

The fact that the age for beginning of diabetes (which has already extended to a quarter of the Romanian population, as per the last news) has gone, not under the age of 40, but under the age of 20 or 10, also claims immediate and decided measures, sustained by social politics. The role of the nowadays state

³ OMS, *Journal of American Dietetic Association Report*, Centre of Disease control and Prevention (CDP), World Health Organization, 2004

can not be seen, the measures decided by different decisional bodies seem to not take into account the short comes and the health condition of the majority of the population.

The quality of life is not resumed to adapting the nutrition to the individual necessities and availabilities, but it can not be approached excepting the nutrition manner. Nowadays few are the people that are acquainted with the fundamental rules of nutrition, without referring to diets. Only few people use the right aliments for their personality and blood-group. Out of these people,

how many exclude the aliments that might prejudice their health?

It is the managers' duty to pay high attention to the quality of life of their subordinates and only if they are not interested in their business. Both the individual and the organization depend on the health level and the level of the quality of life. Even if, in the managers' vision, the individuals' value is represented by their achievements in the organization, still the concern to insure better working and life conditions must exist.

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Normative acts management

❖ MONICA ARDELEANU ❖

Abstract: *The presence of the normative act amongst the formal law sources system is the result of the constructive activity of specialized bodies, designated by the Constitution, by laws or by regulations of normative power (having the right of drafting norms of generally mandatory power). Such bodies are named lawgiving bodies (also referred to as the “lawgiver” or “lawmaker”) and they are first of all the bodies of the lawgiving power, entitled to issue on a primary and originator level the fundamental social relations in a society, to organize the juridical order of a nation or of a community of nations.*

The activity of these bodies is carried out under rules of juridical technique and in accordance with the general purposes imposed by the proper functioning of the social mechanism regarding the coexistence of social freedoms.

Key words: normative act, legislative technique, prerequisites, presumptions.

1. The notion of juridical technique

Creating the law, grounded on the needs of life, represents an action of large social resonance and with deep implications in the normal carrying out of the essential rapports between people. In this process, a fundamental – if not exclusive – role is played, mostly in modern societies, by scientific knowledge, by the juridical theory. There are also important the technical procedures, artifices, practical modalities of normative construction.

By such, the prerequisites of social life get the specific legal provisions form.

In order for realities to be legally regulated, intelligence must intervene for the purpose of making them accessible to human spirit.

Due to its imperative nature, law requests a form of precision and systematization which can be only provided by intellectual precepts. By generalizations and abstractions, the juridical techniques tend towards parsimony of thinking or means.

From the fact that the law is “built” it must not be deduced that this construction could be randomly erected. The lawgiver does not extract rules from nowhere and it does not build it in vacuum. The juridical production is a creation of reason, considering the facts, the relations, and in general all realities of interest to the social order, the security of human rapports, the “public welfare”.

The idea should be kept in mind according to which the necessary distinction should be operated between science and technique. By such distinction science subjects to the investigation the social environment requesting the lawgiver’s intervention, whilst technique establishes the modalities by which that intervention becomes possible, by the lawgiver’s direct action. By reminding this distinction, we consider that no question should arise regarding the two said concerns’ breaking up, but on the contrary, that the *unity* between the scientific and technical action should be considered in the process of normative-juridical drafting, unity in which the scientific operations provide the essential reasonability framework preventing the creation’s voluntarism, subjective intervention ungrounded on knowledge of the lawgiver. Technique, by its long and carefully shaped procedures designs behavior models, establishes his behavior compared to the categories of participating subjects and to certain categories of values that should be protected by specific juridical means¹. In such an understanding framework, juridical science is also concerned with creating the law; it is not

a simple “juristic” concerned only with what law is and how law should not be.

In conclusion, *juridical technique represents the set of means, procedures, artifices, by means of which the needs in the social life get a juridical form (are expressed within the legal norm) and by means of which the process of human living together is fulfilled.*

The content of the term of juridical technique is revealed as extremely complex, as it involves the moment when the lawgiver receives the social command, its selective assessment and the norm’s drafting (legislative technique), and also the moment when the law norm is accomplished (transposed into life), as it was built by the lawgiver (the technique of law creation and interpreting).

2. The notion of legislative technique

Legislative technique represents an integrant part in the juridical technique and is formed of a complex set of methods and proceedings, aiming to ensure an appropriate form to the juridical provisions’ content (substance).

Sometimes the juridical technique is confounded with lawgiving (with legislative technique), by reducing the area of juridical technique only to the normative drafting process.

Legislative technique strictly refers to the lawgiver’s creating the normative solutions, action representing a synthesis and a balance of past experiences of the participants in the social life, by filtering such experiences by the view point of the lawgivers’ value related judgments.

In order to enter the practical exercise of justice administration, legislation science first drafts the ideas, the guiding principles

¹ **N. Popa**, *Theoretical Aspects on the Technique of Drafting Normative Acts* (Romanian: *Aspecte teoretice privind tehnica elaborării actelor normative*), AUB, Law, 1993; **V.D. Zlătescu**, *Introduction in Formal Lawgiving* (Romanian: *Introducere în legistica formală*), Oscar Print Publishing House, 1996

of positive law. By such, lawgiving comprises two important moments: a) ascertaining the existence of social situations calling for juridical regulation; b) identifying the juridical ideal, which should apply to those situations depending on society's juridical conscience².

The lawgiving action involves a tendency to change, to create some new normative juridical solutions, regarded as superior or as better than existent regulating solutions. The lawgiver's assessment modality, its own set of values, the means it uses, are extremely various and they depend on a large number of factors.

The nature of the legislative mission can be of permanent institution or of occasional delegation.

The law rule cannot reach a satisfying, or at least sufficient, technical form unless for the conscious action of the lawgiver. However, in the same time methodological exclusiveness should be prevented; law must not be reduced to a simple putting into form (dictated by specific technical methods and rules) of the social "given". Besides the lawgiver's skills, it also implies taking into account the influence of the values system, in a certain sense a resultant of such system. For this reason, the art of writing laws is extremely difficult and requests not only serious information, but also a feeling of social usefulness and some sort of intuition only a few people have.

Lawgiving has become a central and defining element in the State's activity; it has become synonym with governing.

The selection of the technical proceed-

ings for lawgiving is up to the lawgiver. Nonetheless, it can by no means be a random one. Certain principles exist on which the lawgiving action is based, principles deduced from constitutional provisions or written in legislative technique methodologies adopted by parliaments. This sort of principles is pursued both in the parliamentary normative practice, and in the activity of other state bodies holding normative competencies.

3. Lawgiving principles (prerequisites)

A. The Principle (Prerequisite) of Scientific Grounding in the Activity of Juridical Norms Drafting

Given the increased significance of social reality's juridical dimension, due to the amplification and deepening of inter-human relations' complexity, the lawgiver now faces entirely new regulation aspects. Thus, new regulation areas appear, such as: the competition area, the development area, the cosmic area, the undersea area etc. Approaching such areas involves higher specialization, an understanding of the internal and international correlations in the regulation process, and undertaking new knowledge. The need of in depth knowledge of the realities compels the lawgiver to make economic, sociologic, social psychology related prior investigations. The lawgiver never reaches randomly to a definition of the normative statement (of the norm), but by practice and reasoning (by what used to be named *progressio a singularibus ad universale*). In such complicated process, it must ensure grounded on thorough study of the reality, necessary correspondence between deed and law.

Lawgiving implies prediction and li-

² M. Djuvara, *General Law Theory* (Romanian: *Teoria generala a dreptului*), Vol. II, p. 563; I. Mrejeru, *Legislative Technique* (Romanian: *Tehnica legislative*), Bucharest, 1979

ability. Preparing laws involves methodical preparation, grounding such on the results of serious scientific researches, which could avoid and eliminate "routine empirics". The legislative piece should be grounded on profound and exact understanding of social and national needs and on clear perspicacity of identifying real deeds, and it is only after finishing these operations that the normative solutions will be build by the lawgiver's constructive imagination.

Insufficient understanding of the deed can lead to ungrounded juridical solutions; it can depict a false image over the social effects of that provision, along with all its negative consequences. The simple appeal to the possibility of imposing a law by the State's compelling force, regardless its acceptance by the society cannot be sufficient, or decisive for that law's sustainability and efficiency. Sooner or latter such provision, in disrespect of real social needs, will face a rejection phenomenon, the revolt of deeds against law.

Scientific grounding of a legislative project should comprise: *the description of the actual situations to be transformed into law situations, the analysis of the values judgments regarding the identification of the actual situations to be transformed, changed, and which take contact with the values judgments from which the change itself is inspired, the establishing (foreseeing) of the potential effects of the future provision, the social cost of the envisaged legislative reform, its appropriateness, etc.*

Scientific research should also lead to grounding some legislative short, medium and long term legislative forecasts, and to reducing the manifesting area of the context related legislative action, which lacks an appropriate analysis base.

Whereas juridical decision bodies (par-

liaments) by themselves cannot make such operations, specialized juridical bodies are usually used, which are entitled to approve normative acts projects.

B. The Principle (Prerequisite) of Ensuring a Natural Rapport between the Law's Dynamics and Static

In the process of normative drafting, the lawgiver faces various social pressures (economic, political, cultural, and ideological). Rapid social changes lead to mutations in the social rapports' content, to institutional changes. The role of the law rule is to put an order in these rapports, to guarantee their juridical security and safety, to calm possible conflicts, providing calmness and relative stability feeling. In order for the law to achieve this purpose it is necessary for the conduct rule to be incorporated in the individual's and social groups' psychological patrimony.

In general, the law regulates for longer periods. In its relations with politics, the law seems more conservative, it attempts to protect and to ensure unity between existence and norm, between deed and value. Of an organizational nature, the law permanently improves its regulation technique. As a product of people's social activity, by its technical elements, the law can reach not only relatively large independency levels, but it can also circulate from one society to another, creating diffusion and tradition. On an historical level a borrowing process takes place, of in time propagation and juridical contamination. The law's relative autonomy makes it more resistant to modifying pressures. Politics mainly tends to permanently break down relations, to innovate new different forms for their manifestation. The lawgiver should maintain

the law into balance, ensuring by its legislative policy the natural stability of the legally regulated social relations.

C. The Principle (Prerequisite) of Correlating the Normative Acts' System

In a state, normative acts exist in close connection to one another. The normative acts' system (the legislation or legislative system) involves multiple connections between its composing parties. The various categories of normative acts – laws, decrees, resolutions, and decisions – aim to regulate social rapports, within a process characterized by severe interference. Within such process, the law ensures the regulation of the relations which are essential for the good functioning of the social mechanism. Nonetheless, the law does not exclude, but it also implies the regulating action regarding other normative acts categories. At the moment of issuing normative acts the lawgiver has to take into account those correlations, it must consider the totality of implications of a new regulation, the subsequent normative amendments, the areas affected by introducing new normative solutions, as well as any potential conflicting provisions. For instance, when a new regulation appears introduced by a law, it is necessary for the normative acts of lower ranks than the law to be also abrogated and reworded in line with the new regulation.

D. The Principle of Accessibility and Means Parsimony in Normative Drafting

This principle directly brings into discussion elements underlining the contribution of legislative technique means in the normative act's physiognomy. The content of

the juridical norm, the way in which its structural elements combine, the clear, unequivocal nature of the text, are always evidences of the lawgivers' talent. The lawgiver should consider that the addressees of the juridical norms are people of various cultural levels, of different capacities of receiving a normative message, and that the concrete carrying out of life relations could lead to difficult situations in applying the norm. Its art arises from creating norms which could mitigate such difficulties.

The main prerequisites in fulfilling this principle are the following:

- a) selecting the exterior form of the regulation;
- b) selecting the modality of juridical regulation;
- c) selecting the conceptualization proceedings and the norm's language.

a) Selecting the exterior form of the regulation is a legislative technique prerequisite because of the regulation's external form its value and juridical power depend, as well as its position in the normative acts' system, its correlation with the other normative acts etc. Depending on the regulating area, on the nature of the relations subjected to regulation, the lawgiver will decide upon the exterior regulation form. Thus, if the relations to be put in a legal form are part of what is referred to as "law area", it is mandatory for such to be legally regulated by means of a law, and not by another normative act.

b) Selecting the modality of juridical regulation – refers to the lawgiver's option regarding a certain way of imposing the behavior prescribed by the law subjects norm.

As we know, a juridical norm can imperatively (prohibitive or imposing) regulate a certain conduct, it can allow the parties to decide upon their conduct or it can stimulate the subjects in adopting a certain conduct. In the same time, the regulation modality is different from one norms category to the other.

The lawgiver deliberately decides upon a sort of conduct or another, for a regulation method or another, depending on the specific of the social relations, on the features of the subjects taking part in such relations, on the nature of the interests to be satisfied and on the value related significance of the provisions.

c) The prerequisite of legal norm accessibility and means parsimony is put into practice by using certain conceptualization proceedings and adequate language.

This prerequisite directly refers to: designing the norm, comprising structural elements in the norm, setting out the behavior type, the juridical style and language. The law norm is the result of abstracting process, the direct consequence of a complex evaluation and valorizing operation regarding the social relations. Without referring to concrete cases, but to general hypothesis, the norm cannot be descriptive, but it necessarily operates with a series of concepts, categories, definitions, etc.

Taking into account that most times the norm refers to regulating a future conduct, it must delimitate social relations and categories of potential participant subjects. These will be valuable for as long as they correspond to the social needs and they must be reformed, modified when they no longer correspond to those needs.

Another construction of the juridical

norm is represented by *fictions* and *presumptions*.

Juridical fiction is a technique proceeding according to which a certain deed is considered as existent or established, although if it has not been established or if no reality exists³. Fiction replaces a reality with another inexistent one. For instance, the situation in which a person is declared permanently incapable, although cases exist when that person is capable, and he has lucidity moments, yet by a fiction the said is deemed as permanently incapable. The conceived child is deemed as already born, and represents a law subject in respect with its right.

Presumptions are in their turn technical proceedings used by the lawgiver in juridical constructions. Art. 1199 of the Civil Code defines presumptions: "*consequences drawn by the law or by the magistrate from a known deed to an unknown deed*". In certain situations, the lawgiver assumes that something, without having been proven, really exists. For instance, the presumption of law knowing, upon its consequence: *nemo censetur ignorare legem* (one cannot excuse oneself by invoking not-knowledge of the law); the paternity presumption, according to which the assumed father of the child is the mother's husband etc. Another aspect regarding the prerequisite of juridical norm accessibility is its *style* and *language*. The juridical language is by excellence a specialized, institutionalized language⁴. It has been acknowledged that the juridical language is a special preferential language, in the sense that it provides a behavior model

³ M. Djuvara, quoted paper, vol. II, p. 457

⁴ A. Stoichițoiu, *Juridical Style in Contemporary Romania* (Romanian: *Stilul juridic în România contemporană*), PhD thesis abstract, University of Bucharest, , 1984, p.6

of a certain pattern, considered as preferable in respect with its usefulness and public interest, compared to another type of behavior. The text of juridical norm should be characterized by maximum clarity, precision, concision and stereotypic nature.

As institutionalized language, the juridical normative acts' language is governed by pragmatic rules; in its evolution it follows a specialization and modernization process on all levels (textual, syntactic and lexical-semantic).

In drafting the normative act text the lawgiver will have to use largely utilized terms, by avoiding neologism and regionalism. The phrase construction and complexity will rank second after the demand for correct and easy understanding of the text by any subject⁵.

The law terminology should be constant and uniform. This demand refers both to the content of a single normative act, in which certain norms are comprised, and to the legislation global system, which should be characterized by terminological unity. A legislation's terminological unity creates both the conditions for the subjects to clearly understand the law's message (the normative commandment), and also the possibility of introducing a legislative information system.

In the normative act text the use should be avoided of words (expressions) which are non-functional or of those with ambiguous sense.

4. Constitutive parts of the normative act

A normative act is usually composed of the following parts: reasons description, title

of the normative act, preamble and introductive formula, general provisions or principles, content provisions, formal and transitory provisions.

Reasons' description accompanies extremely important normative acts. It comprises a brief description of the normative act, of the conditions having lead to its apparition, of the purposes pursued by adopting that normative act.

The title of the normative act is its identification element. It should be short and suggestive (it should clearly express the content of the normative act).

The preamble of the normative act comprises an introduction, a briefing of the subjects regarding the social-political grounds for the lawgiver's intervention. This part is not mandatory, and appears in normative acts of particular importance.

The introductive formula comprises the constitutional or legal grounds for the regulation. Under this part there are institutionalized the competence norms for the body issuing that particular normative act.

The general provisions comprise those provisions by means of which there are identified the object, purpose, area of the regulated relations, some terms definitions etc.

The content provisions actually form the content of the normative act. In this part there are included the rules setting forth rights and obligations, a certain behavior is stipulated, unfavorable effects are regulated in case of breach of the imposed conduct.

The formal and transitory provisions comprise provisions regarding: the regulation's enforcement, its coming into effect, the relations with pre-existent regulations etc.

Normative acts can also comprise Appendixes, representing integrant part of the

⁵ I. Mrejeru, quoted paper, p.101; V.D. Zlătescu, quoted paper, p.127

law and having the same juridical power. Their need arises from the fact that by their content organizational charts, tables, drawings, statistics etc. are illustrated.

5. Structural elements of the normative act

The juridical norm, with its internal structure, is comprised in the articles of the normative act. The structural element of the normative act is the *article* (as well as the juridical norm represents the basic cell of the law). The juridical norm's content is variously illustrated in the normative act's articles. The article usually contains a single individual provision. Cases exist, however, when in the normative act an article comprises a single norm or, on the contrary, a norm is comprised in more than one article. In the same time, the various components of the juridical norm's logical structure (hypothesis, provision, sanction) can be found in various articles. For such reason, the juridical norm cannot be identified with the normative act's article. It would be ideal for each article in the normative act to comprise a single rule (norm), along with all features characterizing it. These features should be worded in such a manner as to express as complete as possible the juridical norm and to precisely delimitate its content compared to the other norms in the normative act. In a good legislative technique the articles of the normative act should be created in close connection, and the structuring into articles should be made in a logical presentation order. The complexity of the regulation is imposed by the nature of social relations. For this reason, the article is subdivided sometimes in paragraphs and letters. Articles are numbered by Arabian numbers. In the case of normative acts amending the

regulation of other normative acts, the Roman numbers are used. Usually, letters and paragraphs are not numbered. In case of very important normative acts (the Constitution, the Codes), articles also have marginal notes, rewording in synthesis the content of that respective article.

When in a normative act new articles are included without modifying the old numbering of the normative act, the method is used of introducing indexes.

For a better systematization of the normative act, its articles can be grouped into sections, chapters, titles. Some codes are structured in parts (general part and special part). Sections, chapters, titles have names evoking in short the content of their provisions. In case a normative act refers to provisions in another already existent normative act, the first mentioned one will not quote the provisions in the pre-existent normative act, but it will only mention its provision by a *see* norm.

6. The technique of systematizing normative acts

The variety of normative acts imposes the need to systematize them. The systematization of normative acts is determined by the need of organizing them grounded on precise criteria, for the purpose of a good knowledge and application of the juridical norms in the social relations.

The main forms of systematizing the normative acts are: *inclusion* and *codification*.

A. Inclusion

Inclusion is an inferior (initial) systematization form and it refers to simply sorting the normative acts by external criteria – chronologically, alphabetically, per law areas or legal institutions etc. Such a systematiza-

tion form can be *official* or *unofficial*. It is an official inclusion the one made by law bodies (for instance: law collections, decrees, periodically published decision, collections combining the chronological criterion with the one regarding the normative act's legal power). Besides those collections, private individuals can also create normative acts compilations (in the form of legislative guidelines).

In such inclusions the normative material is not processed, the juridical norms comprised in collections or compilations are not modified (only certain material errors or potential grammar mistakes are corrected).

B. Codification

Codification is a superior form of systematization. It implies the inclusion into a code (normative act having the legal power of a law) of the juridical norms referring to the same law area. The codification action involves large activity for the lawgiver, complex processing of the entire normative material, removing overdue, obsolete norms (including habits), filling in gaps, legislative novelty (introducing new norms, requested by the social relations evolution), logical

structuring of the normative material and using modern legislative technique means (selecting the regulation modality, the external regulation form, the use of adequate conceptualization means).

Codification is a superior systematization form performed by the lawgiver, as it is always grounded on the general principles of law system and of a law area, attempting to reflect into a single act of unitary content and form, as complete and coherent as possible, all juridical norms in a particular law area (civil law, criminal law, financial law etc). Although its juridical power is equal to a law's, the Code is not a common law, but it is a unique legislative act, with specific internal organization, in which juridical norms are structured upon a stringent logical consecutive order, by a well designed system, reflecting the internal structure of that particular law area.

Four groups of factors are included into a code: political, economic, ideal and juridical.

A code's qualitative conditions are: clarity, precision, presentation integrality, practical nature, logic, style beauty etc.

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The relation between the substantial law and procedural law in defending subjective rights and legitimate interests

❖ PETRONELA-ADRIANA CERNAT ❖

Abstract: Taking into account that the Romanian Constitution mentions the “state of law” and “constitutional democracy”, concomitantly specifying the essential values- human dignity, citizens’ rights and freedoms, the free development of human personality, justice and political pluralism- defended by the domestic legal order, it seems of a real practical interest to notice the concrete means established in order to protect the above mentioned values.

As it has been mentioned before, the contentious administrative represents one of the most efficient ways under which the values constitutionally affirmed are guaranteed and defended. The contentious administrative basically answers the old question: „Quis custodiet custodes?”, question that comprises one of the most difficult obstacles against the state of law actualization: to find the most efficient procedural ways for the state bodies able to use, directly or indirectly, the coercion force in order to make the citizens observe the laws, to be in their turn under the situation to observe the same laws.

As the contentious administrative represents the courts of law activity meant to settle the conflicts whereas at least one of the parties is a public authority, we will try, while evoking procedural aspects, procedural means available for someone prejudiced by a public authority, to stress the weight of the procedural rules in guarantying and defending effectively the citizens’ rights and legitimate interests.

Key words: procedural law, administrative acts, civil litigation, Public Ministry.

I. Introductive considerations.

The state of law. The state of law premises

At the first look, to define the state of law, or in different terms, the state of legality, seems easy enough. As a matter of fact, it is said that the state of law is characterized by achieving the -rule of law- in its entire activity, either in relation with the citizens either with various social organizations within its territory. Used accordingly, the "state of law" notion is encountered even under some constitutional texts.

Analyzing more deeply, the state of law question appears though to be much more complicated, following the fact that the state, as institutionalized organization, having sovereignty, of the population on a specific territory, never acts as such in its domestic affairs, but by means of its various bodies, this acknowledgment being valid for the so called "direct democracies" as well as for the representative ones.

The state of law is to be understood as a state organized on the state power separation basis, in whose application the justice acquires a real independence and following under its legislation the promoting of rights and freedoms inherent to the human nature, a state which ensures the strict observance of its regulations by the entirety of its bodies in all their activity.

Are considered to be premises (conditions) of the state of law, the following: the accreditation of a new conception regarding the state (especially under the following aspects: the voluntary or consensual nature of the state, the delimitation of the state from the civil society, the state responsibility and of the authorities that compose it, the restraining of the state interference within society

to minimal fields and adequate and reasonable forms); the capitalization, under contemporary conditions, given the insurmountable political realities, of the reasons and the mechanism of the powers separation; the instauration and the thoroughness of a real and authentic democracy; the institutionalization and the guarantying of the human and citizen rights; the structuring of the coherent and hierarchical legal order and the guarantee of that order¹. Far from being incompatible, these conditions or premises complete each other and interact in a convergent way.

With regard to the regulation systems within the state of law these are considered to be the following: the political control over the executive exercised by the parliament, the administrative control, the jurisdictional control over the legality of administrative acts², the control of law constitutionality, the reconciling procedure, the free access to justice and the organizing of the judicial activity under several jurisdiction degrees.

The jurisdictional control over the legal-

¹ **I. Deleanu** – „*Instituții și proceduri constituționale – tratat* –”, Ed. Servo-Sat, Arad, 2001, p. 59. See also **T. Draganu** – „*Introducere în teoria și practica statului de drept*.”, Ed. Dacia, Cluj-Napoca, 1992, p. 13-75, where the premises of the state of law are considered to be the following: rooting under the civically conscience the conviction that there are rights inherent to the human nature which are opposable to the state, a democratic system to enact the legislation, the state powers separation, the independence of justice”.

² See as well, accordingly **Sofia Popescu** – „*Statul de drept și controlul respectării legii de către autoritățile administrative*”, Studii de drept românesc nr. 2/1993, p. 135, **I. Deleanu, M. Enache** – „*Statul de drept*”, Dreptul nr. 7/1993, **I. Deleanu, M. Enache** – „*Premisele și mecanismele statului de drept*”, Dreptul nr. 12/1993.

ity of administrative acts represents maybe the most effective form of control over the legality of these acts, as it is achieved from the exterior of the system of the state administration bodies, by the judicial authority, independent, and during a procedure grounded among others on the right to defend, the contradiction, the equality of the litigation parties, the active role of the court of law, the possibility of means of attack to non legal or ungrounded decision. It is entrusted either to common law courts of law either to specialized courts of law.

Regarding the political control and especially the administrative one, the judicial control features a few peculiar dimensions: a) it is a rather narrow control type, as only the legality of the administrative act is subjected to it, and its opportunity not; b) the jurisdictional control always presumes an intimation from the party injured by the administration prejudicing behavior by issuing the administrative act considered to be illegal; c) this control type is, simultaneously, more concrete and more profound, because it does not target- as the political or administrative one- especially the finality, the effectiveness, the opportunity of the controlled administrative act, but – precisely and considerably- starting from the subjective right alleged, opposite to the administrative body, it makes essential for of the act issued by that body to comply with the law; d) the jurisdictional control is executed within the framework of a pre-established and exigent procedure, grounded mainly on contradiction, the obligation to motivate the solution and the settled authority for the issued decision; e) the jurisdictional control cannot lead to the reforming of the administrative act, but only to its annulment or removal from the litigation

settlement. When the administrative act is annulled, the decision issued by the court of law is opposable erga omnes.

II. Procedural legal norms.

Practical importance.

Relation with material law

A) Civil procedural norms: As it has been said, the civil procedural law represents the entirety of the legal norms that regulate the way of judgment by the courts of law of the causes regarding the civil subjective rights or legitimate interests that can be realized only by means of justice, as well as the enforced execution of the legal decisions or other writs of executions³. Therefore, not only the situations under which the capitalization of a subjective right is attempted are taken into account, but also those situation, established by law, under which the actualization or defending of an interest by means of justice are followed.

It results that this distinctive branch of the legal system guarantees the effectiveness of the material law provisions that consecrates subjective rights for the natural or legal persons and which would remain otherwise ineffective. Otherwise said, the relation between the civil material law and the civil procedural law gives expression to the correlation between content and form⁴.

³ V.M. Ciobanu- „Tratat teoretic și practic de procedură civilă”, vol. I, Teoria generală, Ed. Național, 1997, p. 158.

⁴ The connection between the two legal branches was really suggestively stressed in the presenting report of the Civil procedure code by the State Council, back in 1865, that stated „*Procedure is the heart of a state's ... The Civil code, without procedure, is like a body without heart, is like a good and complete machine without its movement power*”.

In order to stress the same connection between the material law and the procedural law, it was said that the material law comprises all the legal norms that regulate the social relations within our country.

The legal character of these norms is given by the possibility of their actualization on judicial way, a form of the state coercion. This does not mean that in the great majority of the social relations, the assumed obligations, as the rules of social conduct, are not executed voluntarily. But there always exists the possibility of their execution by coercion when they are not observed. The procedural law is the other side of the material law, it is the punishing aspect of the material law, as the usual mean under which the reestablishing of a certain transgressed right is the judicial way. The civil material law would be ineffective if the civil litigation does not ensure its execution and vice versa, the civil litigation would be inconceivable without a material law to capitalize⁵.

In this mutual bond between the legal relation of substance and its external form, i.e. the procedure to follow for its performance, the material law relation is representing the basis, which means- naturally- that the form always adapts to the content, so that, ultimately, the characteristics of the material law determine the characteristics of the procedural law and any alteration in the substance of the first inevitably entails the alteration of the latter. The indissoluble unity between the material and procedural law, without any of them to be possibly confounded with the other, can be observed analyzing various institutions and procedural principles, nothing more than the reflex of the civil law institutions and principles.

⁵ A. Hilsenrad – „*Procesul civil în RPR*”, Stiintifica Publishing House, Bucharest, 1957, p. 15.

The essence of the civil litigation subsists in protecting rights, in establishing their real and objective existence. The civil litigation does not form new subjective rights, but confirms those already existing, while the guarantying of rights imposes establishment of objective truth in each and every litigation.

The civil litigation, promoted by action, represents the form under which the state ensures the law compliance in particular cases where the legal norm were violated, while the exercise of the legal action exceeds the narrow framework offered by the settled case-where the question of effective settlement of a conflict of interests where two subjective rights clash arises- and can be viewed as a form of actualization of the legality principle, under which the legal protection granted by the state to its citizens is capitalized⁶.

In our country there is no „administrative justice”, a system organized by administrative courts or tribunals, the contentious administrative being under the competence of the common law courts. As such, no administrative procedure constituted under the same conditions as the civil or penal procedures exists, and the litigations regarding the administrative legal relations are being settled under the rules of the civil procedure. Naturally, some special procedure norms may as well exist within normative acts that regulate the control of legality of the administrative acts, but it cannot be sustained that they form an administrative procedure, because they just introduce some derogatory rules, to be completed with the provisions of the Civil procedure code. Therefore, for instance, art. 28 paragraph 1 under Law no. 554/2004 on the contentious administrative expressly stipulates this solution, as follows: „the pro-

⁶ *Ibidem*, p. 230.

visions of the hereby law are completed with the provisions of the Civil procedure code, at the extent they are not incompatible with the specific of the authority relation between the public authorities, on one hand, and the persons injured in their rights or legitimate interests, on the other hand, and also with the procedure regulated under the hereby law. The compatibility of the execution of some Civil procedure code norms is established by the court of law, when ruling over the exceptions".

B) Procedural aspects in the Law of contentious administrative: In the absence of an Administrative procedure code, one of the objectives taken into account at the enactment of the Law no. 554/2004 was to confer a procedural framework special for litigation between the injured private person on one side and the public authority on the other side, procedural framework adapted to the present legal realities. Nevertheless, the above mentioned law does not strictly comprise procedural provisions, many of its provisions being substantial law provisions. Examples can be made accordingly, the entire definitions catalogue within the second article of the law, as well as those norms that regulate on that which doctrine has identified as the admissibility conditions of the direct action in contentious administrative. We take into account only some of these conditions, respectively: the infringement to be produced under an administrative act; the act to injure either a subjective right, either a legitimate interest, private or public; the injuring administrative act to be issued by a public authority, because the other conditions, mainly related to the execution of the prior administrative procedure and filing the legal action in a cer-

tain period of time, are regulated under provisions with procedural character.

The substantial law provisions, especially those referring to the concepts of "subjective law", "private or public legitimate interest", "public authority", "administrative act", represent of course, problems that concern the substance of a contentious administrative legal action. Exactly as any other civil litigation- notion used here under its most extended meaning, opposite to the notion of penal litigation- , problems that imply the substance of the cause will be inquired after the observance of certain procedural conditions.

We will limit within the hereby study, to analyze those procedural aspects regarding which the Law of contentious administrative comprises derogatory regulations from the common law. The procedure in the contentious administrative field is usually demarcated within the administrative doctrine, the substantial judgment and the possible solutions; the recourse and the decision execution.

1. The notification of the court of law:

It must be stated again that, grounded on the previous regulation on the contentious administrative, Law no. 29/1990, the court of law could be notified by: the legal or natural person virtually injured (typical situation); prefect (administrative tutelage control); they who consider themselves injured or any interested person grounded on a special regulation (cases stipulated, for instance, under Law no. 67/2004 on the election of the local public administration authorities); the one who challenges a jurisdictional- administrative act.

The present regulation has extended

considerably the area of referral to court subjects (subjects that can notify the contentious administrative court of law).

a. Therefore, the concept of **prejudiced person** has been defined as including, among legal and natural persons, and “the group of natural persons, entitled to subjective rights or legitimate private interests injured by administrative acts”, as well as the “social bodies that invoke the infringement of a public interest under the challenged administrative act”.

In a critical opinion, the possibility to file the legal action by groups of persons- a collective action, grounded on the community of injured rights and interests, exercised mutually by several natural persons- is unconstitutional related to article 52 under the Constitution which refers exclusively to persons. Altogether it is sustained that if the text is construed for the separate filing of the action by the natural persons, it would double uselessly the provisions of article 47 under the Civil procedure code (“several persons may be together plaintiff and defendant if the object of the litigation is a common right or obligation or if their rights or obligations have the same cause”)⁷.

b. Regarding the administrative trusteeship, we notice that its area has expanded, the text of art 3 under the law providing the such trusteeship control being exercised by the **prefect**, on one hand, the said having the right to challenge *any act of a local public authority, deemed illegal* and by the **National Agency of Civil Servants**, on the other hand, the said having the right to challenge *any act of a central or local public authority which infringes the legislation regarding the public office*.

⁷ D.C. Dragoș – „*Legea contenciosului administrativ. Comentarii și explicații*”, All Beck Publishing House, Bucharest, 2005, p. 67-68.

Art. 1, paragraph 8 of the law, also provides, additionally to the two subjects already mentioned – the prefect and the National Agency of Civil Servants – and **any other person of public law** affected in one of their right, when a legitimate interest has been infringed. The active trial legitimacy of the people of public law may be concluded from the general wording of paragraph 1 under art 1 regarding the persons because the persons may be natural or legal, private or public.

The legal persons of public law are the Romanian state, represented by the Ministry of Public Finances, the Government (the Chancery of the Prime-Minister is the one with legal personality), ministries, county, city, locality and other entities stated as such by means of laws or government decisions.

The legal persons of public law cannot be mistaken for public authorities because some of the latter do not have personal budget, others do not have personal patrimony, but only manage the state’s patrimony. The legal personality is acquired only expressly by law or government decision. The mere competence of issuing administrative acts does not equal to the acquirement of the personality of public law. Therefore, the Ombudsman, even though it has a personal budget within the state budget, it is not a public law person as it does not have public property assets. Also, the prefect is not a public law person as it does not have a personal budget or personal assets⁸.

⁸ D.C. Dragoș – „*Legea contenciosului administrativ. Comentarii și explicații*”, supracit., pp. 59. The author shows that there are public authorities, which are at the same time civil legal persons (a ministry) or the legal representatives of a civil legal person (the mayor represents the locality or the city before the law), but there are cases when a public authority is vested with public power prerogatives, but it does not have civil legal personality and does not represent such person before the law (the local or county council).

The public authorities can take legal action in the contentious administrative, based on art 1, paragraph 8 only as representatives of legal persons of public law when there has been infringed a subjective right provided by the law for the said person or when a public interest has been infringed. These actions shall be rejected if it is not proved the subjective right or the affected legitimate public interest or if the public authority acts on its own name⁹.

Under a different construal, the law's initiator shows that, according to the text's internal logics, each public authority may act based in art 1, paragraph 8 under the law, grounded on a legitimate public interest, within an objective contentious administrative and that the action's object is represented only by the cancellation of the normative administrative acts¹⁰.

c. The implementation of the **Ombudsman** institution among the topics which have special active trial legitimacy in the contentious administrative field comes after a debated begun when the Law no. 29/1990 was still applied, but through the enactment process of the law, the Ombudsman in office, has criticized the bill, deeming that the respective institution could not replace the citizens in the exercise of their trial rights, it could not assume the citizens' interests as it would be against the institution's spirit, whose origins reside in the Northern Ombudsman, which in its activity approaches a non-contentious ethic regarding the claims' settlement, using for such purpose the mediation procedure, without initiating a trial.

⁹ *Ibidem*, p. 60.

¹⁰ A. Iorgovan – „Noua lege a contenciosului administrativ. Geneză și explicații”, Ed. Roata, București, 2004, pp. 275.

By means of the decision no. 507/2004¹¹, the Constitutional Court rejected the unconstitutionality objection submitted by the Ombudsman, according to which the institution would replace the affected natural person in one of their rights, by exercising the notification duty of the contentious administrative court of law. Exercising the duty stipulated under the criticized legal text, the Ombudsman does not replace the trial rights of the citizen, but supports the citizen, inclusively by submitting the action to the contentious administrative court of law, the said being the only one who decides to continue or not the trial against the abusive public authority.

d. The dispute regarding the active trial legitimacy of the **prosecutor** in the contentious administrative litigation started more than 30 years ago, when the Law no. 1/1967 was applied, which law stipulated the mandatory presence of the prosecutor in the judgment of contentious administrative litigation and it has been deepened throughout this period by new studies¹². Thus, in an opinion, it has been mentioned that the prosecutor can take legal action against an administrative act, acting as state representative in order to monitor the law observance when a state interest is at stake, when an imperative legal norm is infringed or the interest of other parties in the trial, except for the holder of the infringed right if the said has not challenged the administrative act in question¹³.

¹¹ Published in the Official Gazette of Romania no. 1154/07.12.2004

¹² Dana Apostol Tofan – „Modificări esențiale aduse instituției contenciosului administrativ prin noua lege cadru în materie (partea a II-a)”, Curierul Judiciar no. 4/2005, p. 80.

¹³ D. Brezoianu apud. Dana Apostol Tofan – „Modificări esențiale aduse instituției contenciosului ...”, supracit., pp. 80. Regarding the opinions expressed in this respect, based on the Law no. 1/1967 and on the Law no. 29/1990, see D.C. Dragoș, *op.cit.*, p. 33-35.

According to the current regulation, the Public Ministry, subsequently exercising the duties stipulated under its organic law, deems that the infringement of the rights, liberties and legitimate interest of the people are due to the existence of unilateral individual administrative acts issued by the public authorities by exceeding the powers granted¹⁴, it notifies the contentious administrative court of law at the domicile of the natural person or at the headquarters of the affected legal person. The plaintiff rightfully acquires the plaintiff capacity, following to be cited according to such capacity.

Moreover, when the Public Ministry deems that, due to such excessive power resulted in the issuance of a normative administrative act, it is affected a public interest, there shall be notified the contentious administrative court of law competent at the headquarters of the issuing public authority.

These provisions assign purposefulness to the principle stipulated under art 131, paragraph 1 of the republished Constitution, which principles clearly states the role of the Public Ministry as representative of the society's general interests and protector of the rightful order and, also, of the citizens' rights and liberties during the legal activity¹⁵.

The Public Ministry may file, based on the contentious administrative, three types of actions: legal action in the subjective conten-

tious administrative, legal action in the objective contentious administrative and the legal action filed by the Public Ministry according to art 1, paragraph 8, in order to defend its own rights, namely to defend the public interest, in its capacity as public entity.

Given that the law speaks about the Public Ministry and not about prosecutors, it has been stated that the actions before the contentious administrative may be filed only by the general prosecutor of Romania because, according to art 68 of the Law no. 304/2004 *"The General Prosecutor of the near the High Court of Cassation and Justice represents the Public Ministry in its relations with the other public authorities and with any other legal or natural persons from Romania or abroad"*. The General Prosecutor of Romania may, however, delegate such duty to other prosecutors, respectively the general prosecutors near the appeal courts of law¹⁶.

The subjective contentious administrative action, for and in the name of the natural or legal person, is a legal action similar with the one filed by the Ombudsman, except of the case that the Ombudsman may take action only in the name of natural persons. In such case, the competent court of law is the one at the natural person's domicile or at the legal person's headquarters and the natural or legal person is rightful party under the trial, undertaking it entirely.

The object of the legal action is represented by an administrative act, issued by exceeding the assigned powers and not the unjustified refusal to solve a request or the

¹⁴ For the analysis of the concept of excessive power in the Romanian law and compared law, see **Dana Apostol Tofan**, *"Puterea discreționară și excesul de putere al autorităților publice"*, Ed. All Beck, București, 1999.

¹⁵ **A. Iorgovan** – *"Noua lege a contenciosului administrativ ..."*, supracit., pp. 270. See, for a wide approach of the referral to court topics, **Verginia Vedinaș** – *"Unele considerații teoretice și implicații practice privind noua lege a contenciosului administrativ no. 554/2004"*, Dreptul no. 5/2005, p. 9-18.

¹⁶ **D.C. Dragoș**, *op.cit.*, p. 37. Contrary, see **A. Iorgovan** – *"Noua lege a contenciosului administrativ ..."*, supracit., pp. 270, where it is mentioned that "the legislator grants the Public Ministry the possibility, and particularly to the prosecutors associated in offices, where they fulfill their duties, to file actions in the contentious administrative".

administrative silence, which means that the challenged act is illegal from a subjective perspective given that the assessment right of the public authority, assigned by a certain law or arising from the law's silence, has been exercised by infringing the fundamental rights and liberties of the citizens, as stipulated under the Constitution or law, namely by exceeding the assigned powers, as defined under the law.

A special provision, which we find only for actions in the objective contentious of the Public Ministry, provides that the court of law, *ex officio* or on request may bring before the court the interested social entities with legal personality. This is a personal and voluntary intervention – if it is performed upon the request of the interested entity or forced – if it is made *ex officio* by the court of law.

Regarding such sort of “forced intervention”, it has been said that it represents an objectionable legal solution because “one cannot force someone to benefit from a trial”, the respective entities being the sole which “may appreciate the best if they are interested in intervening in the trial”. The forced intervention (if other people are brought before the court, as regulated under art 57-59 of the Code of civil procedure) is meant to bring in the trial people to be compelled, by means of legal decision, or who are subject to the respective decision, and not people who would profit from such decision, the intervention occurring only subsequently the parties' initiative.

e. A novelty element regarding the referral to court topics is represented by the distinct provision of the possibility that the action is filed by the public authority which has issued the illegal administrative act, which authority may request the court of law

to cancel the act if it cannot be cancelled as it has entered in the civil circuit and has produced legal effects; the court of law may rule, on request, upon the legality of the civil documents concluded based on the illegal administrative act and upon its civil effects.

The first necessary statement regarding the wording of art 1, paragraph 6 of the law, it is the one taking into account the name of the action available for the issuing public authority. Therefore, the law mentions *an action for the nullity acknowledgement*, which may create confusion between such action, in fact an absolute nullity action¹⁷, and what the civil trial doctrine understands by means of an acknowledging action. Seen as opposed to the action for accomplishment, the acknowledging action (the acknowledgment or confirmation of a right) has as object the compliant filed by the plaintiff requesting the court of law to acknowledge the existence of a right or the inexistence of a right of the defendant against the plaintiff. The decisions ruled under such action do not represent writs of execution and, on the other hand, there cannot be filed acknowledging actions as long as the party has the way open to file an action for the accomplishment of a right.

A second statement concerns the filing term for such an action. There must be reminded, on one hand, that neither art 1, paragraph 6 nor art 11, regarding the filing terms of the actions in the contentious administra-

¹⁷ In lack of other provisions seen as principles, a distinction of the nullity of the administrative acts in absolute nullities and relative nullities can be made only for the fields which contain clear provisions of the law, such as art. 17 of the GD no 2/2001. Beyond such express provisions, the distinction between the absolute nullity and the relative nullity has no practical relevance; therefore “the theory of the nullity's uniqueness” can be supported.

tive, have not considered such sort of action. On the other hand, the action for nullity stipulated under the common law is an action with no write-off term and the common law becomes applicable in lack of a special, derogative provision. Taking into account such aspects, the legal practice has faced a real problem regarding the term available for the issuing public authority to request the court of law to cancel its own illegal act.

By means of decisions ruled in 2006, the High Court of Cassation and Justice stated that the new legal provision cannot provide the issuing public authority with an action for the cancellation of the administrative act, which could be exercised whenever because the said would severely infringe the general principle of stability and safety with regard to the civil legal rapport and, additionally, it would create a favorable situation for the issuing authority, detrimental to other law issues, which authority saw itself needed to claim and acknowledge its own fault of issuing an illegal act, which had not cancelled, therefore it entered the civil circuit and had effects¹⁸.

Therefore, the High Court of Cassation and Justice mentioned that, while art 11 of the Law no. 554/2004 regulated the terms for the filing of an action in the contentious administrative and paragraph 4 of the same article clearly stated which were the situations that the action might be filed whenever and such situations did not provide the one stipulated under art 1, paragraph 6 of the law, the actions of the issuing authority based on text might not be filed but in compliance of

the terms stipulated under art 11 of the law, representing the law for the contentious administrative.

There was also deemed that the applicability of the common law would mean the annihilation of the special regulation, the ignorance of the principle according to which the special rule derogates from the general rule. Finally, the court of law deemed that the issue in question presented similarities with the jurisprudence of the European Court of the Human Rights, which in the trial *Brumarescu vs. Romania* decided that such construal was similar to the general principles, namely the non-existence of a term within which an action might be filed infringed the principle of security of the legal rapports, the possibility to "cancel" without a limit of time, for instance a definitive individual administrative act entered in the civil circuit, representing even in the opinion of the CEDO members a defeat of the right to justice, as guaranteed by art 6 of the Convention.

The 6 month term granted to the issuer starts flowing on the issuance date of the administrative act. This term-rule may be exceeded, according to art 11, paragraph 2, only for grounded "reasons", but the action may not be filed over the incapacity term of 1 year, which flows on the issuance date as well.

2. Trial on merits. Special perspective upon the possibility to suspend the effects of the challenged act: the current law of the contentious administrative addresses the suspension of the administrative act from the already two known extent, namely the rightful suspension, if the referral to court topics are the prefect and the National Agency of Civil Servants and the legal suspension of the challenged act.

¹⁸ L. Girgiu – „Câteva considerații referitoare la acțiunea introdusă de autoritatea publică emitentă a actului administrativ, în temeiul dispozițiilor art. 1 alin. 2 din Legea contenciosului administrativ nr. 554/2004”, *Curierul Judiciar* nr. 3/2007, pp. 63.

The issue of the legal suspension of the administrative act is approached under art 14-15 of the law, the first addressing the suspension of the act's enforcement after the submission of the prior administrative claim, but until informing the contentious court of law and the second analyzes the suspension of the challenged act after registering the main legal action.

At the same time, art 3, paragraph 3 regulates the rightful suspension which operates when the action is filed in the contentious administrative by the prefect or by the National Agency of Civil Servants, public authorities which have an administrative trusteeship right regarding the activity of the local autonomous public administration, on one hand, respectively the issuance (passing) by the central or local public authorities of certain acts related to the public office, on the other hand. It may be noticed that, although the Public Ministry is among the public authorities which are not compelled to fulfill the prior administrative procedure, an action filed by the said does not entail the suspension *ope legis* of the act in question.

With regard to another referral to court topic, the Ombudsman, although the law grants it active trial capacity, thus being able to take legal action in the contentious administrative, upon the request of a natural person (but only against documents issued by administrative authorities and not by any public authority), we notice that the law does not clearly stipulate the law to request the suspension of the challenged act. However, such suspension may be requested by the Ombudsman and, clearly, by the natural person – the initial plaintiff – who rightfully acquires the plaintiff capacity in such litigation, but according to art 15 under the law.

A) The suspension of the administrative act based on art 14 under the Law no 554/2004: As previously mentioned, the suspension solution prior filing the action for cancellation, reconsidered by art 14 of the Law no 554/2004 was not agreed by the legislator in 1990 although, paradoxically, it had been stipulated under a regulation prior 1989.

Besides the fact that such newly implemented procedure represents an additional guarantee of the protection of the rights and legitimate interests of the plaintiffs, it is also responsible for ending the controversies regarding the possibility to use a presidential ordinance for the prior suspension of the registration of the action for cancellation.

Regarding the referral to court topics, the rule is stipulated under art 14, paragraph 1, namely that the suspension of the administrative act may be requested by the person, whose right or legitimate interest has been affected. The exception addresses the possibility for the suspension to be requested by the Public Ministry, according to the terms under art 14, paragraph 3, and only for administrative acts having a normative nature, which generate a series of effects detrimental to the public national interest.

Therefore, according to art 14, only the person, whose right or legitimate interest has been affected, namely the Public Ministry, may request, based on the said article, the suspension of the administrative act, before filing the main legal action, the admissibility terms for such request being different.

a. For the suspension regulated under art 14, paragraph 1¹⁹, the affected person must prove before the contentious administrative court of law that two cumulative con-

¹⁹ According to the recent doctrine, in this case we have a classical form of suspension, unlike the hypothesis under paragraph 3 of art 14. Also see **A. Iorgovan** – „*Noua lege a contenciosului...*”, *op.cit.*, pp. 334.

ditions are met, the same as in the case of the former wording of the Law no. 29/1990: the existence of well-justified case, respectively the imminence of a prejudice which may be prevented by means of the suspension of the administrative act's enforcement.

The actual significance of the two conditions required by the law result, on one hand, from the content of art 2 of the law and, on the other hand, it may be concluded from the previous practice of the contentious administrative court of law, especially the one of the Supreme Court.

We notice that art 2, letter s) defines the imminent prejudice as *"the future material prejudice, but predictable or, as the case may be, the predictable severe disturbance of the functioning of a public authority of a public service"*.

Obviously, the severity of the prejudice or of the disturbance of the activity of a public authority/service is a rightful issue, which will make the object of the analysis of each individual court of law.

At the same, such request is admissible in procedural terms if the plaintiff proves that he has informed the issuing authority previously, therefore if the plaintiff files the evidence for the registration of the administrative claim, as stipulated under art 7 of the law.

b. If an administrative normative act is involved, the suspension request may be filed, upon the notification of a rightful third party or ex officio by the Public Ministry as well, but only in compliance with certain restrictive and cumulative requirements: the case involves a major public interest, respectively the severe disturbance of the functioning of an administrative public service of national significance.

Obviously, they must be correlated with the provisions of art 1, paragraphs 4 and 5 under the law, which stipulate that the Public

Ministry may challenge only the individual administrative or normative acts issued by "exceeding the granted powers"²⁰. Therefore, the Public Ministry may request only the suspension of the normative administrative acts which it may challenge for cancellation purpose, namely only those normative acts issued by exceeding the granted powers and which affect or may affect the public interest.

We notice that art 14, paragraph 3, exclusively addresses the normative administrative acts, which due to a restrictive construal may conclude that, although the Public Ministry may also challenge individual administrative acts issued by exceeding the powers granted, it may request the temporary suspension only for the normative administrative acts which severely affect a major public interest, related to the activity of an administrative service of national significance.

B) The suspension of the administrative act based on art 15 under the Law no. 554/2004: Art 15 under the Law no. 554/2004 stipulates the possibility of the plaintiff to request the suspension of the administrative act by means of the request submitted to the contentious court of law regarding the act's cancellation.

Therefore, the person who may request the suspension of the challenged act, together with the submission of the main legal action, is the person who can act as plaintiff in a contentious administrative litigation: the natural or legal person, whose rights or legitimate interest have been infringed by means of the act

²⁰ This collocation is defined under art. 2 paragraph 1 letter m) as representing "the exercise of the rights of assessment, belonging to the public administration authorities, by infringing the rights and fundamental liberties of the citizens, stipulated under the law and Constitution".

who receiver the person is, regardless of the type of the administrative act in question; the third party affected by an individual administrative act destined to another person; the Public Ministry, but only with regard to the normative administrative acts which affect public interests or individual administrative acts which it may challenge for power execs; the Ombudsman, who has active trial capacity according to the terms stipulated under art 1, paragraph 3 of the law²¹.

Although art 15 does not clearly stipulates it, it is self understood that the plaintiff must prove that there are met the same conditions justifying the admissibility of the suspension request based on art 14, paragraph 1.

Regarding the active trial capacity of the Ombudsman, we deem that this public authority also has the right to request the suspension of the administrative act it has challenged, even though the law does not clearly stipulates such right. However, construing *a fortiori*, it may be claimed that, given that this public authority can even request the cancellation of an administrative act, it can moreover request its suspension, as temporary measure²². Regarding the admissibility conditions of such

²¹ According to this text, the Ombudsman can notify the contentious administrative court of law if after the control performed upon the notification of a natural person, according to its organic law, it deems that the illegality of a normative administrative or individual act or the excessive power of the administrative authority may be removed only by legal means. The competent court of law shall be the one at the domicile of the plaintiff, who shall acquire the plaintiff capacity, being cited accordingly.

²² As mentioned by the Constitutional Court under the decision no. 507/2004 (Official Gazette no. 1154/07.12.2004) „*the assignment for the Ombudsman of the duty regarding the possibility to notify the contentious administrative court of law /.../ assures both the protection of the public interest and the compliance with the private interest of the natural person, whose rights or legitimate interests have been affected*”.

request, we may say that there are not applicable the legal provisions analyzed above for the case of the request submitted by the Public Ministry, therefore a suspension action formulated by the Ombudsman must relate to the admissibility reasons stipulated under art 14, paragraph 1.

If the action's object is represented by an individual administrative act, which affects a natural person, there shall be taken into account arguments endorsing that the cumulative conditions stipulated under paragraph 1 are met, related to the case of the plaintiff by enforcing the act in question. If, however, a normative act is challenged, whose effects infringe the public interests the argumentation of the suspension request shall be focused on the public order aspects, not being necessary to prove the imminent prejudice to be suffered by the person who has initially made the claim. Nevertheless, the imminent prejudice of a public interest shall always represent, beyond doubt, a well-justified case.

The request must concern an unilateral administrative act, being thus excluded the “administrative contracts” which are assimilated, according to art 2, letter c), to the administrative acts; this condition also stands for the suspension prior to the main legal action, given that art 14 addresses the authority “which has issued the act”, therefore an unilateral will of the public power. At the same time, as long as the law does not distinguish, it may be claimed that there can be requested the suspension of both a normative and an individual act.

The suspension may be requested, regardless of the situation, only when the action for the total or partial cancellation of the administrative act is registered, based on two possibilities: to submit the request as se-

condary request within the main request or to submit the suspension request distinctly, subsequently to the main action. In the first case, the court of law shall have to settle only one file, having distinct requests regarding the cancellation of the challenged act, respectively the suspension of the act in question, until the final and irrevocable judgment of the case. In the second case, there shall be drafted a distinct file, having as object the suspension request of the administrative act and the plaintiff must prove the existence of the action for cancellation on the roll of the contentious administrative court of law.

III. Conclusions

The current regulation of the contentious administrative is represented by an acute procedural regulation, tending to create a special frame for such litigations. However, the law does not lack, obviously, the material law provisions, most of them being highly significant. We take into account, firstly, as abovementioned, the notions defined by the organic legislator under art 2 of the law, which notions represent, basically, the essence of the contentious administrative court of law, its substance.

Procedurits have rightfully asserted that there cannot be imagined the existence of procedural norms without the prior existence of material law norms, which would protect. The two classes of norms are, no doubt, closely related and the possibility to enforce the sanction by lastly appealing to the coercive force of the state is the one which grants uniqueness, specificity to the legal norm in the entirety of the norms which function within a society at a certain moment.

According to the abovementioned, there

is necessary to redraft several key-provisions of the Contentious administrative law, the jurisprudence presenting, within a short period of time, significant problems, generated by the insufficient correlation of the procedural normative provisions with the existing material law provisions.

Thus, we mainly address the famous distinction between the subjective contentious and the objective contentious, which distinction has been blurred by the current regulation in certain situations. It is the case of the action grounded in the private legitimate interest which, unlike the French recourse for excessive power, does not mention among the admissibility conditions the one regarding the act's objective illegality and, on the other hand, entitles the holder of the affected interest to request and obtain damages just as in the case of an action grounded in an infringed subjective right.

The widening of the protection granted to the natural and legal persons, mainly by means of the possibility granted to them to claim a potential infringement of legitimate interest, make absolutely necessary a re-wording of the legal definition of the legitimate interest.


Another lack we have tired to present and which must be taken into account upon amending the Contentious administrative law is the one regarding the possibility of the issuing authority to request the court of law to cancel its own act, after it can no longer be cancelled as it has entered the civil circuit and produced legal effects.

On short, there can be said that in order to bestow the contentious administrative with real significance, respectively regulating system within the mechanisms of the state of law, it is necessary a "settlement" of the ma-

terial law provisions, followed by the discovery of the specific and proper procedural

means, which would trigger the appropriate fructification of the material law provisions.

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An Hypothesis over IF Trainings

❖ PAUL MARINESCU ❖

Abstract: *The present article aims to make value of already classical concepts of Complex Systems Theory, such as: entropy, syntropy, emergence, feedback, complementarity. Personal experiences in the field of training have demonstrated to me that this can be regarded as a complex system, in which all specific laws of such can be applied. Comparisons I've made over the years between theoretical models and the real world have shown that we always tend towards models, we never achieve them, but it is important that we set them as targets.*

Key words: training, feedback, complementarity, entropy, syntropy.

In today's world, the speed by which events happen imposes a large variety of information which the training and consultancy companies must provide to beneficiary at the right moment.

My observations refer to my previous experiences in training and consultancy, upon various managers' groups configurations. Most times, their reaction was *I would also like...* or *If only I'd knew...* It was then that I realized that a possibility existed to provide information in due time comparing them against objectives which can change even during the training. It is obvious that classic

training refers to the meeting between partners, in which objectives, theoretic structures and practical applications are set out. However, reality has shown that in such moments we can apply a control loop in which, in dynamics, there can be also adjusted objectives, standards, criteria and activities. This means fulfilling several conditions:

1. Interdisciplinary theoretic accumulations of the trainer
2. Various practical experiences
3. Assistant trainer
4. Internet access and access to a data base comprising files in direct connection

with the discussed subject during the training

Under such circumstances, the training can be referred to as **IF** training because compared to the trainees' needs the covered areas can be as various as possible, taking into account that the necessary resources exist: Internet, files, assistant trainer.

The advantages of such experiment which could transform into experience are connected to a series of factors which we can discover throughout the training. If a very busy individual can read synthesis materials or can shave in his car whilst waiting for the street light to turn green, why couldn't we make decisions almost in real time depending on a group's necessities?

The obsession of gaining time is not only the trainee's, but also the trainer's, because the last mentioned one lives simultaneously with the group the experience of finding solutions for a problem which just arises. This knowledge adventure needs two partners: the trainer and the team.

IF trainings need successive **GO TO**-s regarding the access to information or applications we have in various occasions: by Internet or in the data base.

We can somehow also speak of some **DO** cycles, in which the loop condition in the cycle (the training) can be generated by the feedback obtained from the trainees.

At this moment, we can view training as a complex system, in which we consider the key concepts in the complex systems' theory, namely: the Law of Requisite Variety (Ashby Law), the Feedback Law (Wiener Law), the Entropy/Syntropy Law, the Synergy/Emergence Principle (Hacken), the External Complementarity Principle.

In the following I will attempt to explain

in the usefulness in applying such complex systems' laws in the **IF** trainings. What does the Law of Requisite Variety actually states? Within a complex system (the training), the variety upon its finalization (output) can be only modified by applying enough variety upon entering the training (input). What I am trying to say is that applying a variety of personal experiences and theoretic components upon a system's input point (in our case, the training), the variety of outputs reflected in the trainees' experiences and attitudes will be large enough so that the contexts in which they'll evolve to make value of their abilities.

From the Feedback Law, in any complex system at least one feedback loop exists. Such loop defines the relations circuit between the system's variables. Can we speak of the existence of the reality in which the feedback law effect can be reflected during training? I'd say yes, given the fact that in the communication dynamics the partners (trainers and trainees) permanently have expectations which can be translated by questions, answers, expectations, and confirmations.

During feedback, it is necessary to ensure system stability, by the control we must have over ourselves as trainers, over the trainees and over the information and experiences we transmit. Therefore, it is highly important to be reactive in our relations with the "class", because a balance should be created and maintained which could emphasize our competencies and could define or improve the trainees' abilities.

Our observations regarding the training are attempting to also make value of the Negative Entropy Law (Syntropy/Entropy Rapport), which stipulates that in closed systems entropy is permanently and visibly increasing. In other words, in closed systems

the global evolution tendency is from order towards disorder. It is natural for a training program as complex system to not be a closed system, because the successive feedbacks applied within the system, and also in its relations with other systems contributes to defining such as an open system. Thus, from this stand point we can refer to increasing the system's order by creating connections between the system's entities, so that the results would lead to objectives achievement.

Experience has proven to me that the emergent effect of Hacken (synergy principle) is covered by or included in analyzing trainings as complex systems. Why? It is very simple: grounded on the principle's stating, saying that "the total effect of the interactions and interdependencies in a complex system is non-additive in rapport to local effects, within component sub-systems". The natural question arises: if we define a training program as a complex system, will it have sub-components? Why not? For instance, we can emphasize the accessed files, the trainees' experiences, the accessed applications, etc. From this stand point, the synergic effect is translated by the results valorized by making use of the sub-components throughout the system, and hence on the trainees' level.

Judging a system cannot be made by isolating such, but by placing it in more complex systems (for instance, educational system, social system, information system etc.).

Closely connected to the Feedback Law, we can also analyze the External Complementarity Principle, implying that every system can be evaluated as:

- System which can be submitted to distinct analysis
- Sub-system which must be analyzed within the system in which it is a part.

This actually means that the said system – the training, is part in a higher system, the connection between the sub-system and the system being made by a feedback loop. Let's assume that we refer to the national educational system, which has more sub-systems. In view of the External Complementarity Principle, it can be demonstrated that the sub-system represented by training is a logical and lawful part in the educational system, with the components of which it is strongly connected by numerous feedback loops. In order to finalize this analysis, we must position the sub-system within the system, grounded on elements such as:


- The **real system** – the training, which cannot be analyzed isolated, but in casual correlation with other sub-systems in the educational system;
- The **environment** in which the educational system exists, formed of sub-systems with which the real system is connected on the horizontal, on the vertical or in depth, and the system comprising such (the higher hierarchical system)
- The **external complement**, other sub-systems with which the analyzed system does not have direct relations or with which it has low intensity relations. These can be ignored by the systemic analysis.

The contexts in which necessities for training are defined are very various and numerous expectations can occur. It is clear that satisfying expectations on the organizational level is also the result of the quality and quantity of the resources the organization has. From this point of view, organization (resources consumer) has the interest of valorizing as much as possible trainings, because such educational experiences cannot be repeated, exactly because of the lack

of resources. That is why training and consultancy companies must regard as an opportunity and not as a limit this reality of the contemporary companies. Finally, this is also about the way in which we position ourselves in front of a reality. Therefore, after all IF trainings are another positioning type in the

trainer's rapports with the companies' availability of allocating their resources in order to train their people. This is why I found that a combination I used to make in informatics between **IF**, **DO** and **GO TO** can be not speculatively, but demonstratively be covered by the training activity.

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A possible chain of motivation

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Abstract: *On a world-wide basis there is a growing concern about organization's capability to retain their top talents. In the specific case of a student's organization – Team Work - we confront with the same problems: how to inspire our members to act in the spirit of the values we share: professionalism, team work and voluntariate, and how to determine them to remain part of the system. This is where motivation appears like one of those terms that can mean very different things depending on exactly where you sit. The aim of the present paper is to draw a schematic picture of how it can work a chain of motivation in Team Work and other similar organizations.*

Key words: motivation, individuals, organizations, coaching, mentoring.

Motivation is critical factor in occupational performance. We are talking here of an individual's source of energy and what directs and sustains it. If organizations want to learn, adapt, change and innovate they need a strong element of dynamism in their workforce and in this purpose we present a possible itinerary of motivation in an organization.

1. The individual

Every organization wants to get the best out of people and this means treating them as individuals not as components. Everyone is different and so, getting the best out of them means treating everyone differently. This presents a problem for most of the organizations and the most simple and obvious

causes for this situation are time and money. Volunteers associations are strictly related, in two opposite senses, to these causes: sharing *time* with *no money* involved as retribution, but most important are related, in every possible way, to individuals.

2. One size fits all

Taking the message above, we find ourselves in a very advantageous position: if the purpose of an NGO is generically to help others, and particularly for Team Work to help students integrated at their best in the professional life after college, we can say that motivating people to do this helping is one of the first tasks on our job description.

While it is true that it is essential when motivating to consider the very personal needs of the individual, it is also possible to define a set of practices that will work across the population, provided that you are prepared to establish just which elements an individual needs and the particular way of meeting those needs that fits best. It's a bit like running a clothes shop. The traditional, interchangeable component view says that you only need stock one size and style of each type of garment. On the other hand, the sensible response isn't to design a whole new type of garment for each person. Whether you make-to-measure or sell off-the-peg, you will have the standard set of products like shirts, trousers, skirts and dresses.

One approach to tailored motivation is the Maslow hierarchy developed by Abraham Maslow. This provides a five-tier view of the factors that motivate people. Maslow's theory was that once one tier was satisfied it ceases to be a motivator and we move up to

the next tier. The five stages are basic physiological needs, safety from fear, social needs, appreciation and pecking order, and realizing your potential. While Maslow's sequence seems much too structured for reality, these five elements all contribute to an individual's need for motivation, and at any one time an individual is likely to be more in need of certain elements – being in tune with this requirement can help a lot.

3. A relationship

The need to choose an appropriate approach to motivation of an individual implies having a relationship with that person. It is necessary to know the individual to best be able to motivate him. This doesn't mean you have to be drinking buddies or soul mates – just that knowing the individual is an essential to tailoring the motivation to fit.

As the relationship builds, you can see which type of motivation is best suited at the moment because needs aren't static, they will change over time.

4. Coaching

All the ways you can motivate an individual are about enhancing performance and developing job satisfaction, but coaching takes this specific approach of bringing an under-performer or helping someone who simply hasn't got the experience to do a job well. To be a great coach you don't have to do the job yourself, but you do have to have an understanding of what it is about.

The coach has to be aware of the requirements of the job and must be able to assess what is lacking in the individual. It may be a

matter of training or practical experience. It may be that there are particular aspects of the role of the individual that need bringing on. It may also be that the individual is attempting a role or task that is totally unsuited for. While this can sometimes be developmental as a one-off experience, the coach needs to be able to say that enough is enough and direct the individual away from this area. Here motivational skills rest in identifying other positive directions, so the individual is encouraged into a positive alternative use of his time, rather than being told that he is incapable of doing the original task.

5. Counselling

Coaching generally assumes there is some skill or experience missing from the individual's performance. Sometimes all that is missing is self-esteem. The sheer belief in "self" that can allow an individual to soar. Some individuals come with a natural self-confidence that carries them through, meaning they can take on a new role and act as if they were born for it. Others will be hesitant, either because they have a low opinion of themselves in general, or because they "know" that they can't do this particularly.

When counseling someone who believes themselves incapable of the task, it is important to understand why they think this. It is often the case when an individual has less academic qualification than their peers, or is very new to a job while surrounded by experts. The aim is not to make the person over-confident, and hence derided by their peers, but to give them the confidence to try (and potentially try several times in the face of failure).

6. Transforming

Like it or not, some tasks are boring and unattractive. They are naturally demotivating. It can also be the case that individuals bring an external problem into the workplace that can undermine any natural enthusiasm for the job. In such circumstances, the motivational role is one of identifying the problems and fixing them. This is a lesson from leadership – where a manager's role is often seen as making sure that staff do the right things – one of the leader's main tasks is getting the obstacles out of the way so that staff can get in with the real work.

Here motivation can take a wide range of forms. It might involve restructuring the task. A classic example would be moving from the soul-destroying repetition of undertaking a single action to involvement in the whole process of constructing a part or assembly. Such a change of direction gets better buy-in and results in better quality output. Similarly, other repetitious tasks can be varied by interlacing a range of activities.

Equally, motivation might involve special incentives. If there is no way to break up the tediousness of the task, find ways to add a side attraction. Special incentives need to be obvious and immediate: perhaps a prize for the day's best performance, or even a lottery with entries dependent on the products of the tasks.

7. Mentoring

Perhaps the hardest individual motivation is dealing with the high performer, someone who is already doing the job well. So why bother to motivate them at all? In

part because of retention. Just because someone does a job superbly well, it doesn't mean that they want to stay in it. They are susceptible to outside lures that makes positive motivation to stay a real benefit for the company. Also, however good they are, it doesn't mean that they can't be motivated to do more.

There's another factor to motivating the high performer, too, which paradoxically conflicts with the first argument. It may be that you need to motivate them out of their present job into something bigger and better. This is a difficult one for those who see motivation as only being about getting the most out of a resource. In our opinion a major reason has to be concern for the individuals – you should want them to go on to something better, just as you would your child, even if it hurts when they leave the home. However, there are less altruistic motives, too. Keep a high performer down and eventually they will turn on you, becoming more and more destructive and devious.

Achieving motivation in this type of situation involves a role that may sound rather like coaching, but is actually quite different – mentoring. Mentoring doesn't put you in a position of authority, or even necessarily of expertise. As a mentor you are a sounding board for the individual's ideas and thoughts. You give them a chance to think things through with an intelligent audience. You can suggest different ways of going for-

ward and ways of assessing those opportunities. You can even say what you would do in such circumstances. But in the end, your role is as an unthreatening, trusted person to discuss options with. This can be a highly satisfying role for you, and will be greatly valued by the individual. You may even end up in a mutual mentoring relationship, although you often find that your own mentors are different from those from whom you provide mentoring.

8. Avoiding demotivation

Motivating a person is not just about enhancing the positive – often it is about removing the negative. Whatever the positive needs of the individual, there are dangers of demotivating from sources that are common to everyone. In fact, a number of common factors that are often regarded as motivational actually aren't. Instead, they are elements which will demotivate if absent, like salary and perks, which doesn't make the case of a volunteers association.

Recognition, having true responsibilities, doing something interesting and discovering the realistic potential are the motivating factors we try to impose in our organization, by implementing the steps described along the paper. It is not easy but there's a very simple explanation behind it: we are truly motivated to change things around us.

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