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Coaching as Organizational Chance

The use of individual coaching ensures a forming experience for managers from the medium and higher levels. When we coach managers it is highly important to consider not only the development of their personal aptitudes, but also their awareness and self-knowing capacity. A successful manager creates a distinct and personal management style which is in the same time compatible to the organization.

The change of organizational reality depends on the actions and practical approaches which truly responsible managers undertake. In each manager's personal path three defining elements should be taken into consideration: his aspirations, emotions and personal history. Considering one's personal universe can provide both the coach and the manager with the possibility of identifying the universe of the personal dimension which then becomes the credo in which individual and organizational successful combinations will be created.

In his personal development, a leader also has to undertake his past, because connections in our personal history and the circumstances of the present and future are profound and potentially transforming. The existence of connections between the past, present and future free the leader and allow him to explore new management styles which belong to the learning area. We can actually talk of the possibility for the one experimenting of making the distinction between „to be" and „to do", in which an important role is played by four dimensions of existence and creation: the physical dimension, the emotional dimension, the rational dimension and the trans-personal dimension.

Prof. Ph.D. Paul Marinescu

Use of Cryptography in communication

~ University Junior Assistant Ioana-Julieta Vasile (University of Bucharest)

Abstract:*This work envisages the presentation and analysis of important cryptographic systems in the field as well as the way these systems have been applied during the course of time. The work presents the advantages and disadvantages that derive from the use of cryptography while also emphasizing the importance cryptography has had along the way. Not least, the present article shall analyze the "Pretty Good Privacy" model – a widely used system nowadays, whose decryption key has yet to be found.*

Key words: code, message, communication, privacy, technological revolution

Introduction

The paper presents itself as a theoretical and practical approach to the phenomenon that characterizes communication and the means it is achieved through, without being endangered by unforeseeable factors that would alter the information flow. All along human history, both the desire and necessity of confidentiality in communication have perfected the science of secret writings, today known as cryptography. Now more than ever, cryptography is a safe method of maintaining the secret character of a communication. Messages were often intercepted during the communication process between two persons, thus jeopardizing the communication itself. In order to keep information secret, mankind has sought to develop various techniques by which meaningful information would be rendered meaningless during the time of its travel to the recipient. The recipient then, using similar techniques, would restore the message back to its original intended form, resting assured of its secrecy.

Currently, information plays a crucial role in the establishment of inter-human relations. Thanks to IT development, people on different continents can immediately interact through e-mail, videoconference or chat programs. Also due to technological development, people's way of communicating has changed, and the exchange of information is accessible to everyone, fast and up to date. Along with the development of communication channels however, various methods of intercepting (e-) mail and phone conversations have also emerged. Information confidentiality has become an intensively debated topic these days in the wake of illegal intercept of communication. As such, cryptographers around the world have tried to create powerful encryption systems, which an unwanted party would not be able to decipher.

Evolution of cryptographic systems

From the very beginning, one must mention the confusion within the terminology of the cryptography field. The notions of "code" and "cipher" are often used to designate one and the same thing, although theoretically there is a clear difference between the two. "Code" refers to the word-level substitution, whereas "cipher" is the letter-level substitution. In daily life though, people use one of these terms to represent the meaning of the other, and the most utilized one is the "code".

Cryptology is the science that deals with information security, and its purpose is to fulfill four security criteria: *confidentiality, authentication, data integrity and non-repudiation.*

Confidentiality makes sure that nobody apart from the recipient may "read" the message. Currently, this criterion is more and more highlighted by human rights promoters and any attempt to breach one's confidentiality is harshly criticized and even more so – punished. In the past, the indiscretion that a received letter might also have been read by the recipient's relatives or close friends was easily overlooked; today however this is more than blameworthy since modern society emphasizes the individual and his / her privacy.

Authentication implies the possibility of identifying the information source, thus preventing a forged signature on the message. Letters that had been sent to kings or queens have every so often been intercepted by enemy spies who tampered with the content of the message, thus manipulating the judgment of the consignee. This is why in past times as well as today, every piece of information is personally signed so that it would not raise questions on the recipient's part. Still, even if a king has a custom seal applied on hot wax poured onto the letter, or even if an electronic authentication should provide enough credentials to the recipient, sender authentication is more or less credible, bearing in mind the various methods of forging the sender's signature.

Data integrity enables the protection of the sent information. Just like authentication, data integrity guarantees the truthfulness of the message being sent. If it is intercepted and if the content of the message is altered, unauthorized persons are able to modify the information content, misleading the recipient. Data manipulation may entail processes like insertions, delays, or substitutions.

Non-repudiation is the fourth security factor of cryptography. This deals with the denial prevention of previous engagements or actions. It refers to actions by individuals seeking to inflict moral or material damage (mostly) through the use of the Internet, but also through letters; it also pertains to the impossibility of convicting these individuals due to lack of proof. Currently, the latter is no longer an issue, since every piece of e-mail, and any bank transfers are made via the Internet, any intruder trying to breach the network and alter the data would easily be detected and pursued through the viable electronic address track down systems.

If all of these factors are observed, information transmission is secure. Let's not forget the fact that along with the development of the data security field, counter measures have also gained momentum, in the form of various groups acting towards breaching the security barriers of the data transmission.

The first secret writings go back to ancient Egypt and Babylon, but also Greece. The first tangible piece of evidence as to the use of secret writing is recorded during the reign of the roman emperor Julius Caesar, who also was the creator of the cipher that bears his name. Still, before this cipher, in Herodotus' testimonials[1] one may observe an early form of the writing used by Julius Caesar.

Herodotus tells us of the disputes between ancient Greece and Persia in the 5th century B.C., of Greece's war for freedom, and Persian oppression. From Herodotus' reports, the use of secret writings by the Greeks had been decisive in repelling a surprise attack by the Persians. An exiled Greek named Demaratos, living in the Persian city of Susa is said to have observed the Persians' preparations for war. In his desire to warn the Greeks of the inherent attack, and in order to keep the message secret from the eyes of the road guards, Demaratos carved his message on a writing board, and then covered it in wax, thus rendering it blank again. It is said that when the board reached Greece, Cleomenes' daughter Gorgo was the one who discovered the secret behind the blank board. The wax was removed, and the message was spread around the country.

Thanks to the secret note, Greece successfully defended itself against the Persian attack.

Another of Herodotus' examples presents a similarly clever strategy of hiding a message. Hystaeus, a Greek citizen of king Darius' court used an original method of concealing his message, upon delivery of a secret message to Aristagore, his substitute in Miletus. The message was to contain information intended to persuade Aristagore to start an uprise against the Persian king. To send his message, Hystaeus had one of his slaves shave his head and then, using a short pointed dagger carved his message on the slave's scalp. He waited for the hair to grow back and cover the message, and then he sent the messenger who delivered the precious information. Such writings have been reported ever since Herodotus, describing various techniques of hiding messages. Apparently, the most utilized one is the writing in invisible ink. Different recipes have been used in writing invisible messages, of which we name but a few: the secretion of a plant (Thithymallus), used by Pliny the Elder, an ancient Roman nobleman, scientist and historian. The substance, when applied to paper and then reheated, turns a brown color. Another example is the one used by Giovanni Porta, who described a method of hiding a message inside a boiled egg. Using a substance mixed from 30 grams of alum and half a liter of vinegar, he would apply it on the boiled egg's shell. The sponge-like surface would allow the substance to impregnate on the egg white while remaining invisible on

[1] Herodot, *Istorii, vol. II, Cartea a VII-a*, editura Științifică, București, 1964

the outside. The recipient would only have to peel the egg and read the message. Such recipes for invisible ink types are also described by Roman authors. In his work, Victor Udrinschi[2] shows the formulae for multiple types of invisible ink, and moreover, the substances that would reveal the hidden message, rendering it visible again.

The secret writing, by which information is hidden, is called steganography. The word comes from the Greek „steganos" which means „cover", and „graphein" meaning „to write". The use of steganography has proved to be safe to a certain extent, although a thorough checking of the messenger lead to the discovery of the message. This is why in order to render a message useless to the unintended party, cryptography has evolved alongside steganography. (from the Greek „kryptos" meaning „hidden"). Cryptographers deal with the design of encryption systems intended for safe delivery of information. As opposed to steganography, cryptography does not hide the message itself but its meaning through encryption: "in order to render a message meaningless, it will be encrypted by a special protocol, upon which both sender and recipient previously agree. This way, the recipient is able to reverse the encryption, giving sense to the message once again." Even if the enemy intercepts the message, it will be very difficult if not impossible to decrypt it. To better secure the information, cryptography and steganography can be used together just as the Germans did during the Second World War: "German agents in Latin America would shrink a text page by photocopying it, down to the point where its diameter would be less than a millimeter in size and then hide it in the top side of an apparently normal letter" .

On the other hand there are cryptanalysts, the ones who intercept and decipher secret messages. Often cryptanalysts are very well informed as to the encryption methods, and so manage to reproduce encrypted messages using cryptographers' patterns. This has determined the cryptographers to constantly develop more and more complex encryption systems and keep them secret for as much as possible.

Pretty good privacy (PGP)

Currently there is a method by which sent messages remain safe up to the point of delivery. The PGP software encryption program launched in 1991 by Phil Zimmermann has caused an ample debate around the existence of such an encryption system. The ideas of creating a powerful enough encryption system and its development have proven to be two different phenomena. Along with the launch of the PGP, two sides have emerged, the pros, and the cons. On the one hand, the side that supports the use of PGP is made up of common people and human rights activists, who see this program as the ideal platform for enforcing the right to confidentiality. On the other hand, the side against the PGP is made up of government institutions and security agencies which argue this program enables communication between evil-doers and therefore should be banned from use. Two consequences arise from the creation of PGP. First off, PGP is more and more used by normal people because it provides security to the message. Secondly, the vehement reaction of the security agencies pertaining to this program has once again demonstrated their

[2] Victor Udrinschi, *Criptografia. Diverse procedee de a coresponfa cifrat*, Editura Tipo-Atkis, Bucuresti, 1996, p. 116-123

inability to break PGP encrypted messages.

On the other hand, the use of encryption systems also simplifies the way we communicate. We are right in stating that the communication process is hardened by disturbing factors such as noise, which, in the Internet environment translate into abstention, or rather selective communication due to the fear that a third party may be eavesdropping or intercepting information. Today, more than two billion people use the Internet and are able to organize electronic meetings (of various sorts), in real-time, manage financial transactions, talk to friends or relatives no matter where they are in the world. The use of powerful encryption systems such as PGP is absolutely necessary to the wellbeing of the communication process.

In the economic field, encryption systems play a crucial role. Every so often a company is harmed by another company which has gained access to sensitive information and used it malevolently. The development of client-company relationships in the last decades requires constant data communication between the two parties, and encryption systems have offered a proper environment for this purpose. For example banks can immediately receive client reaction and if necessary adjust marketing strategies and modify program elements according to client preferences. Of course all these elements are confidential, as they are destined to the client-bank relationship.

The positive impact that PGP has had, has spread over cryptography in general, and the usage of this program as well as many other encryption programs has become indispensable when viewed in the context of Internet communications. The fate of cryptography nowadays depends on the arguments one can produce, be they pro or against it. As for the PGP software encryption program, it now enjoys an ever-growing number of users and the PGP Corporation has created additional encryption services intended for digital telephony and chat programs.

In Romania the PGP encryption system has not made that big an impact on society as it has done in the developed countries. The number of PGP users is limited and those who have even heard of it are reluctant to use it since they don't see its necessity. Although PGP or other encryption programs are free to download from the Internet, those who use encryption systems in Romania remain banks, corporations, or military forces. One of the main reasons why users of e-mail or digital telephony rely solely on the respective programs' security methods is NSA's, or other agencies' relative lack of interest toward us . One must add that the necessity to use PGP or other encryption software is up to each individual in part and if someone really wants his or her information to remain secret he or she will previously make sure of that.

Conclusions

The need of confidentiality in messages has determined the emergence of cryptography. Along with the first encryption systems, cipher and code cryptanalysis techniques have also evolved. The fight between the two (cryptographer and cryptanalyst), has contributed to the evolution of cryptographic systems and to the ever-growing people's interest in information confidentiality. Currently there is no answer on cryptanalysts side to such a powerful system as the PGP. As we have seen along the way however there is no unbreakable or undecipherable code. It's probably only a question of time. In fact this is the most elegant aspect of the PGP: it's not the complexity of the system that baffles the cryptanalysts but the time needed to determine the values that lead to the decryption of the program.

In the future we can only hope that a new technological revolution will contribute to the decryption of programs such as PGP, and researchers claim that quantum physics will have something to say about it. According to theorists this new field will totally change the way computers function, boosting their performance by several orders of magnitude. Even if quantum computers will be of great help to cryptanalysts, the emergence of this new technology will also lead to the development of new and far more powerful encryption systems. And so the battle between cryptographers and cryptanalysts will go on and a total success on either side is improbable.

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Greeting cards – instrument in promoting company image

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Abstract: *The present paper attempts to emphasize the more and more eloquent tendency for companies to use religious, traditional holidays (Easter and Christmas) and the events organized upon such occasions in order to promote their image. For this purpose, the greeting cards and presents (either customized or not) sent by companies to their business partners, employees, clients etc. The conclusion of this study is that greeting cards and presents accompanying them represent besides a way of promoting the company's image a mean of reinforcing inter-human relations, in the same time answering to politeness and good manner norms.*

Key words: greeting card, organizational communication, habits and mentalities, image promotion.

For most of us, traditional holidays (Easter and Christmas) represent the most beautiful time of the year. We wait for them impatiently in order to give and receive gifts, and to be with our loved ones. Although for some they don't have the same spiritual content as they used to have, for multinational companies they tend to become more and more an important business opportunity, an acerb competition for conquering market supremacy. Holidays have always been of large social importance. Even in ancient times, community leaders used to "get down" among the citizens, both in order to enhance the connections with them, and to show their power and greatness. Today, more and more companies give small parties for their employees at the end of the year or on Easter on the company's expense, and that is precisely in order to enhance socialization between employees. In the search for various occasions for communication, for promoting their image, companies have started to even enter areas which until not long ago used to be a part of inter-personal communication. Thus, religious or traditional holidays, various names days etc. which not long ago used to be celebrated rather in family or with close friends, have become in the last decay events marking more and more companies' life.

From various commercials with specific message for the holiday, to an entire signaling system regarding the moment in inter-companies communication, these are all means for increasing visibility, to which companies allocate larger and larger resources.

That is why we consider important to bring to discussion a tool used by all company managers but in the same time avoided and minimized in the specialized literature. That is greeting cards – either customized or not – used by companies upon various traditional holidays. For organizations, companies, politeness rules impose for greeting cards to be sent to business partners, collaborators, clients and even employees. Some managers ask themselves if it is useful to send greeting card on birthdays or name days of their business partners or employees. Although this would mean both a financial and time effort, we consider that on a long run the gain for the company is proportional to the investment. Why? Because they represent a way of enhancing employees' loyalty and also of reinforcing the relations with business partners. They allow for positive association by connecting the company's name to festive moments. In this respect, it is important for any company to have a updated data base, in order for the greeting card to not become a communication error.

In order to ensure a better understanding of its function and role in communication, we will recall for a number of milestones in the history of printed greeting card, so that to underline the senses added in current usage, as mean for promoting a company's image.

It appears that the custom of sending greeting cards is quite old. In ancient China, Chinese used to send greeting cards containing good wishes, on the occasion of the New Year. Ancient Egyptians also were sending small greetings to each other, yet on papyrus. The oldest greeting card dates back in 1400 and was sent on Valentine's Day, but the true habit of sending greeting cards didn't start until in 1800s. It was pretty expensive to send a greeting card at that time, and that is why such was the privilege of the rich. The tradition of Christmas cards originates in England by the middle 19th century.

Predecessors to Christmas cards are considered special letters sent to the loved ones in the eve of winter holidays by the boys who were being educated in internship schools, far from home. These letters, named "Christmas Pieces" were particularly laborious and proved to the parents how well their children had learned to write and draw throughout the school year.

The first mass marketed greeting cards appeared in 1843. The English business man Sir Henry Cole, too occupied in order to write traditional letters to his friends and business partners, asked the well known London artist J.C. Horsley to draw a greeting card which was then printed in black and white and colored by hand. The suggestive drawing was accompanied by the text "A Merry Christmas and a Happy New Year to You" (the original is exposed at Victoria and Albert Museum in London). A total of 1000 copies were made and sold by a shilling a piece. The idea was taken over by other traders also, so that by 1860 Christmas cards were produced and sold on a quite large scale.

In the USA the first Christmas and New Year greeting cards were made by a German lithograph Louis Prang in 1860. They had a simple design and the greeting "Merry Christmas", they were colored and represented scenes from winter tales. As time passed by, the habit of sending greeting cards on various occasions developed throughout the world, becoming a real industry.

As it is known, in our country the first illustrated greeting cards occurred in the second half of the 19th century. In developing the cards industry an essential role was played by "private enterprisers", who introduced a significant number of illustrated greeting cards in the postal circuit (especially on Christmas, Easter and New Year). However, time has transformed greeting cards in a genuine epoch document, remaining an open window towards the world of knowledge. We are in the 21st century, the century of mobile telecommunications, fax, Internet, and classic correspondence by means of letters and greeting cards has unfortunately become unfashionable. Who today has the pleasure of writing down on a piece of paper a few greeting words for the loved ones and then of taking it to the postal office? Maybe only our grandparents, who don't know how to use the Internet and who are still living with the nostalgia of the times when sending a greeting card meant correct wording, choosing the right word, because they were out in the view and anyone could read them. The material support of the greeting card determines a way of writing, so that the freedom of expression, independency of the rhetoric plan should be reconsidered.

Nowadays, a few tens of billion greeting cards are sold each year worldwide and that given the fact that the ever growing offensive from the electronic version is becoming obvious.

As a general tendency we can say that printed greeting cards are becoming more and more the advantage of organizational communication, whilst its electronic form seems to gain land on the level of inter-personal communication.

In the following we will try to discuss the reasons for such tendency.

Printed Greeting Card versus Electronic Greeting Card

According to statistics, during the past years the evolution of printed greeting cards sales has registered a transformation emphasizing the change of the greeting card's statute as inter-personal communication tool.

For instance, the manager of a well known book shop in Bucharest said in an article published in Ziarul Financiar that last year on Christmas 10,000 greeting cards were sold, out of which most of them were purchased by companies. This shows that in inter-personal communication greeting cards are more and more replaced by SMS, MMS or e-mail, sometimes accompanied by images. We live in the speed century, in the era of advanced technologies, so that Internet has become a daily instrument, almost indispensable relating with time and space.

We can notice that in our country also more companies are using the electronic version of greeting cards (either customized or not), also known as e-cards, because the offer is really diversified and attractive, because they are usually for free and comfortable to use. Situations however exist in which companies forget to send greeting cards and they choose in the last minute the electronic form – better than nothing.

The question is why most companies still prefer the formula of printed greeting cards. There are at least two answers for this question:

First of all, politeness norms impose for printed greeting cards to be sent by post or courier, and using more comfortable means, for instance e-mail or fax is perceived as a symbol of lack of respect.

Secondly, transmitted in physical form, greeting cards become a way of making the company's identity elements visible. Bearing the company's logo and colors, besides its protocol function the greeting card also has the function of providing a way of recalling or reminding the brand's name in positive associations with the holiday's feelings. In other words, we are referring to its company image promotion function, corresponding to a general tendency by which greeting cards have become rather a brand communication tool, than as shown in its history, a tool of inter-personal communication.

That is why most companies are printing special editions of greeting cards the design of which is ordered to more and more numerous advertising agencies. These agencies are receiving an increasing number of orders for greeting cards in "business class", of a more elegant tone, with quality finish lines and special colors, which brings them out of anonymity.

The problem occurring is that of choosing the visual elements, representing the key of the greeting card. In this respect, we can notice two major tendencies:

The first one is the one by which the company makes a choice regardless the type of holiday (Easter of Christmas), elements which are very close to its identity. This is the case of companies using as key image of the greeting cards the logo or colors representing them. The only interventions recalling the context of offering the greeting card are a number of formal referrals. For instance, on Christmas the greeting card shows the logo transformed into a globe, and in the case of the Easter greeting card – by the presence of cuts suggesting the form of an egg. This type of greeting cards is gaining more and more land on the market.

The second refers to greeting cards that are extremely focused on the religious context and which only tangential get in touch with brand identity elements. This is the case of a greeting card of a profoundly religious nature sent by a well known institution on Easter last year, printed on manually made special paper. The greeting card presented the image of Jesus Christ, actually representing an icon.

Another greeting card of this type, sent by the state president on the Easter also a few years ago represented a glass icon, entitled "Jesus agony", today one of the valuable pieces of the Brukental museum in Sibiu.

The problem with sending this kind of greeting cards is very delicate, because the rapport between the receiver and the greeting card is extremely special, dictated by its content. If most usual greeting cards are thrown away after a while, such greeting cards impose a certain attitude arising from our religious belief.

In respect with the greeting cards' text, there are some companies and even institutions which take upon a neutral form, so that various religious groups would not be damaged by the Christian content of the greeting cards. Thus, the formula of Merry Christmas or Happy Easter has been replaced by Happy Holidays. Under this circumstances, we must recall that a few years ago the White House officially announced that it renounced the traditional greeting of Merry Christmas, replacing by a more general (formal) formula Happy Holidays.

However, we consider that the greeting cards referring to the Easter or Christmas (as theme) produce more joy, have a larger impact over those receiving them, because as we all know, Easter and Christmas, at least in the case of the Romanians are the most important religious holidays. Nonetheless, regardless the chosen greeting card, the tone, the addressing manner (the second person in singular or politeness plural) are different from one addressee to the other, depending on the business relation between the two parties.

Also, there should be remembered that these printed greeting cards should be signed by hand by the one sending them and that they should even have a few words written by hand, so that to make communication closer and to eliminate the series sensation; even the address on the envelope should be written by hand, avoiding the printed labels. Time might be saved by such, but potential business partners can be lost.

Another tendency that can be noticed in the companies' communication on holidays is that of giving "weight" to the greeting card by adding customized presents or promotional materials. Generally their content is decided by the communication department of each company, depending on its specificity and marketing strategy, as approved for that respective period. Usually, a budget is established within the limits of which presents to be customized are selected. One can even speak of a number "fashion" trends that existed on the Romanian market in respect with types of materials selected by companies. While a decade ago writing objects, calendars represented favored presents, nowadays due to the occurrence of more specialized companies a wide variety of such objects accompanying the greeting card can be noticed. Lately, the habit also occurred of offering baskets with traditional products, specific to the respective holiday (pound cakes, ginger bread, red eggs, Easter cake, chocolate bunnies, flowers, pine trees, customized labels wine bottles etc). Last year's "fashionable" present for foreign partners was the "Romanian Spirit" box, containing CDs with songs from the Romanian culture and a small bottle with our traditional drink.

In the same time, in other countries the practice exists of offering baskets with olive oil, cheese, etc. elements which in our country are considered to be of a too personal nature and which are therefore hardly assimilated to the promotional or traditional presents.

We find it relevant to emphasize some potential mistakes or communication errors in case a certain company decides upon making presents which do not correspond to the relation habits in that respective country. Also, over-appreciation of the present accompanying the greeting card can lead to rejections, refusal. Not-customized presents, very expensive presents or on the contrary ones without esthetic value can damage the relation with the addressee and that is why it is very important for the company's managerial team to make the best decisions and even to include the objects accompanying the greeting card in the company's communication strategy.

In this respect, organizing the process of purchasing and distributing the greeting cards and the presents accompanying them should be started two or three months in advance, because many agencies providing such presents often finish their stocks long before the holidays. Also, free days marking the religious holidays are most times the reason why sending the greeting cards must be scheduled so that the said to reach their addressee before the short vacations for holidays.

It is known that the courier market has strongly developed in Romania and that more and more companies call for these companies' services in order to send presents to the employees, clients, business partners etc. The first step to these measures is communicating with the courier company, in order to establish the details regarding the quantity and type of deliveries, packaging modality. Moreover, the sender should choose adequate packages, because many gifts call for special attention.

Either sent personally, by courier or by post, greeting cards and presents accompanying them should achieve their purpose aimed by the communication specialists, namely of best portraying the company, its values and not least, of answering to the addressees' tastes. Also, there should not disregarded the fact that politeness rules impose that for any received greeting card, one should answer either in written or by phone.

Traditional holidays are also a good occasion for large companies to organize events in order to collect amounts of money for charity purposes and to which usually there are invited TV stations, journalists, VIPs. In the end, this is also about promoting the company's image.

In February 2008 the problem was raised of regulating the tax on promotional materials, which would lead to a change in the policy of offering presents accompanying greeting cards. This will be finalized when the process of regulating is finished on a national level, and financial departments will consider their budgetary consequences. The practice on a global level has demonstrated however the importance of these presents in the companies' communication and consequently we do not believe that these legislative measures will influence the amount or frequency in making holiday presents.

In conclusion, there can be said that printed greeting cards sent upon religious holidays are becoming more and more a way of promoting companies' image, while in the same time they are a way of strengthening inter-human relations, due to the fact that they have an important role in reflecting our beautiful feelings, without excessively subjecting such to modernization.

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Business strategies within the knowledge economy context

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Abstract: *Competitive strategies in the fast-changing information economy are distinct from strategies in more traditional sectors of the economy.*

Today, the reason the entity must consider their intangible asset is because it supports and gives coherence to the strategy itself, and if strategically exploited can be a source of sustainable competitive advantage through time.

Strategy deals not just with the unpredictable but also with the unknowable. Consequently, the essence of strategy is to build a posture that is so strong, but in the same time, potentially flexible in selective ways that the organization can achieve its goals despite the unforeseeable ways external forces may actually interact when the time comes. The essence of strategy formulation is to deal with competitors. However, goal development is an integral part of strategy formulation.

Key words: Business strategies, the SWOT analysis, knowledge economy, knowledge society, the innovation economy, competition, competitive.

Role of Enterprise Strategy

Ever since the days of Adam Smith's "indivisible hand" the idea that a free and decentralized market economy will generate a socially optimal allocation has been alive among economists.

Obviously the successful businesses are those that are able to well-formulate their strategies (Grant, 2005) for innovations or operations; after this, implementation and measurement follows.

Strategy is the way in which a company orients itself towards the market in which it operates. It is a plan formulates by a company to gain advantages over the competition. There is a central strategic issue: why different companies, facing the same environment, perform differently?

Successful companies are those that focus their efforts in a strategically way that's why strategy should be a stretch exercise, not a fit exercise. It is a necessity for every company to have a successful strategy that must add value for the targeted customers over the long run by consistently meeting their needs better than the competition does.

In the mean time, every strategy has to answers to some questions, like these one:

- what are the sources of the company's sustainable competitive advantage?
- how a company will position itself against competition in the market over the long run to secure a sustainable competitive advantage?
- what are the key strategic priorities?

Strategy is an agreed-on guide to action that should lead business to success in the marketplace by satisfying customer needs better than the competition does.

New Goals for Strategic Planning

Our days are characterized by a business environment of rapid changes, heightened risk and uncertainty. That why is critical to develop an effective strategy. Executives must be prepared in order to face the strategic uncertainties ahead and serve as the focal point for creative thinking about a company's vision and direction.

However a lot of companies get little value from their annual strategic-planning process, which should be redesigned to support real-time strategy making, to encourage creativity and so to meet new challenges.

To make sure that decision makers have a solid understanding of the business, its strategy, and the assumptions behind that strategy, a good way is **to build prepared minds** which must to respond swiftly to challenges and opportunities as they occur in real time. So, **to increase the innovativeness of any company strategies** it's important to provide a strategic focus that creates culture for and drives strategic creativity.

The SWOT Analysis

One of the most common and popular framework to formulate strategies for the business units of an entity is the strengths, weaknesses, opportunities and threats (SWOT) analysis.

Frequently utilized even though in an intuitive manner and without knowing its technical definition, with the SWOT analysis an entity may obtained benefit. This kind of analysis is like a tool which allows us to know the real situation of the entity as well as the risks and opportunities that the market offers.

The SWOT analysis means: **S**: strengths; **W**: weaknesses; **O**: opportunities; **T**: threats.

The strengths and weaknesses are meant to be within the internal side of the entity. The threats and opportunities are always the external side of the entity.

Within the context of the knowledge economy (KE) and given the continuously changing times, it is believed that this analysis is insufficient to formulate a reliable, robust, and flexible strategy that takes into account the intangible assets of the entity as the departing point.

The core industries in the new information economy are characterized by imperfect competition, asymmetric information or external effects.

Competitive strategies in the fast-changing information economy are distinct from strategies in more traditional sectors of the economy.

Today, the reason the entity must consider their intangible asset is because it supports and gives coherence to the strategy itself, and if strategically exploited can be a source of sustainable competitive advantage through time. For Teece et al. (1997) the entity's strategy should be formulated considering the most fundamental aspects of the entity's performance, i.e., intangibles resources and capabilities.

Hall (2000) has incorporated a particular type of intangible asset, **e-capital**, into an extended model of technology and productivity growth in order to explain how the stock market boom simply reflects the market value of this e-capital. In Hall's model **e-capital** is defined as *the general business methods based on computers*. This e- capital is exhibited in the body of technical and organizational know-how created by well-educated human capital.

Going a step farther the SWOT framework does not encompass a deep scrutiny considering the information provided by, for example, a business intelligence process. This implies that the competitor analysis might be short-sighted and as a consequence, useful pieces of needed information might be missing.

For Mintzberg et al. (1996), effective formal strategies contain tree essential elements:

1. The most important goals (or objectives) to be achieved.

2. The most significant policies guiding or limiting action.

3. The major action sequences or programs that are to accomplish the defined goals within the limits set.

Since strategy determines the whole direction and action focus of the organization, its formulation cannot be regarded as the mere generation and alignment of programs to meet predetermined goals; the essence of strategy formulation is to deal with competitors. However, goal development is an integral part of strategy formulation.

Strategy deals not just with the unpredictable but also with the unknowable. Consequently, the essence of strategy is to build a posture that is so strong, but in the same time, potentially flexible in selective ways that the organization can achieve its goals despite the unforeseeable ways external forces may actually interact when the time comes.

A well-formulated strategy gathers and allocates the organization's resources into a unique, viable, and winning posture based on its relative internal competencies and pitfalls, anticipated changes in the environment, and contingent moves by its competitors. The strategy states how the entity will be better than its competitors and how effectively deploy its resources to achieve this end. The strategy itself frames the organization's major goals, policies, and action programs into a coherent unity.

Last but not least a well formulated strategy will consider (include) a flexible position as a key issue.

The dynamic capabilities (Teece et al., 1997) approach assumes the exploiting of existing internal and external firm specific competences to address changing environments. They are named dynamic because of the naturally given characteristic of evolving (renewing) through the environmental (internal and external) changes. They are called capabilities because they stress out the point of strategically managing, adapting, integrating and reconfiguring the internal and external skills, resources (tangible and intangible) and competences to face efficiently and effectively the continuous evolving environment.

Barney (2002) defined a strategy as an entity's theory about how to compete successfully. Under this view, successful strategic theories address four aspects of the setting within which an entity operates:

1) An entity's strengths.

2) Its weaknesses.

3) The opportunities in its competitive environment.

4) Threats in that competitive environment.

It can be thought of these four aspects as a SWOT analysis.

The direction and scope of an organization over the long term, which achieves advantage for the entity through its configuration of resources and activities within a changing environment and to fulfill stakeholder expectations for Johnson and Scholes (2002) is a **strategy**.

As a consequence the business unit strategy is about how to compete successfully in particular markets.

The New Information Economy and its Strategic Instruments

For firms operating in the innovation-intensive core industries of the new information economy the timing for the implementation of irreversible investments, like the adoption of new technologies, represents a crucial strategic instrument, the importance of which is emphasized through the presence of network effects. Typically this type of irreversible investments has to be made in the presence of a substantial degree of uncertainty.

According to Grant (2005) strategy is not a fully depicted plan; instead it is a unifying logic that gives coherence and direction of the actions and decisions of an individual or an organization. He claims that a business strategy is concerned with how the entity competes within a particular industry or market. If the entity is to prosper within an industry or market, it must establish a competitive advantage over its competitors. Hence, this area of strategy is also referred to as competitive strategy.

The new economy is bringing the challenge of leadership to the fore. Firms need to change their business models their products, markets, distribution channels, organizational structures, cultures, and more. This revolutionary change can occur only when everyone in the company becomes involved in the strategy.

The creative process will point out winners and not-winners in the global marketplace; the winning firms will be those that can demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competences (Teece et al., 1997). Conversely, those firms that cannot achieve this will, at best, be followers.

The concept of Strategy in the Innovation Economy

In the innovation economy, human imagination becomes the main source of value. The critical challenge for any company in the knowledge age is to create a climate where innovation is prized, rewarded, and encouraged. Growth in the innovation economy comes from small and medium-sized businesses rather than large corporations or governments. *The new economy required educational systems that teach and motivate students to learn and be creative, rather than recall information.* Governments and regulatory frameworks must help liberate the human spirit for invention and creation.

Strategy can be succinctly described as an abstract concept. It enunciates a general vision of the business environment of the entity. This implies to plan, direct, coordinate, and execute. It considers incomplete and uncertain information. Strategy requires strategic feedback for a better strategy re-formulation. It establishes objectives and socially responsible policies for the entity. Answers the question: in which businesses must the entity engage?

Strategy gives sense and coherence to the direction the entity must take considering its internal environment, resources and capabilities, and its external environment, unknown and hostile. It indicates the tactics to fulfill in order to accomplish within a time frame the objectives previously established. It is a systematic way of thinking and acting.

Occasionally the strategy can be exchanged with the goals. The strategy revolves in a complex environment. It is a process that does not present immediate and tangible results; however, it is costly in terms of time and resources (human and economical). Strategy must be a process with both, a flexible and enduring posture. It should be focused on the business processes, especially if its role is to establish how to gain and sustain a competitive advantage to face competitors. Strategy also seeks to establish and rank strategic projects.

Nowadays, the traditional way of seeing and understanding the economy has changed. The traditional resources, meaning: work, property and money spending, which used to be the prime sources of wealth have dramatically changed to a knowledge economy. An **economy** based on **knowledge**. Therefore, *those companies that harness, produce, and utilize more intelligently the available knowledge, will gain a sustainable advantage.*

In order to make the real options approach particularly useful as a way of modeling competition in the new economy, it needs to be generalized in two important dimensions. Firstly, in order to analyze industries where firms in possession of market power compete with each other we ought to incorporate imperfect competition so that there is strategic interaction between the adoption decisions of competing firms. Secondly, in order to capture a complementary system and network effects we should incorporate benefits from adopting a new technology when competitors also do so.

The Knowledge Economy and its Specific Characteristic

In the knowledge economy (Foss, 2002), authority relations will continue to exist as efficient coordination mechanisms, defining the limits of entities in terms of asset ownership is entirely meaningful, and complementary relations between coordination mechanisms will obtain, so that transactions will tend to cluster in discrete structural forms (i.e., governance structures).

In the **knowledge economy** (1995 to date), the best strategy is to invest in connecting power. Competitive advantage accrues to those who invest more than their competitors to connect to more people and share knowledge faster and farther.

One important role for science is collecting, defining, categorizing and classifying knowledge (Hubka and Eder, 1996). It includes finding relationships, structuring, and systematizing. This is because the main issue that distinguishes science from practical, everyday work is the rigor of its methodology (Andriessen, 2004). Human creative imagination gives an important direction for science. Given the importance of science it has to be a point of reference from where the structure of theories and models, new or existing ones, is to keep on blooming. It sets the ground from where the theory and its corresponding model are going to be constructed.

Thow (2003) believes that the value of information and as a consequence knowledge in the organizations will be high because of the globalization of the world's economies and the transformation of the industrial economies into knowledge economies. Not to long ago, information was rarely regarded as an asset to business operations. Our days few managers can afford to ignore the importance of information, and in particular, of knowledge. Knowledge is now managed as a critical resource, similar to capital or materials. This is for real because information is more than a normal physical resource; it is a conceptual resource that can help to bind or break organizations. However, while information plays a role in knowing, it is worth highlighting that many organizations are plagued by poor-quality information, which can have a negative impact on knowledge-based activities (Peppard, 2005).

Another important aspect of knowledge in a "new economy" is its specific characteristic as a factor of production that has grown in importance in relation to the other factors of labor and capital (Evers et al., 2004). Whereas other goods are succumbed to the law of diminishing returns, with knowledge happens the opposite, i.e. it actually experiences rising marginal utility. The more expert a group of consultants or an organization knows, the more valuable they become the individual pieces of knowledge; or to put it differently: knowledge is needed to utilize knowledge effectively.

The Knowledge Economy as a Distinctive Form of Learning

Generally speaking, vertical or horizontal integration tends to be pro-competitive as long as the decisions of firms are strategic complements in markets with imperfect competition. Further, mergers or strategic alliances can be expected to promote innovation activities which make use of complementary system components to create new products or new value-creating combinations of existing system components. In this respect increased concentration tends to enhance the innovation performance of industries. On the other hand, increased concentration enables firms to exploit bundling strategies in order to extract the increased willingness of consumers to pay for more integrated bundles of products or services.

Tracey et al., (2004) believe that the knowledge economy is a distinctive form of learning utilizing intellectual capital in mutually reinforcing institutional environments.

So it can be concluded that in the knowledge age organizations will learn, remember and act based on the best available information, knowledge, and know-how (Dalkir, 2005).

The Knowledge Society

Knowledge society is much more than informational society and informatics society. Actually, the last two mentioned ones are included in the knowledge society. From the moment when Internet intervenes, with its great advantages (e-mail, electronic commerce and electronic transactions, Internet market), by including in the electronic information area as many citizens as possible, the shift is made towards informational society. Knowledge is meaningful information and acting information. That is why knowledge society is not possible unless connected to information society, of which it is inseparable. In the same time, it is much more than informational society by the major role of information – knowledge in the society. The best meaning for knowledge society is probably that of **informational and knowledge society**.

The name of knowledge society is nowadays used worldwide. This name is short for knowledge based society.

Entities develop and maintain competitive advantage because the ability to continuously improve, innovate, and upgrade their competitive advantage through time. *Upgrading* is the process of shifting advantages throughout the value chain to more sophisticated types, and employing higher levels of skill and technology. Successful entities are those that improve in ways that are valued not only at home but elsewhere. *Competitive success* is enhanced by moving first in each product or process generation, provided that the movement is along a path that carries evolving technology and buyer needs, and that these early movers continuously upgrade their positions rather than rest on them.

This theory assumes that entities have considerable discretion in relaxing external and internal constrains.

The implementation of competition policy might in general be more difficult in the core industries of the information economy than in "traditional" industries. In the new economy the competition policy concepts and instruments always need to be modified so as to fit not only traditional and static views of competition, but also the dynamic features of competition in the high-tech network industries. Similarly, antitrust evaluations of switching costs are bound to be industry-specific. If long-run competition in the form of introductory offers or commitments to loyalty programs represents the empirically relevant type of competition switching costs seem to imply no major antitrust concerns.

As we can see, technological progress, network externalities and international competition all represent disturbances relative to the common wisdom outlined above. With the *innovation intense competition typical for the information economy*, innovation is increasingly driven by firms that win temporary monopoly power, but enjoy it only for a moment before being replaced by a company with a better product that itself gains a short-lived monopoly position. This suggests that the information economy may feature more monopolies than the traditional sectors of the economy, but that these monopolies may harm consumers only for a limited period of time. Indeed, if these market dynamics encourage innovation, consumers might actually benefit from the dynamic efficiency generated by high market concentration. Analogously, the presence of network externalities offers additional strategic instruments whereby incumbent firms might be able to abuse dominant market positions. Finally, the presence of export revenues in imperfectly competitive international markets, in its turn, means a shift in the tradeoff between consumer and producer interests.

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Poverty – a major economical problem

~ Assistent Professor Somogyi János (Budapest University of Technology and Economics)

Abstract: *Poverty is the state for the majority of the world's people and nations. Yet there is plenty of food in the world for everyone. The problem is that hungry people are trapped in severe poverty. They lack the money to buy enough food to nourish them. Being constantly malnourished, they become weaker and often sick. This makes them increasingly less able to work, which then makes them even poorer and hungrier. This downward spiral often continues until death for them and their families.*

Why is this? How is to blame? Poor people for their own predicament? Have they been lazy, made poor decisions, and been solely responsible for their plight? What about their governments? Have they pursued policies that actually harm successful development? Such causes of poverty and inequality are no doubt real. But deeper and more global causes of poverty are often less discussed. This article explores various poverty problems in more depth.

Key words: poverty, states, economy, crisis, nations

A major cause of poverty

Cutbacks in health, education and other vital social services around the world have resulted from structural adjustment policies prescribed by the International Monetary Fund (IMF) and the World Bank as conditions for loans and repayment. In addition, developing nation governments are required to open their economies to compete with each other and with more powerful and established industrialized nations. To attract investment, poor countries enter a spiraling race to the bottom to see who can provide lower standards, reduced wages and cheaper resources. This has increased poverty and inequality for most people. It also forms a backbone to what we today call globalization. As a result, it maintains the historic unequal rules of trade

One of the many things that the powerful nations (through the IMF, World Bank, etc.) prescribe is that the developing nation should open up to allow more imports in and export more of their commodities. However, this is precisely what contributes to poverty and dependency.

The impact of these preconditions on poorer countries can be devastating. Factors such as the following lead to further misery for the developing nations and keep them dependent on developed nations:

- **Poor countries must export more** in order to raise enough money to pay off their debts in a timely manner.
- Because there are so many nations being asked or forced into the global market place—before they are economically and socially stable and ready—and told to concentrate on similar cash crops and commodities as others, the situation resembles a large-scale **price war.**
- Then, **the resources from the poorer regions become even cheaper,** which favors consumers in the West.
- Governments then need to i**ncrease exports** just to keep their currencies stable (which may not be sustainable, either) and earn foreign exchange with which to help pay off debts.
- Governments therefore must:
  - spend less
  - reduce consumption
  - remove or decrease financial regulations
  - and so on.
- Over time then:
  - the value of labor **decreases**
  - capital flows become more **volatile**
  - a spiraling race to the bottom then begins, which generates
  - social unrest, which in turn leads to "IMF riots" and protests around the world
- These nations are then told to peg their currencies to the dollar. But keeping the exchange rate stable is costly due to measures such as increased interest rates.
- Investors obviously concerned about their assets and interests can then pull out very easily if things get tough.

As seen above as well, one of the effects of structural adjustment is that developing countries must increase their exports. Usually commodities and raw materials are exported. But as Smith noted above, poor countries lose out when they

- export commodities (which are cheaper than finished products)
- are denied or effectively blocked from industrial capital and real technology transfer, and
- import finished products (which are more expensive due to the added labor to make the product from those commodities and other resources)

This leads to less circulation of money in their own economy and a smaller multiplier effect. Yet, this is not new. Historically this has been a partial reason for dependent economies and poor nations. This was also the role enforced upon former countries under imperial or colonial rule. Those same third world countries find themselves in a similar situation

Exporting commodities and resources is seen as favorable to help earn foreign exchange with which to pay off debts and keep currencies stable. However, partly due to the price war scenario mentioned above, commodity prices have also dropped. Furthermore, reliance on just a few commodities makes countries even more vulnerable to global market conditions and other political and economic influences. Poverty is more than simple economic issues; it is also an ideological construct.

What means to be poor?
Poverty around the world.

Third World countries are often described as "developing" while the First World, industrialized nations are often "developed". What does it mean to describe a nation as "developing"? A lack of material wealth does not necessarily mean that one is deprived. A strong economy in a developed nation doesn't mean much when a significant percentage (even a majority) of the population is struggling to survive.

Successful development can imply many things, such as (though not limited to):

- An improvement in living standards and access to all basic needs such that a person has enough food, water, shelter, clothing, health, education, etc;
- A stable political, social and economic environment, with associated political, social and economic freedoms, such as (though not limited to) equitable ownership of land and property;
- The ability to make free and informed choices that are not coerced;
- Be able to participate in a democratic environment with the ability to have a say in one's own future;
- To have the full potential for what the United Nations calls Human

The Overseas Development Institute (ODI) describes poverty reduction as a twin function of

1. The rate of growth, and
2. Changes in income distribution.

The ODI also adds that as well as increased growth, additional key factors to reducing poverty will be:

- **The reduction in inequality**
- **The reduction in income differences**

A few places around the world do see increasing rates of growth in a positive sense. But globally, there is also a negative change in income distribution. The reality unfortunately is that the gap between the rich and poor is widening. For example:

- About 0.13% of the world's population controlled 25% of the world's assets in 2004.
- 20% of the world's population consumes 86% of the world's goods while 80% of humanity gets just the remainder 14%.

Today, poverty is no more then an economical problem it is also an ideological construct. A lot of people die every day and we have to do something to stop this crisis. We, the government, we all can do something to help from the economical side of view the poor states.

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The impact of the globalization and liberalization processes on transition economies competitiveness

~ Associate Prof. Ph.D. Eng. Nicoleta Hornianschi

Abstract: *Under the conditions of internationalization and globalization of the world economy and of intensification of international trade, the question of the integration into the world economy is vital for Romania, as well as for other East-European countries and it consists not only of economic advantage, but also of structural connection with the industrialized states and of gradual approach to the productivity and competitivity standards.*

Key words: Globalization, Reforms, International Trade, Industrial Policy

The fast increase of the economic interdependence among nations – as a significant characteristic for the last centuries globalization – became visible, particularly, through a tangible rise of the developing countries which took part into the international trade and financial flows, fact to generate a better division of labour and, as a result, a more fair distribution in the earnings and investments around the world. But such an outcome can be achieved only by putting into practice at national level stable and judicious macroeconomic policies and a set of „extrovert" comercial policies, meaning, to be targetted mainly towards abroad and, particularly, for supporting the exports.

According to circumstances, the industrial policy reforms in the developing countries and the tranzition economies will be based more and more on aggregate measures to support the increase in the production directed to exports, and **the governments of these countries have to committ themselves to a selective interventions policy in future, carefully oriented to facilitate the industrial restructuring.** Under these circumstances, a special accent is going to be put on promoting the SMEs and the small entrepreneurs in the less developed regions, including the rural ones, so that to facilitate an increase in the labour force employment degree and the rise of the incomes for the more vulnerable segments of the population, especially the women.

The essential issues for which the proper solution determine the accomplishment of a competitive national industry are enumerated, in brief, as follows:

➤Today, the main engine of globalization is the opportunity of extending the profit-generating sources from the national to the planetary level. The liberalization of the international trade as a result of the different negotiation „cicles" practically opened all markets, companies being determined to renew their strategies so that these would allow them the use of all available competitiveness sources – as the cost of labour force, capital and row material; the geographical advantages; the presence of partners a.s.o. – in the countries chosen for conducting capital direct investments (CDI).Theoretically, the international competition gives a stimulus to a better distribution and a more efficient utilization of resources, encouraging the development in this way. Nevertheless, the experience of the last ten years proved, mainly in developing countries, that the unconditioned exposure to the competitive asalt of import products of certain imature and partially non-existent markets compared to the exigences of the capitalist economy did not stimulate these countries' development, but led to the quasi total evanescence of different industrial sectors which – under mature capitalist economy circumstances – would have benefited of survival chances. It is the case for the most Romanian industries which have changed even under the circumstances of evident competitive advantages, not being prepared to cope with the sudden liberalization of the trade in Romania.

The globalization, restructuring and change of the world economy changes the rules of the game for all the players but, in this process, the gap becomes more and more evident between those nations which reached the necessary critical industrial mass in order to become competitive within a globalized economy, on one hand, and those left behing, on the other hand. The development in revolutionary technological fields as, for instance, informatics, biotechnologies and new material, has a major impact on products and processes and also on industrial policies and management.

➤Enterprises – despite their size – are in the middle of this globalized economy. Ideally, these should have the capacity to quickly adapt with flexibility to the dynamics of the technological innovation, the demand evolution and the constant arrival of new competitors on the market, fact easy to be seen with no doubt in many developed countries and which remains only a desired goal for most of the developing countries (DC) as well as for those in transition (TC).

➤The international competition as well as the direct foreign investments (DFI) can, for sure, improve the competitiveness, but, for part of them, as in the case of many Romanian companies, there is a risk for an opposite situation: some economic operators in the industrial field could lose their stability, going down by being confronted with the international competition and strong rivals brought in the country by the DFI. Theoretically, these companies should have as top priority getting a production and export capacity so that to allow them to face the international competition without endangering at the same time the political and social internal stability.

➤It is known that, in the broaden sense of the term, competition is synonymous with „let the most capable to survive"; it is also said that, actually, „competition kills competition". That is why, the state intervention is necessary to assure the fairness of the competitive environment fr om the structural and operational points of view. In other words, we need efficient industrial policies and legal measures in the competition field if we want globalization and liberalization to lead to an increase in the competitiveness and to sustainable development, so that the advantages provided by the reduction of tariff and non-tariff comercial restrictions not to be cancelled by the obstacles generated by some companies with dominant position or by other measures, taken by the public authorities which can affect the free competition on the market. Such an example could be represented by the completely exceptional facilities provided, at the moment, by the Romanian Government to the Renault holding when the holding acquired the major stock shares of the Dacia factory in Pitesti.

➤Although the majority of the specialists in the field of the development economy agree with the principles exposed above, they are equally in favor of the idea that competition should be mantained in a differentiated way, by specific means which must take into consideration the characteristics and problems every country has, depending on the respective country's development level.

In this respect, we consider it is necessary to underline **an extremely important aspect in starting a sustainable industrial development: while „competition" usually stimulates static efficiency earnings, on a short leg, the public authorities have the duty to take fair decisions on a long leg, accordingly with the national interest, regarding the best adapted market structures for the specific of each economy, structures capable to produce dymanic efficiency earnings, obtainable in the long run.**

Similar issues appear, at international level, for example, in connection with the security for intelectual rights One can draw a conclusion that **politics and the legislation for the domains of competition should be harmonized with other general-type objects and instruments, in order to promote sustainable industrial growth and development.** Politics and competition legislation should also be closely correlated with the objectives regarding the labour force occupancy and with those regarding the attenuation of disparities among incomes of different social categories, the state going to be actively involved in the income redistribution process.

➤Under the circumstances of economy globalization, in general, and industry globalization, in particular, and taking into consideration the trade and investment liberalization, the big international enterprises behave within the global economy as acting on a single market and production environment. Within this climate, we speak now about „competitionable" or „disputable" markets, taking into consideration not only the effective competition in the field of goods and services for a certain part of the world, but also the potential competition among companies financed through DFI. All these issues reloaded the controversies on big companies international investment growth effect over the competitiveness of national markets. **Considering these realities, it becomes more and more evident that the sustainable industrial development implies raising awareness on the necessity to implement, at the national level, a competition policy able to stop the concentration on the market and the abuse in using a dominant position as well as taking firm measures targetted directly to improve national companies' competitiveness.** As we expected, the industrial production globalization generated new cooperation forms, on one hand, but also new rivalry types among companies, on the other hand. For example, the cooperation agreements and the strategic alliances between big companies in the CS-DT field can contribute to the technologic and technical progress accelaration despite the subsequent competition as concerns the utilisation of the obtained results, but, at the same time, these agreements and alliances can also amplify the already existing obstacles when, mainly, the developing countries or those under transition process enter on the world market. In these cases, the national policies and legislation on the competition domain should generate the appropriate conditions so that those who wish to establish themselves on the market to be able to improve their competitiveness in order to overcome the shortcomings gathered due to a late arrival on the market.

➤When drawing up a competitive industrial development national policy one should also take into consideration, among other aspects, the globalization impact on competition processes since there are preasures in favor of an „equal weapons"-based competition when enterprises carry international operations on which presumes strengthening the multilateral comercial discipline and its compulsoriness for all countries as well as the negociation of rules in new fields of interest, as the industrial and social policies are. In this situation, stands also as an opportunity the regional agreements targetted towards a close integration which wouldn't be possible to be accomplished on a multilateral level in order to allow companies to develope regional production networks.

➤Reaching the competitive industrial development objectives implies, on behalf of the countries which chose this top goal, consistant efforts directed towards operational industrial policies so that to allow reaching high efficiency levels (as a result of trade and investment liberalization, of deregulation and privatization) meant, at the same time, not to compromise the accomplishment of major socio-economic objectives. It is also necessary that their acces to the world market not to be blocked by anti-competition practices.

Therefore, the main difficulty which should be overcome in order to reach the chosen goal consists of harmonizing the trade and investment liberalization with measures by all means necessary in providing a healthy industrial growth.

Without fetishising the virtues of industrial growth itself, we consider that for Romania it is not acceptable a so called „negative growth" or „zero growth" on a medium and long term (as it happened in the last years); this way of calling the dramatic decline of the national industry suggests, actually, the idea of a quality growth under the terms of a quantity decrease. Unfortunatelly, this phenomenon was far away not the case, no solid modifications being visible in the quality of the national industry structure and so, consequently, „the negative growths" are nothing but a pretext for attenuating a more and more cruel reality.

As a matter of fact, it is known that the governments of the countries which went beyond the critical point in their national industry evolution managed to find the appropriate ways and to take the adequate measures for making competition (national or international) serve certain development objectives.

As a conclusion, we close by stating, at least in this paper's concept, that the sustainable industrial development implies, among others, an appropriate answer from the national industries as regards the efficiency for major issues raised by globalization, by the fierce competition as never was before (treated as a state policy), the acute need of generating and maintaining competition in the national and international areas of specializations and by the viable long term development ensured by taking into account the necessity of preserving environment conditions at a level capable to secure the survival for future generations.

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The effects of foreign capital on the economical system

~ Researcher Terhes Tiborné (Centre for Regional Studies, Odessa, Ukraine)

Abstract: *Foreign capital plays an important role in the importance of the economic growth. It has gained importance in the recent years because of the curios, pattern of global imbalances, whereby capital seems to be flowing "uphill" from poorer to richer countries. In the next article we examine the effects of foreign capital on the economical system.*

Key Words: foreign capital, domestic capital, economic growth, economic system, financial system

Capital should flow from rich countries to poor countries — because in the neoclassical model, the marginal product of a unit of capital is much higher in poor countries that are typically labor abundant and capital poor. Second, more productive poor countries should attract more foreign capital because they have the ability to use it better. And third, because it adds investible resources, and because of the collateral benefits of foreign capital such as bringing in new technologies of production and control, greater use of foreign capital should be associated with more growth.

Capital does not flow from rich to poor countries in the relative quantities it used to — surprising given that financial markets have been getting better. Moreover, it is not also true that amongst non-industrial countries, the most productive get the most capital inflows. Finally, for non-industrial countries, there does not seem to be a positive association between growth and reliance on foreign capital. In fact, there is generally a negative correlation suggesting that non-industrial countries that are more reliant on foreign capital grow less. For industrial countries, though, there is a positive association.

Correlation is not causation, and indeed there are both benign and malign explanations of these correlations. What seems to be clear is that non-industrial countries do not have tremendous absorptive capacity for foreign capital in general, though particular forms of foreign capital such as FDI may be useful. Put differently, the relatively low use of foreign capital by successful developing countries may have more to do with their low demand for foreign capital than with a willingness of developed country creditors to supply it.

One reason for the low demand may be their financial system is underdeveloped so that when they have growth opportunities, the extra domestic savings they generate are largely adequate to cover the investment that can profitably be financed. This is a benign explanation for the limited role of foreign capital in development. More malign is if foreign capital inflows cause overvaluation of the exchange rate, thus reducing the competitiveness of the economy, and thus reducing manufacturing exports and undermining a traditional stepping stone to growth. There are also concerns about foreign capital we do not address, such as its potentially higher volatility, which may make countries other than the really needy stay away from it.

Our conclusion is therefore that in the long run, capital account opening is unlikely to help poor countries grow by providing resources in excess of what is available in the domestic economy — notwithstanding examples of foreign capital led booms and busts -- though it may help in other ways. Foreign capital is no panacea for capital-poor countries. Put differently, the current patterns of flow of capital in the global economy, though seemingly perverse, may not be so, at least given the financial and institutional constraints non-industrial countries have. That does not mean these flows are optimal, safe, or sustainable in the long run.

We observed that foreign capital helps indirectly—by disciplining policymakers or by promoting reforms that improve the financial system. The authors say it is possible to make the opposite argument and find indirect costs. Plausibly, lifting restrictions on capital flows could undermine the domestic financial system because spendthrift governments can tap a larger pool of funds abroad. Also, the well-off have less incentive to lobby for reforms at home if they are free to store their wealth overseas.

Perhaps, then, the gains from globalised finance are latent and will be unleashed once catalyzing reforms are in place? Maybe they will. But the wish list of complementary measures is difficult to tick off. Economies might reap the benefits of foreign capital more fully if property rights were stronger, contracts were more enforceable, and if there were less corruption and financial cronyism. But the authors point out that if poor countries could carry out such ambitious reforms "they would no longer be poor" and financial globalization would be "a clearly dispensable sideshow". With so much else to do first, liberalizing capital flows would not be an obvious policy priority.

Foreign capital ought to be good for countries that have profitable ventures that lack funding because of low savings at home. But Messrs Rodrik and Subramanian argue that for many countries, it is not low savings but a shortage of good investments that is the binding constraint. Weak property rights, poorly enforced contracts and the fear that profits will be siphoned away make it hard to conceive of ventures that might generate a reliable return. When investment opportunities are scarce, capital inflows simply displace domestic savings and encourage consumption.

The Effects of Foreign Capital on State Economic Growth

U.S. Bureau of Economic Analysis data show that the nation's rate of yearly output growth between 1995 and 1999 was more than 50% higher than for the period 1987 to 1994. Using state-level data, this study examines foreign capital's contribution to this upturn in growth. Pooling data for the 50 states in a regression framework showed that foreign capital accounted for 2.6% of overall state output growth for the full period. Foreign capital made no contribution between

1987 and 1994 but accounted for 3.7% of output growth between 1995 and 1999. Furthermore, estimates show that foreign capital had a much larger impact on the manufacturing sector, accounting for more than 16.7% of state manufacturing output growth between 1995 and 1999 so taking the case of U.S. policy we can se the effects of the foreign capital upon the Economic Growth.

But why is the attracting of foreign capital unsuccessful sometimes?

Without inviting foreign investors in some developing countries, foreign companies have not responded to their invitations. The reason can be the political and economical instability in the host country. The one reason is that objectives and organizational characteristics of state-owned enterprises' differ greatly, but it is possible to identify common factors. The main reason in many less developed countries was a distrust of private enterprise, combined with the socialist ideological beliefs. The Indian government explicitly stated its intention to retain control over the 'commanding heights'. A related factor was the desire to decolonize the country's commercial sector. Many Latin-American countries strove to avoid dependency or the dominance of foreign economic powers.

Other characteristics of state-owned enterprises also influence the content of their investment promotion materials. They have a much broader coalition of members than most private enterprises, including their managers, boards of directors, government ministers, civil servants, parliament and politicians. Their managers must take into account the expectations and various interest groups. They are expected to balance the social as well as the commercial costs and benefits of their projects with a much greater emphasis on the social side than in private companies. Their goals and objectives tend to be broader more than in private companies.

The characteristics of less developed countries are the high rates of unemployment, huge disparities between rich and poor, the relative inefficiency and low purchasing power of domestic market, the low levels of technology, and so on. In addition, many governments are influenced by the 'ideology of development', a belief that the government has to take a very active role in the country's economy in order to hasten the pace of development.

At the personal level many managers in state corporations face career environment more similar to civil service than to the result-oriented competition of American companies. The environment may reward them for caution rather than risk-taking. There is a difference concerning subordinates as well, in the American companies there is an assigned real and limited responsibility to quite junior trainees, in the large organizations in developing countries often practice a kind of 'training by hanging around', in which junior managers are supposed to learn their jobs mainly by observation. Often they are given only small tasks under close supervision until they have been with the organization for several years. It also makes top managers overloaded as they have to spend too much of their time reviewing on minor matters. They may not be able to rely on their subordinates, so they may not be able to devote sufficient effort and attention to the difficult and strategically important tasks of planning their organizations' futures.

An important difference between American executives and state corporation managers in LDCs is that the former tend to strive to increase their own and their organizations' power and independence, while the latter often deliberately subject their organizations to the guidance and control of government ministries or boards. The managers of American companies assume the bigger risk in the hope of bigger result, but managers of state owned enterprises do not, because they want to avoid the possibility of any failure being attributed to their own errors.

These cultural and environmental characteristics strongly affect the language of documents drafted by state corporation managers to attract and influence foreign companies. They are afraid of foreign companies. Managers of the state owned companies often do not understand the competitive atmosphere and the pressure for financial results that confronts executives at all levels in American companies.

It would be a long, slow and difficult process to try to change the ingrained attitudes and practices of the State owned enterprises to make their investment literature more marketing-oriented. However, they know the way how to introduce news without great changes in the organizational culture. They see only the following: 'what you must do for us', rather than 'what we can do for you'. The least developed country has to be concerned primarily with its own welfare, with obtaining the coming foreign capital. But that country should be more effective in attracting desirable capital.

Another problem is that the corporations owned by the state do not understand prospective investors' needs, and leave the saying out of consideration: 'You catch more flies with honey than with vinegar.' They would be better to welcome to all proposals. It should communicate its eagerness to make it easy as possible for foreign companies to follow through on their plans. This does not mean that hospitality of the corporation or the country should allow itself to be exploited or abused by foreign companies. The question is, whether state rules make good policy, as rules are intended to guard against financial and other abuses which the country may have suffered in the past, while on the other hand they may well be less necessary as the local economy becomes more developed and the government's regulatory powers grow more sophisticated.

Corporation personnel would not be involved in the formative stages of the project, but would only see the completed documents. They would consider only one proposal at a time if several were to be submitted. They need to understand the competitive bidding so it is quite possible that confidence comes from the state owned corporations' managers.

For several reason this is not the best way. Proposal evaluation is too important to be slighted in this way and careful attention should produce some good rewards. They could have much more confidence in a feasibility study. Finally they would want to have some of their own people working with the prospective investor while the study is being carried out. Otherwise, it is too easy for the investor to manipulate the study so as to make the proposal look better for the host country than it really is. If the management were overloaded, they could assign more junior people to work intensively with the foreign company.

Having submitted one investment proposal at a time also has many disadvantages. Maybe the state owned enterprises' people would be better able to recognize the strengths and weaknesses of a given proposal if they took the time to work through several of them and could compare them. They can increase their ability to bargain for better terms if they had proposals from several competing foreign companies.

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The impact of virtual world economy in real world economy

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Abstract: *Internet technology is transforming the way we define nation-states. It has created "virtual states" in which parallel communities are formed and political agendas are executed. Due to the emergence of Internet technology, visions of "techno-imperialism" and "electronic warfare" are causing nation-states to enact regulatory measures to preserve political, economic and cultural integrity. While the information infrastructure is the heart of the economic stability for most nations, the possibility of "viruses" or "electronic bombs" bringing ruin to an economy is real indeed. This means that architects of the "nation-state" will have the gargantuan task of re-examining existing politico-economic paradigms and fully integrate technological initiatives in its apparatus to prevent imminent marginalization.*

Key words: virtual economy, virtual economies, MMOG, virtual markets

The economist Edward Castronova realized that in online virtual-world games, people were creating new economies that were as good as real to millions of participants. His studies eventually drove him to write an entire book about the subject, *Synthetic Worlds: The Business and Culture of Online Games*, published in 2005.

The growth of online games, from the No. 1 *World of Warcraft* to Linden Lab's open-ended virtual world, *Second Life*, has happened even faster than he predicted in his book.

In 2005, Castronova found that, on average, a typical person spending a typical hour in Everquest produces goods and services roughly equivalent to the value of goods and services produced by a typical Bulgarian spending a typical hour in Bulgaria.

Now a follow-up analysis has shown that online gaming in virtual worlds also has a total economic impact just as big as some real countries, although smaller ones than Bulgaria

Many economists thought that virtual economy it was a fake economy. But later they realised that it really didn't feel fake at all when they saw how it connected to the real economy. As you can see clearly in *Second Life* with its translation of Linden dollars into real dollars, and then you imagine how big this phenomenon could get, it started to have real-world macroeconomic implications. In economy, there is no difference between reality and fantasy.

For people born after 1985, there isn't any such thing as virtual reality. There's just another way that you talk to people. This business of having characters and buying and selling stuff for gold pieces it's very natural.

These products like *Second Life*, and the way that *World of Warcraft* broke out, have just shocked the hell out of me. I thought the big impact might take until maybe 2010.

The philosophy of Virtual World Economy is that ownership and the ability to liquidate the value of your virtual holdings, would in theory spark economic development. If you let people capture the value of what they create, they're going to create a lot more.

The economy is everywhere. Its laws are applicable even in societies that don't exist, which are inhabited by people that are not real. It is what has happened in several online games like World of Warcraft, Hattrick or Second Life that have suffered diverse economic problems with monetary losses that impact the real world sometimes.

World of Warcraft is an online role-playing game where the player participates in a fantastic universe similar to The Lord of the Rings. It has more than 10 million registered users, according to the programming company (Blizzard). About half of them are in Asia. In fact, the problem came from Asia: in this game, the most valuable currency is the gold, very difficult of getting, and for that reason, some people and companies decided to make business, mainly in China. They got "gold" during 24 hours a day, then they sold it to the other users who didn't want to get it by themselves. The transaction was carried out to exchange "gold" for real money in auctions websites like Ebay (for example, if you want to buy 5000 gold coins, then you need about 150 Euros). This way, a scarce thing began to be plentiful, the gold was devaluated and the inflation was caused by this. In this game, the cost of "living" was radically increased. For this reason, the company closed the accounts of 114000 people who were making money by this method.

Something very similar happened in another video game: "Final Fantasy XI". The owner closed more than 4000 accounts of players who exchanged virtual assets for real money. This situation also caused inflation. The action of the programmers was definitive. They reduced the money flow by eliminating several millions in order to decrease prices: the European Central Bank dream.

Some virtual worlds have a surprising similarity with reality. Second Life has cases of real estate speculation and financial crisis. This game uses the linden dollars as currency to buy properties and virtual objects. It is possible to exchange them for real money in a market implemented by Linden Lab (a programmer). In this market, a dollar is equal to about 250 lindens. The business opportunities are always present: there is a story about a Chinese woman (her nickname is Anshe Chung) who appeared on Business Week cover. She won $250000 when she sold "lands" where she built hotels and apartments.

Around the globe, a real-world trade has emerged around virtual assets. Estimates vary wildly, but some analysts put the worldwide real-money trade in virtual assets at more than $2 billion, most of which changes hands in South Korea and China.

Some virtual currencies are used to buy property, tools and other assets in virtual reality worlds, such as Second Life. Most, however, have been designed to reward gamers and allow them to upgrade their play. Even though many game publishers technically forbid trading their online currencies for real money, gamers dubbed "gold farmers" try to make money by winning online assets and selling them for cash to less successful players.

Economists say virtual currencies work like any other currencies, so long as people trust the institutions behind them. The U.S. dollar, which lost its gold backing in 1971, survives because people trust the U.S. government.

Virtual Worlds – Fiction or Reality', muses on the impact of virtual worlds on different generations, and asks how this world of immediate access, limitless social skills and unrestrained behaviour influence our moral framework.

All this fretting over artificial environment mores is a sign that virtual worlds are gradually being accepted as extensions of the real world. The social and economic evolution of these worlds raises challenging questions about their governance; in particular, how they can be developed in a sustainable and desirable fashion as both economies and communities.

Virtual Worlds Serve As Economic Laboratories

One problem that economists face is the gnawing fact that humans often don't act rationally, potentially undermining many basic theories. It would be nice if economic theories could be tested in a lab setting. While there is a burgeoning field of behavioral economics, tests are costly and difficult to carry out. Professor Edward Castronova has made a career studying the **economics of virtual words,** MMORPGS like Ultima Online and Everquest. He has made some interesting insights by looking at how players react under various economic conditions. For example, in worlds with little scarcity, people are bored. When too many players want to be a wizard (or anything else), the profitability of that profession decreases. Neither of these insights differ from what you'd expect in the real world, though therein lies the allure. Theoretically, these worlds could act as labs to test economic models, like socialism, the third way, or a flat tax scheme. As the games get more advanced, perhaps they could be used to study more complex concepts like unionization, school vouchers, and single-payer healthcare. The experience of games designers could help test for the unintended consequences of regulations, something that would be a help in public policy. While economists like to call their field a science, some of their ideas are as absurd as the geo-centric model of the universe. Having more of them do labwork, like other scientists, could go a long way in making economics less dismal.

Virtual economy

A **virtual economy** (or sometimes **synthetic economy**) is an emergent economy existing in a virtual persistent world, usually in the context of an Internet game. People enter these virtual economies recreationally rather than by necessity; however, some people do interact with them for “real” economic benefit.

Virtual economies are observed in massively multi player online role-playing games (MMORPGs). The largest virtual economies are currently found in MMORPGs. Virtual economies also exist in life simulation games which may have taken the most radical steps toward linking a virtual economy with the real world. This can be seen, for example, in Second Life’s recognisation of intellectual property rights for assets created “in-world” by subscribers, and its laissez-faire policy on the buying and selling of Linden Dollars (the world’s official currency) for real money on third party websites. Virtual economies can also exist in browser-based internet games where “real” money can be spent and user-created shops opened, or as a kind of Emergent gameplay.

Virtual property can refer to any resource that is controlled by the powers-that-be, which includes virtual objects as well as avatars or user accounts in their entirety. The following characteristics are commonly found in virtual property. Note however that it is possible for virtual property to lack one or more of these characteristics, and they should be interpreted with reasonable flexibility.

1. **Rivalry:** Possession of property is limited to one person or a small number of persons.

2. **Persistence:** Possession is maintained even when the property is not in use. Users expect property to remain in their possession between sessions.

3. **Interconnectivity:** Property may affect or be affected by other people and other property. The value of property varies according to a person’s ability to use it for creating or experiencing some effect.

4. **Secondary markets:** Virtual property may be created, traded, bought, and sold. Real assets (typically money) may be at stake.

5. **Value added by users:** Users may enhance the value of virtual property by customizing and improving upon the property.

The existence of these conditions create an economic system with properties similar to those seen in contemporary economies. Therefore, economic theory can often be used to study these virtual worlds.

Within the virtual worlds they inhabit, synthetic economies allow in-game items to be priced according to supply and demand rather than by the developer’s estimate of the item’s utility. These emergent economies are considered by most players to be an asset of the game, giving an extra dimension of reality to play. In classical synthetic economies, these goods were charged only for in-game currencies. These currencies are often sold for real world profit.

A game’s synthetic economy often results in interaction with a “real” economy; characters, spells, and items may be sold on online auction websites like eBay for real money. While many game developers, such as Blizzard (creator of World of Warcraft), prohibit the practice, it is common that goods and services within virtual economies will be sold on online auction sites and traded for real currencies.

According to standard conceptions of economic value, the goods and services of virtual economies do have a demonstrable value. Since players of these games are willing to substitute real economic resources of time and money (monthly fees) in exchange for these resources, by definition they have demonstrated utility to the user.

Some virtual world developers officially sell virtual items and currency for real-world money. Further and more involved issues revolve around the issue of how (or if) real-money trading subjects the virtual economy to laws relating to the real economy. Some argue that to allow in-game items to have monetary values makes these games, essentially, gambling venues, which would be subject to legal regulation as such. Another issue is the impact of taxation that may apply if in-game items are seen as having real value. If (for example) a magic sword is considered to have real-world value, a player who kills a powerful monster to earn such a sword could find himself being charged tax on the value of the sword, as would be normal for a "prize winning". This would make it impossible for any player of the game not to participate in real-money trading.

A third issue is the involvement of the world's developer or maintenance staff in such transactions. Since a developer may change the virtual world any time, ban a player, delete items, or even simply take the world down never to return, the issue of their responsibility in the case where real money investments are lost through items being lost or becoming inaccessible is significant. Richard Bartle argued that this aspect negates the whole idea of ownership in virtual worlds , and thus in the absence of real ownership no real trade may occur. Some developers have acted deliberately to delete items that have been traded for money, as in Final Fantasy XI, where a task force was set up to delete characters involved in selling in-game currency for real-world money. Although virtual markets may represent a growth area, it is unclear to what extent they can scale to supporting large numbers of businesses, due to the inherent substitutability of goods on these markets plus the lack of factors such as location to dispense demand. In spite of numerous famed examples of the economic growth of Second Life an amateur analyst in 2008 estimated the income inequity in Second Life's economy as worse than has ever been recorded in any real economy. However, it is not clear if application of these real measures is appropriate to a virtual world where (for example) income is not necessary to survive.

Tools for the comparison of this secondary market have recently become more numerous. This has occurred as a response to alleviate the labor involved in leveling that requires hours, days or weeks to achieve. Being able to exchange real money for virtual currency provides the player purchasing power for virtual commodities. As such, players are guaranteed opportunities, increased skills and a fine reputation, which is a definite advantage over others.

Capital in Virtual Economies

In these virtual economies, the value of in-game resources is frequently tied to the in-game power they confer upon the owner. This power allows the user, usually, to acquire more rare and valuable items. In this regard, in-game resources are not just tradable objects but can play the role of *capital*.

Players also acquire human capital as they become more powerful. Powerful guilds often recruit powerful players so that player can acquire better items which can only be acquired by the cooperation among many players (sometimes to the hundreds).

A **massively multiplayer online game** (also called **MMOG** or simply **MMO**) is a video game which is capable of supporting hundreds or thousands of players simultaneously. By necessity, they are played on the Internet, and feature at least one persistent world. They are, however, not necessarily games played on general purpose computers; most of the newer game consoles (Xbox 360, PSP, PS3, Wii, DS, etc.) can access the internet, and thus can have MMO genre games.

MMOGs can enable players to cooperate and compete with each other on a grand scale, and sometimes to interact meaningfully with people around the world. They include a variety of gameplay types, representing many video game genres. Many MMOGs require players to invest large amounts of their time into the game. Most MMOGs require a monthly subscription fee, but some can be played for free.

Virtual economies

Within a majority of the MMOs created, there is virtual currency where the player can earn and accumulate money. The uses for such virtual currency are numerous and vary from game to game. The virtual economies created within MMOs often blur the lines between real and virtual worlds. The result is often seen as an unwanted interaction between the real and virtual economies by the players and the provider of the virtual world. This practice (economy interaction) is mostly seen in this genre of games. The two seem to come hand in hand with even the earliest MMOGs such as *Ultima Online* having this kind of trade, real money for virtual things.

The importance of having a working virtual economy within an MMOG is increasing as they develop. A sign of this is CCP Games hiring the first real-life economist for its MMOG EVE Online to assist and analyze the virtual economy and production within this game.

The results of this interaction between the virtual economy, and our real economy, which is really the interaction between the company that created the game and the third-party companies that want to share in the profits and success of the game. This battle between companies is defended on both sides. The company originating the game and the intellectual property argue that this is in violation of the terms and agreements of the game as well as copyright violation since they own the rights to how the online currency is distributed and through what channels. The case that the third-party companies and their customers defend, is that they are selling and exchanging the time and effort put into the acquisition of the currency, not the digital information itself. They also express that the nature of many MMOs is that they require time commitments not available to everyone. As a result, without external acquisition of virtual currency, some players are severely limited to being able to experience certain aspects of the game.

The practice of acquiring large volumes of virtual currency for the purpose of selling to other individuals for tangible and real currency is called gold farming. Many players who have poured in all of their personal effort resent that there is this exchange between real and virtual economies since it devalues their own efforts. As a result, the term 'gold farmer' now has a very negative connotation within the games and their communities. This slander has unfortunately also extended itself to racial profiling (since Asians are commonly the farmers and to in-game and forum insulting.

The reaction from many of the game companies varies. In games that are substantially less popular and have a small player base, the enforcement of the elimination of 'gold farming' appears less often. Companies in this situation most likely are concerned with their personal sales and subscription revenue over the development of their virtual economy, as they most likely have a higher priority to the games viability via adequate funding. Games with an enormous player base, and consequently much higher sales and subscription income, can take more drastic actions more often and in much larger volumes. Blizzard Entertainment and their wildly successful World of Warcraft are not afraid to publicly announce that tens of thousands of accounts have been banned due to violations regarding currency selling. This account banning could also serve as an economic gain for these large games, since it is highly likely that, due to demand, these 'gold farming' accounts will be recreated with freshly bought copies of the game.

Taxation of Virtual Economies & Regulation via On-line Gambling Legislation

Income from sale of virtual items is being considered as real revenue as players in such games have ascribed a real-world value onto them: "By taking any aspect of the game and connecting it directly to the real world, the games have only brought this possibility on themselves." And as that ascribed value is being increasingly converted into to real dollars, attention is now being given by those in taxation law and in governments.

Commentators in taxation law speculate "that profits made in virtual worlds could be taxable even before they are withdrawn as dollars." The speculation seems to based on the observation that, as one commentator said, "the easier it is to buy real goods with virtual currency (e.g. order a real life pizza) the more likely the IRS will see exclusively in-world profits as taxable."

This conversion has led to direct comparisons with other on-line games of chance as 'virtual winnings'. Once converted into real currencies these 'winnings' have been measurable for some time in real terms. This is why gamers and companies engaged in this conversion, where it is allowed under license from developers, are now being encouraged to apply for licenses under EU legislation.

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Why rise income inequalities. An structural aproach

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Abstract: *The present paper aims to analyze some of the reasons why inequalities increase in the income allocation in modern developed societies. The conceptual framework used herein in order to understand the reasons for inequality raising is represented by the theoretical model known as "power re(sources) theory", providing a basis for coherently understanding the current dissolution of the economic, political and blue collars negotiation power in developed economies, and in the same time for understanding an entire middle class in such societies, the main income of which consists in salaries.*

Key words: Power source theory, trade unions, mass production, knowledge economy, occupational structure.

Introduction

In the last 20 years a few economic and social phenomena have influenced the social structure, as well as the incomes' structure in developed economies. The world GDP increase has not been accompanied by equal raise in the welfare for all social and professional categories. Both on the level of highly developed economies and of the underdeveloped ones, differences have increased in the incomes, so that enhancing polarization of the society has been faced. The development has been accompanied by less redistribution of real welfare and implicitly by raised income inequalities and more. Knowledge economy has created not the expected real increase in everyone's income, but only the increase of certain ever decreasing categories of Information holders (regardless the type of such information). As a paradox, more knowledge generated less welfare, even if we only consider the fact that the access to higher education has resulted in a leveling and devaluing of the university degrees. Education, information by itself no longer represents definite sources of success, yet they represent ever growing sources of economic and social costs for the consumers-beneficiaries. In return, the income associated to additional access to higher education has diminished, as mentioned in numerous statistics. A sure source of income in the 60s (explaining the source of the human capital theories, as developed by Schultz, Dennison or Becker), higher education has rather become a source of current expenses and of insecure higher future income.

Another effect of the knowledge society is the des-industrialization and diminishment of the industrial sector in obtaining the GDP. Such phenomenon is important for the future of welfare in the developed countries because it involves a restructuring of the relations between socio-professional categories, including the economic ones, upon negative effects over the structure of incomes, over the relative negotiation power of the employees in the industrial sector, still representing a high share in the employed population number, but the salaries of which have decreased in the GDP, as noticed during the last 30 years.

We consider that it is particularly important to identify these trends in the occupational structure and in the incomes allocation, for which the knowledge society is "accountable", because on a wider area such questions the very purpose of economic development and in the same time, the neo-liberal idea according to which free economic development is the solution for the inequality issues existent in the society, which interventionism could and would not solve.

Therefore, in the following pages we aim to analyze some of the effects of the knowledge society over that GDP generating part, that is employed and especially to understand where the current uncertainty of the labor in the contemporary economy comes from, by using the explanatory framework of ***power resource theory.***

In the 20s Charlot presented, by artistic means, of course, what it meant to carry out a professional activity in one of the well developed of that time, organized for the purpose of mass production. The name of the picture was ***Modern times*** and it illustrated the condition of the working class or of the average worker, in his work place for an important period of the 20th century. Even though the tone in which the condition of the said was depicted was dark, this sort of production was the one grounding the amazing progresses of the next years' capitalist economy in the sense of welfare the ensuring increasingly higher blue collar population.

Although the conditions for such development were created at the end of the 19th century, by the development of large companies, of the transportation system, of the financial networks or by successive increases in the population number, the mass consume only became acquired habit in the modern society of the 20th century's third decay, strengthened in the years following World War II.

Welfare represented the crossing of a few roads called ***corporation-nation-protectionism-state-consumerism.***

The American economy was the one which – by an advance with even today ensures its economic supremacy – started the mass production. Almost "500 large corporations represented the nucleus of such large national business. They generated almost half of the national industrial product, owned three quarters of the country's industrial assets and hired 2 out of 10 workers.

Alongside those industrial monsters a few large corporations gravitated and other important ones in the financial-banking services, insurance, railways, retail. Around them hundreds of small companies gravitated like the rings of Saturn, which filled in the market gaps with specialized merchandises which could not be efficiently manufactured on a large scale, as well as small retailer hired in order to distribute or sale the goods of mass production " .

Large companies played a double role – they ensured mass production and created millions of jobs supporting the production and mass consume.

The situation was identical in the fifth and sixth decades in all the Western European countries, even thought large national corporations did not have the same influence as those in the USA.

From a social structure standpoint they created, both on the Continent and over the Ocean, what sociologists called "the middle class", a concept operating a niche in the too brutal and imprecise ideological discrimination, between capitalists and workers. Half of the American families were part of this middle area, with incomes between 4000 and 5000 dollars, upon the dollar's value applicable in 1953. Most of the said families were formed of qualified and semi-qualified workers and of state clerks or administrative staff of large corporations, thus from the employees of those corporations, organized increasingly obvious as per the model of the state's bureaucracy. The bureaucracy of the said corporations was the one causing incomes' leveling, the pyramidal structure of the production organization being the one imposing for the horizontal multiplication of those who were equal. The income was determined by the functional role within the bureaucracy. The tendency of incomes distribution tended towards a reduction in the inequalities. Owners received a smaller part compared to employees; specialists and clerks lost part of their advantages in favor of the qualified and un-qualified workers.

The unprecedented increase in the incomes generated the increase of consume: in the 50, 4000 families a day moved to a new house, paying small installments (approximately 100 dollars a month), for entirely furnished and equipped houses. To this a car was added, right in front of the house: 24 millions in 1956 in USA only, considering the data provided by Reich (1996:84). A natural situation, if we consider that the hourly wage increased in twenty years by 2.5% a year in the USA, by 7.9% a year in Japan, by 6% a year in Germany and by 4% a year in France.

The share of wages in the GDP was actually high, 65% in 1960, for EU-15, 65.9% in the USA and 71% in Japan, while in 1975-1980 it reached levels of 69.9%, 65% and 76%, respectively for the above mentioned economic regions . The period until the beginning of the 80s was significant for the increase of real incomes given the fact that the said increase less than productivity, so they are justified from an economic standpoint.

The price of these high incomes, of this high buying power was repetitive, distributed, highly productive labor, aiming to produce predefined profits. Routine in the production, "one best way" represented the simple principle by which mass welfare was organized. On a professional level this usually meant that the focus was on un-qualified or qualified labor, including routine operations like supervision, for maintaining quality standards – in fact the share of low qualified and average qualified labors was higher in the above stated totals – in 1980, in the EU 30% was represented by low qualified labors, 60% by average qualified labors and only 10% by the highly qualified ones, according to the quoted source. These labors could and still can be found mainly in the first and generation industrial sectors (iron smelting, transportation, drilling, chemical, petrochemical, automotive), and also in those implying advanced technology or services (i.e. banking). Innovative work was poorly represented: innovation is produced upon its own rhythm – large innovating steps involve installing new machines, refitting assembly lines, new suppliers, new distributors, advertising companies, new post-sale services, etc. Synchronization is essential in order for these mass produced goods and for long time periods (life cycles for the consumer goods exceeding 10 years). The poor development of financial markets and investments funds were the reasons for which the level of the investments was mainly determined by savings, and thus costs were becoming too high to afford failures – since reinvesting in new capacities and equipments would represent half the earnings. The R&D activities take long time cycles from discovery to mass production, as suggested in the following examples (Reich, 1996): RCA developed the first sold TV set for a decade, Du Pont "lost" 12 years until selling nylon, Union Carbide prepared coal hydrogenation for 17 years. It is an activity in which quick **term, deadline**, fearing competition or financial penalties are not so hasted. The long term business safety, of long term "nice" profits is preferred to a risky investment.

This world is supported by the pillar of capitalism – the employee, the productive worker, the **organized**, blue collar.

In the USA, 70% of the workers in the railway industry, mining and plants were part of labor unions, as per the table bellow:

Industry	1880	1910	1930	1953	1974	1983	2000
Agriculture	0.0	0.1	0.4	0.6	4.0	4.8	2.1
Mining	11.2	37.7	19.8	64.7	34.7	21.1	10.9
Constructions	2.8	25.2	29.8	83.8	38.0	28.0	18.3
Manufacturing	3.4	10.3	7.3	42.4	37.2	27.9	14.8
Transport	3.7	20.0	18.3	82.5	49.8	46.4	24.0
Private services	0.1	3.3	1.8	9.5	8.6	8.7	4.8
Public sector	0.3	4.0	9.6	11.3	38.0	31.1	37.5
Private	1.7	8.7	7.0	31.9	22.4	18.4	10.9
Total	1.7	8.5	7.1	29.6	24.8	20.4	14.1

Source: Friedmann.unions.us

The force of AFL, founded in 1881 came from its ability of acting as a monopole on the labor market, by the offer it made for qualified and productive workers.

Constant negotiation with employers' unions ensured the maintenance of social peace. The organization of labor unions per industries ensured homogeneity to the interests and increased negotiation strength. Aside from real increases of the above mentioned wages, contracts also ensure other benefits: life, accident and health insurances, pensions, paid vacations and unemployment payments, rather in Europe than in USA, yet present.

In Europe, the Scandinavian countries, Germany, Austria and Holland are economies in which established industrial relations allow for cooperation with the management in order to obtain productivity increases that could also generate higher and increasingly extended benefits for employees. Constant negotiations between employees and employers grounded on a well defined bureaucratic mechanism create the conditions for mutually advantageous compromises – constant wage increases are recovered by higher prices for the end consumer, yet meaningless in terms of financial supportability since interests for loaning operations are small enough as to avoid problems. The large density of labor unions, and also their centralization ensure high success for bi or trilateral negotiations.

In Europe the number of labor union members in 1970 was of 33 millions, and in 1980 it was of 43 millions, marking an increase of 72%, which ensured a relatively high strength for these organizations.

Even if success in those countries is unprecedented in the Western countries, the other countries also, with fewer labor union members, create ***entitlements*** for the social category on a relative dominant position in those societies, namely the working class.

The routine work in production generates welfare, given an occupational structure in which blue collars represented 50% - 60% in the total employed population, out of which a large portion were actively involved in social movements, as shown in the union membership rates in the table bellow:

	1970	1980	1990
USA: Total union membership rate	30.0	24.7	17.6
USA/Manufacturing sector	41.0	35.0	22.0
USA/Financial sector	5.0	4.0	2.0
Six countries/ Total union membership rate	37.1	39.7	35.3
Six countries/ Manufacturing sector	38.8	44.0	35.2
Six countries/ Financial sector	23.9	23.8	24.0
US/six Total	0.80	0.62	0.49
US/six Manufacturing	1.058	0.795	0.626
US/six Financial	0.209	0.168	0.083

The six countries are: Canada, Great Britain, France, Germany, Italy, and Japan.

Source: Visser (1991:110)

Industry, the main contributor in the national GDP, by a share of up to 75%, is the source of welfare and negotiation power for this class.

The working class integrates in the middle class; it even supports it, given that it ensures labor places for the new consume habits, but also in the culture and education for an increasing number of teachers, doctors or public servants.

Salaries rising in the USA by 2% each year, and in Europe by more than 4% ensure for labor union members constant increasing buying power, but also a diminishment of the incomes between the rich and the poor, as well as between execution and management functions. Trade union membership brought even larger wage incentives, by 20% compared to non-members. **"Accumulation and Legitimating"** (O'Connor, 1973:6), up to that moment two contradicting functions of the mutual state were achieved simultaneously. Mass production and its main agent, the working class, ensured economic accumulation, allowing in the same time for the said player to be integrated in the society. Legitimating, and also the force of this social structure also come from one element: corporate capitalism, raising the question of legitimate inequality, resultant of an aware process of using public policies by understanding between corporations, labor unions and state institutions.

The class conflict, fear of the state and source of questions regarding its legitimacy is moderated by sui-generis institutionalization of the conflict from the economic and also politic area. Thus, if in the **economic area** the power belongs to the capitalist class, owning the production assets providing it with the rare resource of power, in the political area the number is what it is important again, yet in another way: not rarity, but abundance are the ones generating power and moreover the **power of the number mobilized in large collectivities such as labor unions.** Mobilization ensures the success for welfare institutions in detriment of allocation by markets Korpi (1989); Gosping Andersen (1987), Pierson (2006). In fact, the minimum wage, the standardization of wage increases on a branch or even national economy level, the economic policies on full employment or social benefits of welfare are the results of the power of the working class, and not the results of the free market. Actually, in order to nuance a little, although the term is generalizing, they are results of the ability of political mobilization of the wage earners, also involving the role of the "middle class" to which it belongs at leas a part the "working class".

This integration, electoral promise for some politicians of the time (see Valery Giscard d'Estaign in his term as a president), is now questioned, 30 years later.

The decline of the labor union movement began in the 80s and continued in the following years. Thus, in the USA the rate of union membership reached 12% in 2007 in the entire economy, and only the public sector with 36.2% union member and the educational system with 37%, impeded an even more accentuated decrease given the existence of a private sector in which the union membership rate was of only 7.4%.

In Europe, although the decrease was smaller (between 1980 and 1990 – a 10% decrease, between 1990 and 2003, a 7.6% decrease), it is also obvious and for the time being constant.

The decrease is also clear in analyzing the data obtained from the large union centers. Thus, in Trade union membership 1993-2003 (EIROnline 2004:4) a decrease in the number of union members of 15% was identified in the 68 analyzed centers.

In the same time, in year 2007only a quarter of the employed population in developed countries was still making routine works.

Which are the explanations for this situation?

The **"Power resource theory"** is the answer to what is called the dissolution of blue collars, even of the middle class in the Western society and hence the diminishment of the political and economic rights those union members of the social structure enjoyed, as briefly shown in the first part.

1. Mancur Olson and the dilemma of union membership. The economy Nobel Prize winner Mancur Olson shows in his criticized, yet often quoted "Logic of collective action (1965)" that the potential failure of a movement, such as the labor union one, comes from a problem regarding the very substance of negotiations: two parties or even three: labor unions – employers unions – the state, negotiate a punctual matter like wage increase. If the negotiation is successful, he says, of the said increase benefit both the labor union members, and those who aren't members; if the negotiation is unsuccessful, the potential relative loss will not be shared by everyone, but only by those who are not union members. This makes a large number of workers become free riders, thus ignoring the idea of union fight solidarity. This is what happened in the 80s in Europe. The union actions in those years and in the following years limited the advantages for union members, making governments to expand the earnings towards all employees in an activity sector. This generated the elimination of the competitive disadvantages of companies with strong labor unions or the other way around, the companies without labor unions became less competitive compared to the others, which led to increases in the wage related costs in the economy and to increased unemployment.

In the USA, low union membership and hence the low negotiation capacity created large wage differences between those who were and those who weren't union members, creating a competitive disadvantage situation for the companies with union membership and those without union membership. A stable labor force with more experience raised the productivity for union membership by 15% compared to the productivity of the other companies, asserting that workers who were labor union members earned more than their productivity incentive, which generated a scattering of companies towards areas without union membership.

Two different situations lead to an actual situation: the decrease of union membership.

2. The problem of the state's institutions autonomy. The state in the thirty glorious years was for some authors relatively spectator to this typical functionalist conflict, of the two factions of the society, which makes it for the balance to turn in favor of the power of numbers. However, as Quandagno shown (1988) the state in its turn was a third party, equally entitled in this conflict of powers. It is defined by a certain autonomy compared to the legitimate claims of the two players, and it also is the only manager of the "instable equilibrium of compromises", as Poulantzas inspired called the situation. Its autonomy is relative depending on the context: most times this context is economically determined, and strong and persistent fiscal and commercial deficits, poor economic growth, low productivity, low innovation, lack of international competitiveness are enough arguments as to change its own view over the entitlements obtained by the power holding class. The economic arguments of the eighties made the power source owner or of the power-resource change.

3. Two labels put on a bicycle, yet equally on the numerous current consumer goods provide enough clarifications. One label says: ***Made in China, but it could the same be Romania, Singapore, Taiwan or Pakistan***. The other says ***Designed in Austria, but it could the same be France, England, Japan or USA***. Two different economic worlds, two power sources in the world economy, yet with different shares, now compared to 30-40 years ago. It is about the difference separating the large volume production of the knowledge production. It is what separates the power of holding production capacities of the power of owning ideas. It is the difference between national corporation and national finances and the "global network for production organization" and the international finances.

The organization into global networks first led to the outsourcing of certain activities and then to the offshoring of the entire business in underdeveloped countries, in which the mass production costs were considerably reduced. The Bucharest – Otopeni **call-center** of a well known company in the IT field employs routine workers upon salaries of 200-300 EUR, while the same activity performed in a developed European country would have meant at least 1500 EUR, and by going towards East it is paid by 100$ at the most in India, China or Singapore. The American IT engineer is paid by approximately 5000$ while the European one by an average 3000 EUR. The Chinese engineer in return is paid by only 500$, and the Indian one by 700.

Upon using the same statistical sources as mentioned above in the present paper, one can notice the decrease in the share of income from work in the EU countries, and also in Japan compared to the level presented in the 60s, down to 57.8% in 2005, meaning that the real level of the incomes from work has increased less than the increase of productivity (Berkeley: 2006). The productivity increase does not lead in any of those regions to a higher increase in the real incomes.

Not only that wage related expenses are smaller, but other expenses categories (social, infrastructure, marketing etc) are, as well.

The subcontracting a production, design, trading process was the first major break of the knowledge, information and technology society, which created the new economy, in the organized power of the Western working class, and also in the one of the middle class. The seven decade crisis, as well as its permanent effects throughout the entire eighth decade has made the production costs matter to become a priority in obtaining increased efficiency for the Western companies. Therefore, the outsourcing of some business segments has become a priority for the said. Call centers, customer support activities, telemarketing, market research, and also actual production or the research and development process have become activities that are performed outside the corporations' national borders, grounded on various considerate, such as: cutting down production costs, restructuring the costs structure, increasing quality, owners' expertise in a certain area of creating a good or risk management. Hence, benefic effects regarding corporations and capital. Therefore, outsourcing is the cause for increased flexibility and mobility not only of capital, but also of the labor force. Increased uncertainty on the labor market has led to a diminishment of the blue collars' negotiation capacity and thus to the maintaining of relative advantages obtained during the years of mass production. Although the unemployment rate is not higher – it is considered that in the USA, for every 100 jobs lost by outsourcing, 142 new jobs are gained – outsourcing and offshoring determine a change in the national income producing sectors, from the ***labor intensive*** ones to the ***capital intensive*** ones, involving less qualified employees in top branches, vectors of the new economy. Mass production is the first victim of the two above mentioned processes: its massive shift towards Far East, towards India, Thailand, Singapore, and especially towards China, has generated the decrease of occupational level in these labor intensive sectors and the ***osteoporosis*** of the industrial occupational structure. In all sectors of the traditional industry, jobs have been massively lost, and most important for our present argumentation, this happened in the industrial sectors with traditional union membership. Labor fragmentation is one of the consequences, comprising a series of longtime phenomena such as the increase of part-time contracts number, of those concluded for determined periods or the introduction of house labor, to give only some examples of relevancy from a statistical standpoint.

The change in the national income structure also represents the change in the power sources. The two are inseparable. The invisible hand of the invisible (services, licenses, knowledge) structure the old models for negotiation, replaces the venerable artisans of the parity state's fundaments. In short, the knowledge revolution has un-structured the basis of the modern social conflict and of the mechanisms for solving such. An optic of difference opposes to a joint one. The differences between numerous groups existing in the society – in incomes, education, profession, social statute or knowledge, in informing levels – make it impossible for interests' communions, and by extension, for negotiation communion to exist.

"Weak thinking" postmodernism is also present in the labor rapports or in the power ones. To "class entitlement" (understood as people's capacity of controlling goods by the legal means provided by the society) an individual entitlement is opposed, the collective ones are taken, while the individual ones are given. "Democratic welfare" is beginning to increasingly loose ground in front of the "oligarchic welfare" (Harrod).

This change in the position the middle class has in the social structure is inseparable of the technology democratization. Now, almost everyone can achieve large production by using high technology equipments. Moreover, this possibility is further strengthened by the fact that anyone can cheaply achieve this production, anywhere in the world, besides the developed Western world. Therefore, the "structural power" comes not from the advantage of producing the final good, but from that of producing knowledge, of imagining, of conceiving. For instance, in China capital has become even cheaper than labor, which contributed to the investments increase from 35% in 2000 to almost 45% in 2006, thus increasing the intensity in using capital in production, which produced an explanatory deficit for the classic theories over the rapports between capital and labor in production, postulating that an increase in the capital intensity will determine the reduction of ***returns to capital***, so that total income attracted by the capital would decrease, determining a decrease in the share of incomes from capital in the total income. In China, and also in other developed countries things took place quite the opposite.

The most obvious reason for this shift in the classic theory logics was the acceleration in the technological process, which made capital much more efficient compared to labor. The analysis of the imports structure can be a powerful tool supporting the above assertion: in the developed countries and in China mostly we assist a change in the exports' structure from **low-margin commodity** towards **high margin advanced products.**

The problem arising from production internationalization is simple, and calls for a rapid answer: how can one remain competitive in an economy in which the danger knocks at the doors – the others' products are cheaper then their own resources – endangering one's own economic growth. A solution has been and continues to be protectionism. Unfortunately the long term advantages of these policies are far from being the desired ones and mainly those regarding the safeguarding of national production. The American example is representative: protectionist waves in the '70s and '80s which allowed for almost a third of the national production to be protected at the beginning of the '90s resulted in increases of the internal prices (for instance, following the lobby in the iron smelting industry, additional dumping taxes were applied for external iron smelting products). This made internal automotive producers to pay 40% more for steal than their world competitors, which resulted in a decrease of their competitiveness on an internal and international level, further generating difficult situations (an euphemism actually), as in the case of Ford company.

Another solution of interest for the argumentation of the thesis herein is that of the diminishment of costs for production efficiency. The result was the closing down of plants, dismissal of the workers and cutting down of wags. The decent power of the workers, called by ones "majority dictatorship" was beginning to fall down.

Labor union membership starts to decrease, the number of collective wage freezing, hiring level reduction or wages reduction collective agreements increases. Wages don't keep up with inflation anymore. In companies conflicts occur between union members and the other workers or even between union members. Having to choose – and not only once – between wages reduction and reduction the number of jobs, union members prefer the second solution, under the custom that the younger employee leaves the job first in case of activity restructuring. The consequence: more and more young people join labor unions, upon the perverse effect of the diminished negotiation power and a continuous weakening in that category's power. The diminishment in the supervision routine works activity is also a constant reality. Supervisors and other middle management positions in mature industries are in the same situation as qualified or unqualified workers in developed countries.

The production act is becoming subordinated to efficiency increasing strategies, in which routine activity does not have room or anyway has a periphery, marginal place, as long as in case they are bothered by social legislation or labor unions movements, the administration of global corporations can easily decide upon the change of the production location in more peaceful areas from a social standpoint, where the bitter observation of Joan Robinson best fits regarding the worker's psychology "there is only one thing worst than being exploited – and that is not being exploited". A modern version of the immortal "to be or not to be".

The one gaining ground is not the worker, but he person providing new strategies in the fight over global competitiveness. Discovering niches is more important than the production itself. A smaller part of the amount representing a product reaches the production worker. In the inter-war period, almost 85% of the price of a car was represented by the payment of workers and investors. In the 90s, they received less than 60%.

In the production of a processor, 3% goes to raw materials and energy suppliers, 5% to the owners of installations and equipments, 6% to the routine workers, and the rest goes to the design, engineering, development, research, patents, copyrights.

Power diminishment is manifested on various plans: from access to education to the possibility of influencing elements on which personal welfare depends. Taxes evolution is one of these elements: the increasing of taxes for social securities, for public utilities or of the local taxes represents a first example. Another is the tax on wages. In the USA, by operating modifications over the income tax during the Regan period the paradox situation was reached that the poorest tax payers had to pay a sixth more than in the 70s, while the rich ones had to pay by 3% less.

The decrease of one segment, either population, incomes, political power or social statute leaves room for the increase of another. This is what has happened in developed economies during the last thirty years.

4. A second social category present in developed economies is that of small and middle enterprises or of legal entities in the form of services micro enterprises. In this category there are included "waiters, hotel workers, security agents, nurses, taxi drivers, secretaries, hair-stylists, car services, real estate agencies, physical-therapists, flight attendants etc".

Approximately 30% of the employed population in the developed economies is involved in this sort of activities. In 2003, approximately 120 million persons were employed in services and only 34 in the manufacturing industry, respectively 62% and 17% of the total employed population. In the EU the services sector was the largest employers, with a growth rate of 1.7% each year, while the manufacturing sector – of repetitive works – faced a 1.2% yearly decrease starting 2000.

In the ninth decade, whilst production increased by 30%, the number of jobs in the industry increased by only 2% compared to an increase with 33% of the jobs in the services area.

"Conceptual analysis" services, of high knowledge intensity, represent half the population employed in services, upon a yearly growth rate of 2.3% starting with 2000. Approximately 40 million persons are employed in services with average knowledge intensity, which is 20% of the entire occupation.

In such services there can be included all activities regarding the design, problems identification, financial and marketing strategies defining, contracts performance, public relations, marketing, managerial consultancy, financial, human resources, planning, design consultancy. The income of the said depend to a great extent on the creation activity, on the labor quality, on originality, on the rapidity of solution, without being connected to the type or volume of work. Careers are not linear, hierarchic, with well predefined trajectories. Activity takes place in small teams, connected to beneficiaries, corporations, public administrations, army etc.

by defined duration contracts. 40 years ago, this group represented only 8% of the American workers. It is increasingly obvious that for "a company the value of the employees in the knowledge structure is increased to the detriment of the old industrial employees" (Drucker, 1989).

This is obvious if other indicators are also analyzed, such as the share of hiring in the R&D services sector, the level of R&D investments, abroad financing for new concepts development activities, the intensity of R&D (the percentage of research – development in the GDP or if analyzed comparatively the number of jobs for research activities and conceptual activities created in services and in the manufacturing industry). Thus, according to EUROSTAT, 53 millions scientists in the field of technology are employed in the sector of services and only 9.4 millions in the manufacturing industry, respectively 47% of the total occupation in services and 29% in the manufacturing industry.

Further more, if we also include the financial services area, the ones creating the credit, achieve over-loaning, accelerate economic growth, we will be able to conclude that a major cause for the current difficulties faced by the blue collars and by a large portion of the middle class appear from the structural power modifications of the various entities in the society, caused by an economy in which knowledge and access to information position differently and reward employed population differently. To a relatively homogenous structure of relations and interests a much more differentiated structure is substituted of both sources of power and capabilities of accessing the national income.

To the various institutionalized regulation mechanisms, such as labor union – employers' union collective negotiations on a branch or national level or parity commissions or the corporatism in the Scandinavian countries, grounded on connections arising from interests homogeneity or at least on the lack of radical divergences, a "risk society" is now substituted, as Ulrich Beck calls it, in which difference, dissolving pluralism, inequality, growth without redistribution are the terms of the new social contract. To the various interests represented by organized groups different interests are substituted which are individually represented.

Now there no longer exists the equivalent of what used to represent the working social class as integrating and identification force. This does not mean, as Fitoussi asserts, that the said was absorbed by the middle class. In its turn, the last mentioned one faces identity difficulties, as mentioned above. Social decomposing faces a new beginning. The lack of social change actions, generating solidarity is an uncovered reality. The politic dilemma is one of the referrals of this situation. Either it is a developed advanced society or one under modern development, the dilemma of its political mechanisms is an ever present one. From the lack of interest for the vote mechanism (with average participations of 30-40% of the population), for parties or even for individuals, to the unconscious options of the electorates, these manifestations of social inactivity are the expression of identity problems, of an accentuated fragility of the society.

Conclusions

There is no doubt that we live in a society in which "life chances", to use the words of Dahrednorf are reduced for one of the main actors of the mass production modernity, the "blue collar". These life chances are also reduced for the very spine of the modern capitalist society, the "middle class", in which the first mentioned category represented a part, to a certain extent. Our aim in the present paper is to understand which are the explanatory elements that can help explaining such situation for the said social category. As asserted on the beginning of this presentation, it is our opinion that the theory of power re(sources) can be a stimulating explanatory framework, considering that it is opposed both to strictly economic approaches, of neoclassic inspiration for the said problem, and to the political theories such as that of Dani Rodrik from Harvard University, focusing on the political transitions in explaining this situation (political change from democracy to autocracy favors cronyism and the strengthening the interests of those making the offer, while the inverse one favors the interests of the employed masses), thus diminishing the capacity for a global analysis of the phenomenon. Subsequent explanations of the above mentioned theory are focused on certain elements the dimensions of which can be briefly presented as it follows:

1. The shift from the mass production based economy to the knowledge based economy determines the change in the relative importance of the actors in the production process: the importance of the production act decreases in detriment of the thinking act.

2. The diminishment of the labor union membership phenomenon is both the cause and the consequence of the current poor situation of labor in the developed society. New constraints of production, the importance of costs and strategies for reducing them, have generated the flexibility and endangering of the employee's statute and thus the labor union's power. Between loosing one's job and reducing the real income the last version is preferred, and thus the diminishment of labor union membership. This phenomenon also have another explanation, derived from the content of the current labor: large production companies with thousands of employees nation wide have been replaced by large multinational companies with thousands of employees worldwide, with very different interests, and also those large national companies have been replaced by small companies, operating in environments that are so different that they no longer can coagulate common inters.

3. The problems of the state have lead to an increasing assertion of its decision making autonomy and implicitly to a pragmatic, contextual approach of the economic and social problems, which no longer were subsummed to ideals for equitable redistribution of the welfare, but only for preserving a precarious situation (it was more important to maintain the jobs on a national level without making concessions to a capital blackmailing with the idea of finding another economy interested in its services, than to apply long term principles in respect with economy socialization).

4. The increased share of the services sector in the GDP made it that given the heterogeneous nature of this sector, no unitary strategies could be adopted for representing the employees' interests.

The implications of such situation of the employees in developed countries and especially of those in the manufacturing sector are important in view of what the future of this social category will be in the Romanian economy, the situation of which is different from the above descried one, yet the evolution of which can be expected to be close to those of developed economies.

Activity based costing (ABC Method)

~ Prof. Ph.D. Saveta Tudorache
~ University Lecturer Anca Bratu

Abstract: *In the present paper the need and advantages are presented of using the Activity Based Costing method, need arising from the need of solving the information pertinence issue. This issue has occurred due to the limitation of classic methods in this field, limitation also reflected by the disadvantages of such classic methods in establishing complete costs.*
Key words: costing, cost indicators, operations, activities, processes

1.General Aspects

In the context of globalization, enterprises need a complete and pertinent costing system. Complete costs established by classical methods (global, phases based, commands based) have some disadvantages:

- Comprising irrelevant information in the decision making process – given the fact that complete costs methodology refers to allocating the entire mass of expenses over products (it is inevitable, so it includes some irrelevant elements), whereas in order to make correct decisions, irrelevant aspects should be excluded for decision making reasons;
- The need for repartition bases (criteria, keys) – given the fact that not all production expenses can be directly allocated to each product, and the lack of objectivity of the selected repartition bases leads to cost subventions, meaning some products increase or decrease their costs, in the disadvantage or advantage of other products due to activity diversity, expenses heterogeneity etc.;
- Opportunity – complete cost is information obtained at the end of the production process and therefore it cannot be available for decisions made earlier than that.

A solution for the information pertinence problem delivered by classic complete costs is the Activity Based Costing method.

The concept of the method is grounded on the ascertaining that not products are resources consuming, but activities, and various activities of the enterprise are used by products. That is why the enterprise should be divided into activities, and not into functions or products.

The distribution criteria are replaced by cost indicators which are elements starting the activities and thus generating costs.

This measure answers to the needs of a systemic vision over the enterprise and to a global approach of productivity, closer to reality. It is grounded on the concept – value chain of Porter, the framework division of which (M. Porter – L' avantage compétitif, Paris 1986) is as it follows:

<table>
<tr><td rowspan="4">Support activities</td><td colspan="5">Company infrastructure</td><td rowspan="4">Limits</td></tr>
<tr><td colspan="5">Human resources management</td></tr>
<tr><td colspan="5">Technology development</td></tr>
<tr><td colspan="5">Acquisitions</td></tr>
<tr><td>Main activities</td><td>Internal logistics</td><td>Production</td><td>External logistics</td><td>Marketing and sale</td><td>Services</td><td>Limits</td></tr>
</table>

The ABC method emphasizes the need for identifying the activities that contribute to the production manufacturing and to the increase of the market share of a company's limits, representing competitive advantages defined and sustainable compared to other enterprises in the same sector.

Improving a company's performances is a matter of its capacity of producing value for its clients by consuming in this way minimum volume of resources. The notions of costs and value are connected.

The basic principle of the ABC method consists in practicing an as realistic affecting as possible of the indirect costs compared to traditional methods, eliminating as much as possible conventionalism from cost allocating.

Traditional approach
Resources → Direct costs → PRODUCTS
Resources → Indirect costs → Analysis centers → PRODUCTS

Approach by the ABC method
RESOURCES → Costs → Activities → PRODUCTS

Explaining the ABC method implies approaching three analysis levels: operation, activity and process.

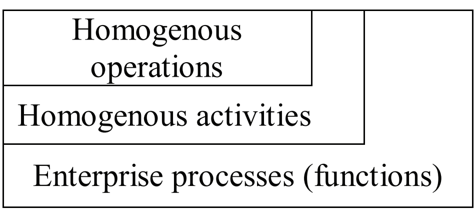
Operation is the first level in describing the labor process and it does not imply the calculation of any cost, being the part of the production process which is homogenous from a technological stand point and which represents the object of a work norm that must be performed during a given time interval, by an executive – either individual or collective – on a certain job, specifically equipped and fitted with tools.

Activity is a set of ordinate and connected operations for the purpose of achieving a certain objective.

Process is a set of organized activities aiming towards the achievement of a common objective and it has three characteristics:

- It is organized in a transversal manner compared to hierarchical organization and to the main functional structures of the enterprise (production, marketing, sales, financial, planning, purchase etc.)
- Each process has an output (finality)
- It has an internal or external client.

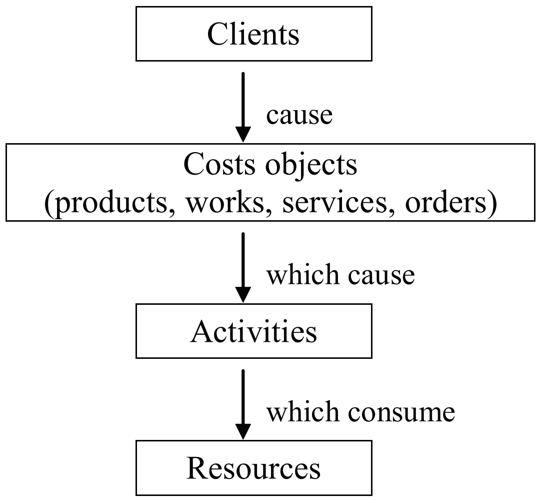
The relationship between the operations, activities and processes in an enterprise is as it follows:



The transfer is made from the hierarchical and functional approach of the enterprise towards a transversal one, as the enterprise is considered an organization, namely a set of activities of decentralized responsibilities.

The ABC method is not only a calculation system for products costs, but also a resources consume system, because by this system the transfer is made from traditional logic in costing, according to which "products consume resources" towards an undertaking in which "products consume activities, which in their turn consume resources".

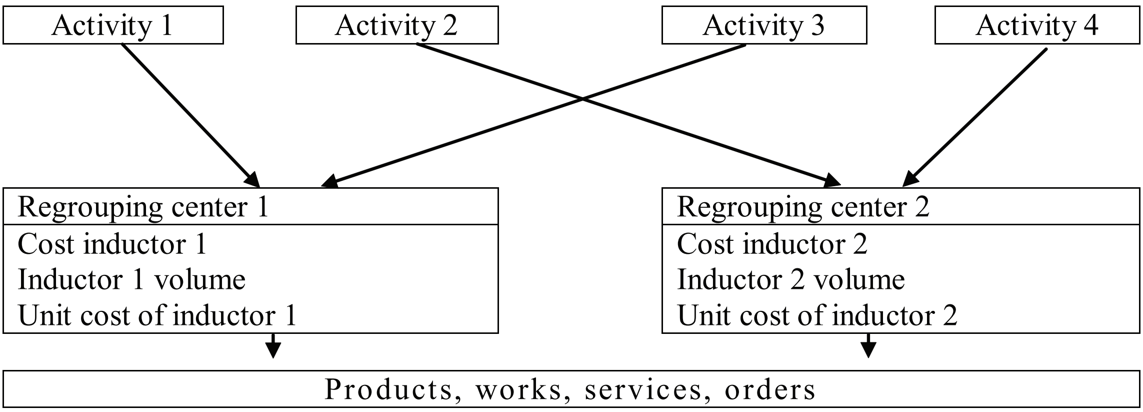
Therefore, according to the ABC method, clients are those generating the existence of calculation objects (products, works, services, commands) which in their turn generate the creation of resources consuming activities: material, human, financial, information.



In order to establish and manage the activities based costing, each activity must be associated to an explanatory factor for the cost variation, named cost inductor.

Cost inductor is a repartition (allocation, imposing) basis for indirect expenses over the activities and calculation objects: products, works, services, orders. Each cost inductor should express a cause-effect relation with the indirect expenses, meaning it is the cause-effect factor generating indirect costs. The cost inductor measures the renderings delivered by the products' respective activity. Depending on the type of performance it influences, the inductor can be: cost related, quality related and execution term.

The graphic representation of the activities based costing model (Epuran and collaborators) is depicted as it follows:



2. Working phases

The practical application of the method implies the perusal of the following phases:

a. Identifying the activities in the enterprise – each working center in the enterprise is associated to a process, which is then decomposed into elementary activities. The identification of the activities is made grounded on their justification in the value creation process in the enterprises grounded on detailed study of the accountancy documents; each working center's cost is cumulated per activities. For each activity its characteristics will be aimed: the activity's production, namely its output, specific performance indicators, the connection with other activities ahead and behind, the nature of consumed resources in order to asses its resources consume;

b. Identifying explanatory factors – of the resources consume: cost inductors – for each individual activity an explanatory factor for the resources consume will be aimed, called cost inductor which is that activity's cause;

c. Re-grouping the activities depending on a cost inductor – all activities of the same cost inductor are re-grouped in a re-grouping center. For each re-grouping center only one cost inductor (activity inductor) is maintained;

d. Calculating the unit cost of the cost indicators

Unit cost of cost inductors = Expenses reunited in the re-grouping center/ Total volume of the cost inductor

e. Imputing inductors costs over the products, works and services. The complete cost of the sold product can be obtained by adding to the cost of the materials and direct works cost the indirect expenses of the re-grouping centers afferent to a sold lot of products.

3. Case study

„VADMAR" enterprise produces and sells two products, M and N knowing that:

Explanations	Product M	Product N
Direct expenses (unit)	2400	1600
Produced and sold quantity (pieces)	2000	800
Unit sale price (unit)	2.5	3.5

The entity is structured into three responsibility centers and the indirect expenses afferent to such have been individualized per characteristic activities, according to the following situation:

Responsibility center	Total indirect expenses	Activities	Activity related expenses
Production	1000 u.	Equipment maintenance	1000 u.
Sales	960 u.	Delivery quality control	320 u. 640 u.
Administration	351 u.	General administration	351 u.

The cost inductors specific to each activity are as it follows:

Activity	**Activity cost**	**Cost inductor**	**Cost inductor volume**	**Unit cost of the cost inductor**
1	2	3	4	5=2/4
Equipments maintenance	1000 u.	Working hours	250, out of which 180 for M	4 u./hour
Quality control	320 u.	Control time, in hours	100, out of which 70 for M	3,2 u./hour
Delivery	640 u.	Ballots number	80, out of which 60 for M	8 u./hour
General adminis-tration	351 u.	Turnover	7800 u.	0.045

In the general administration the calculation is made of the unit complete cost and of the analytic result, as in the following:

Explanations	**Product M**	**Product N**	**Total**
Direct expenses (1)	2400	1600	4000
Activity cost:			
*Equipment maintenance (2)	180x4=720	70x4=720	1000
*Quality control (3)	70x3,2=224	30x3,2=96	320
*Delivery (4)	60x8=480	20x8=160	640
I Global production cost (1+2+3+4)	3824	2130	5960
II Unit production cost	3824:2000 pieces =1,902 u./pieces	2136:800pieces =2,67 u./pieces	–
*General administration (5)	5000u.x0,045=225	2800u.x0,045=126	351
III Global complete cost (I+5)	4049u.	2262u.	6311
IV Unit complete cost	4049:2000pieces =2,0245 u./pieces	2262:800pieces =2,8275 u./pieces	–
V Unit sale price	2,5 u./pieces	3,5 u./pieces	–
VI Analytic result (V – IV)	0,4755 u./pieces	0,6725 u./pieces	–

The activities based costing, as well as any other information regarding costs is not an exact measurement of the resources consumers, yet it represents a more precise assessment of such, because it performs a more detailed analysis of indirect expenses the share of which has increased in the total cost. Representing the enterprise as a network of activities creates the possibility to perform simultaneous analyses both to the resources consummation process, and to the value creation process, thus shaping a new system for managing the enterprise: the activity based management (ABM). By ABM the manager takes into account the costs generating processes before attaching such costs to a calculation object. Therefore, the activity based management focuses on the causes of resources consume, as much as possible even from the moment of the consume, in order to operatively intervene over the costs of the activities delimited in the company.

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Globalization and suzerainty

~ Prof. Ph.D. Ion Bucur (University of Bucharest)

Abstract: *Globalization, an asymmetric, complex and controversial process has become the center of the main theoretical debates at the end of the 20th century. The state itself represents a subject of very different approaches which call for reassessing the validity of the opinions regarding its role in the international political economy.*

Mutations occurred on a political and economic level, the reconfiguration of power and of the "public" and "private" notions call for the reconsideration of the traditional vision over the state and its ability of acting as autonomous author, as well as for the introduction of new standards for assessing its activity.

Controversial opinions exist regarding the suzerainty and power of the current state. A significant theme is represented by the crisis and implosion of national state, by the undermining of not only suzerainty, but also of the idea of "national" economy. Other globalization theoreticians admit the exacerbated effects of such over the internal and external prerogatives of the state. Incontestable, the role of the state in the 21st century is transforming. Important modifications occur in the processes and instruments by which the contemporary state leads the society. There are regarded not only the state's internal organizational forms, but also its relations with the economy.

The state is transformed by globalization, yet it will continue to hold an important position in regulating the economic and social processes, as well as neo-liberal failures.

Globalization is not the end of the state, but it obliges to reconstruction and rethinking of the intervention way and of the action capacity. Arguments regarding the state's transformation should not be confounded with those regarding its decline.

In the same time, globalization is only one of the regress factors, and it doesn't generate only a cortege of constraints, but also one of opportunities.

Even though the state continues to hold an important limit of movement, it confronts the most profound legitimacy crisis in its history.

Key words: globalization, state – nation, intervention, suzerainty, legitimacy, post-suzerainty state.

The globalization phenomenon has created profound mutations in the conceptions regarding the role, action and structure of the state. This new international order calls for answers to problems regarding the international market's implications over national markets, to the extent to which state's policy internationalization claims for its institutional innovation in adopting new objectives and tools for governments, to the extent in which markets can represent the main mechanism ensuring society's governing.

For most analysts, one of the features of globalization is the diminished role of national governments in establishing the rules regarding global governing. Moreover, it is considered that this new climate signifies the beginning of the end of the nation-state, as effective manager of the national economic politics, even thought the suzerainty would remain formally intact. The idea is ascertained that global markets will erode the legitimacy and especially the need for a nation-state.

On the opposite end there are those asserting that it is premature to claim that the nation-state has disappeared. Even though the efficacy of the post-war state represents a problem, its intervention is not automatically doomed. On the contrary, there has been demonstrated that the market is only viable upon considerable social and political order.

Beyond general rhetoric calling for "less state and more market", it is known the role of the state in consolidating markets. Actually, the private sector calls for the state's support in specific modalities: covering the costs of basic infrastructures (funds for fundamental research, for investments in professional training system, for disseminating scientific and technical information and technology transfer); providing stimulating taxes needed in order to finance investments in industry, research and development and technologic innovation; protection by public contracts of national enterprises by privileged access on the internal market (telecommunications, transportation, education, social services); supporting national enterprises in the competition on international markets.

Although it is recognized the maintaining of the state's role as vector of social justice and collective solidarity, the current world context claims for its profound transformation in order to answer to the new defies. The globalization phenomenon is understood as process of transferring from an economy based on national capitalism and activating on a planetary level, to a globalization characterized by market liberalization, de-regulations and privatizations in the national economies, thus modifying both the physiognomy and the nature of world economy. Capital is deemed to no longer be national, but global, freed from its constraints and regulations.

Authors also exist who deem as erroneous to question the existence of national capitalism. However, there is admitted that it stopped being the only coherent form of capital organization and that its predominance will disappear during the next decades. Thus, the history of capitalism will cease to be defined and limited by national borders, and the era of nation's wealth will be replaced by that of mankind's wealth.

In its classic form inherited from illuminists, the states can no longer claim to be the only legitimate center of political debate and of collective action. It is necessary to rethink the state's objectives, functions and ways of expression.

World post-war order has been build around nation-states. In such, Keynesianism has become the center of significant revolution in the conception regarding the role of the state and of the market in long term social reproduction. Even the most conservative governments have undertaken the standpoint expressed by R. Nixon in 1971 "We are all Keynesian now".

Public regulations by means of monetary and fiscal policies have ensured full occupation and represented a way of sustainable and sure growth. The state's control and intervention were needed due to the markets' impossibility of ensuring full occupation and of preventing major macro-economical instabilities. In the said period, state's structures were based on social policies of Beveridgean inspiration, Keynesian macro-economic management and labor relations Ford model.

A major conservative contra-revolution took place in the 70s and 80s, when the markets were regarded as the most efficacy tools of modern society organization.

Whilst the post-war state was declared interventional, aiming to promote Fordism, the implementation of welfare systems and the control of economic activity level, the increase of economic difficulties resulted in a severe shift towards "laissez-faire" strategies.

Given the increased dysfunctions of the global economy and the existence of commercial obstacles, the national governing system calls for renovation and reform, for new tools of politics aimed to answer to the changes in the international economy. The resurgence of the interest towards market mechanisms has correctly been determined by the evolution of economic integration, by the dynamism of financial innovations and on the progressive transition to another production regime. Under such circumstances, the national companies and economies enter a competition in a considerably enlarged economic environment, in which markets can generate political and institutional transformations.

Although some limits are admitted, some economists consider that besides democracy the market represents the less imperfect mechanism of coordinating the economic activity in de-centralized societies. The expansion of market mechanisms and the will of reducing the state's intervention have caused two types of modifications: on one hand, a geographic and institutional dispersion of the functions undertaken so far by national states in favor of international organizations and on the other hand, a relative autonomy of the decision makers in the field of economic policy. This is not the result of dissolution of the politics in favor of the market economy, but a power transfer towards the parties which are not involved in local situations.

The changes in the governing system have lead to the occurrence of a new type of state, defined as post-national or post-suzerainty, in which national institutions have lost their primarily role of representing the interests defining national aspirations.

The adepts of this new orientation define the post-national state by two features: welfare is of external nature and is determined by those countries' export, by the performances of the commercial blocks in which it is a part; the substantial reduction of the state's ability of permanently engaging in the internal economic management. The tendency of diminishing the state's power is achieved upon commercial dependencies. Thus, over 50% of the GDP of most developed states is under direct influence of the modification of international demand and prices. Under such circumstances, for the purpose of promoting the principles of international activity, the state is confronted with certain priorities: recreating its capacity of controlling national economy achieving appropriate national economic management; supporting the markets. In order to function efficiently, markets should be oriented and regulated by national governments. In order to avoid the effects of the global business cycle, the state should protect its institutional systems and national practices. Obviously, states don't have the same capacity of achieving this aim. Given the intense concerns for reassessing and reforming the post-war institutions, the economic theory was warning and emphasizing the market's insufficiencies, which could affect societies lacking any complementary or alternative coordination mechanism. Moreover, in the last period the number of "pro-state" theories' supporters has increased. This does not exclude the admission of the significant, yet not exclusive, role of the market mechanisms in social regulation. Even more, the belief that markets will dominate in the next century is deemed as a real illusion.

The transformation of state's functions is designated by some authors by the tendency of state de-stating characterized by phenomena working together towards shifting the social regulation center (des-nationalizing, state internationalizing by universalizing the governance model). The de-stating process leads to reinventing the state, which continues to be strong, despite its economic releasing.

Contrary to the inflow of conservative and "pro-market" ideologies, it is ascertained that markets will never replace governments in drafting strategic options. The state's interventions are considered superior to market mechanisms. Whereas public authorities can on the contrary create and monitor markets.

In the same time, it is considered that the reality has proven the erroneous nature of the expectations in the 50s and the 60s, and after that European national states were to be gradually replaced by a supra-national interventionist state. No supra-national authority was designated yet to replace the system of national governing. The persistence of the nation-state emphasizes that no alternatives exist to this source of political power, although the capacity was diminished of applying such in achieving the market's governing objectives.

In conclusion, there can be ascertained that the state continues to remain the main power center, yet it must be radically transformed in order to face the new defies.

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Kosova budgetary sustainability and fiscal policy

~ Prof. Ph.D. Myrvete Pantina (University of Prishtina - Faculty of Economics)
~ Researcher- agro-economist Faton Osmani (Ministry of Agriculture, Forestry and Rural Development of Kosova)

Abstract: *Budgeting is the process of governmental resource allocation in order to achieve specific social and economic goals. Since the governmental resources are scarce in most transitional countries, as is the case in Kosova, they need to be allocated based on priority needs, in order to ensure greater efficiency.*

In post-war Kosova the primary objectives of drafting policies were concentrated around establishing budgeting systems, collecting revenues by means of the tax system and development of a comprehensive reconstruction programme, it could be said that these goals were achieved within a short period of time. When we take into account the fact that the Central Banking Authority of Kosova (CBAK) is still unable to completely manage the monetary policy, and does this only to a certain extent, and the fact that Kosova until now did not have access to additional foreign financing, these elements make it all the more necessary to be more careful in preserving fiscal sustainability, since the fiscal policy, until now, was the sole means of macroeconomic policies at the hands of the government.

The objective of this paper is to present the proceedings of the Kosova fiscal policy and budgeting during 2000-2007, as well as provide several recommendations which could result in an increased efficiency in fiscal policy by generating budgetary revenues.

Keywords: Budget sustainability, Fiscal Policy, revenues, expenditures, deficit, Kosova

Introduction: Kosova Economy

Relatively poor countries, including Kosova, face the serious problem of establishing a proper economic environment. In countries like this, it would be merely wishful thinking to expect the private sector to provide such goods and services as: infrastructure, education and healthcare, or in general public services. In Kosova, during a certain period of time, the government will be the key financial supporter of such goods and services. Therefore, it is crucial to manage the budget in a rational and efficient manner. By all means this is not an easy task, starting from the fact that Kosova faces insufficient budgetary revenues, whereas, on the other hand, the necessity to improve the social and economic welfare of citizens is enormous.

The transitional reforms in Kosova started after 1999, on a fairly low economic base, downgraded in particular during the 90's. In 1998, the general production of Kosova was dominated by the industry, which was at about 50% of the GDP, whereas agriculture was at only about 20%.

Economic development of Kosova during 2000-2006 was characterized by a small economic growth compared to the fairly low base at the commencement of the transition, as well as generally unstable macroeconomic indicators visible in the table provided below.

Table 1. Some key macroeconomic indicators

	Years				
	2002	**2003**	**2004**	**2005**	**2006**
Real GDP increase (%)	9.6	8.3	2.1	0.3	3.0
Inflation (%)	3.6	1.2	-1.4	-1.4	0.7
Increase of investments (%)	-9	-7	25.1	-26.0	29.4
Increase of exports (%)	2.2	0.1	-8.7	-11.1	30.3
Increase of imports (%)	-5.6	-4.5	1.0	9.4	13.3
Coverage of imports with exports	2.3	2.4	7.7	6.5	8.1
Transfers (mil. Euro)	341.4	341.4	215.0	281.0	318.0
Foreign assistance (mil. Euro)	897.5	698.7	565.0	491.0	465.0

Source: IMF, Aide Memoire, February 2007

In 2006, the Kosova economy recovered from the stagnation of the preceding year by marking an increase in the real GDP at the rate of 3%. Compared to the increase of 2004, the increase of 2006 was mainly supported by private sector investments. Such investments were supported mostly by banking sector loans and foreign direct investments. It is clear that Kosova needs a higher rate of economic development in order to address the challenges it faces such as financing the public infrastructure, reducing the rate of unemployment as well as the high current account deficit.

High unemployment rates represent one the greatest concerns for the Kosova economy. Unemployment rates differ from about 30% (IMF, 2004) up to 40% (ESK, 2006). Kosova is the country with the youngest population in Europe, more than half the population is under the 25 years old; therefore much more investment is necessary in order to decrease the rate of unemployment[1].

The high current account deficit also rep-

[1] Central Banking Authority of Kosova (CBAK), Annual Report 2006, Page 15

resents a great concern for the Kosova economy, in 2006 it was at 44.2% of the GDP, which provides for more than a mere concern. The main source of deficit remains the high level of imports, whereas coverage by means of exports is still fairly low, at about 8%.

Fiscal Policy impact on Budget

Bearing in mind the specific situation in which Kosova is, the fiscal policy during the reconstruction phase has had a relatively simple form. The establishment of a functional public finance system in Kosova commenced with the United Nations Mission in Kosova (UNMIK[2]) and from 2002 it is managed by the Ministry of Economy and Finance. UNMIK had to start from scratch with the design of the tax system, development of a budget and establishment of institutions for the implementation of fiscal policies. Initially, Kosova had a basic tax system, which was based on the collection of revenues at the border (sales tax, customs tax and excise tax), whereas the expenditure structure was still not well defined. Therefore, in lacking own revenues, half the operational expenditures, as well as all capital expenditures were financed by donor grants.

The public sector was the largest sector of the post-war economy; the private sector had just started to develop. Gradually, the public sector percentage of national revenues in Kosova decreased, the private sector developed at an accelerated pace, and the decrease in the period of 2000-2002 realistically was about 12-13%, whereas in 2003 this sector marked a decrease of about 2.5%. National revenues increased from the base of zero in 1999, with new national taxes such as the profit's tax, presumptive tax, VAT and the Income tax.

In the period of 2000-2001, expenditure levels in Kosova, excluding capital expenditures, were not high compared to international standards. Based on the assessments of the IMF in Kosova, budgetary expenditures during this period represented about 14% of the GDP, which compared to the average of regional countries at the rate of 20-23% is considerably lower. Therefore, bearing in mind the fact that the proportion between expenditures and GDP is much higher in the regional countries, it can be said that Kosova in this period led a diligent and restrictive fiscal policy.

The budget of 2002 marked an important period in the transition phase for Kosova. From 2002 Kosova was to be governed by newly-elected institutions: the Assembly, President and Prime minister. About 93% of 2002 budgetary revenues were financed by national revenues, marking a considerable transition toward a budget that is completely financed by means of own revenues.

For the first time in 2003 the budget of Kosova did not contain any donor support. This was an important transition compared to the budgets of the preceding years when the budgetary support donations played an important role in the financing of governmental services. In 2003 the main budgetary revenues continued to be revenues from imports (customs) of Kosova, which represented 72%

[2] United Nations Mission in Kosova

of governmental budgetary revenues.

During the period of 2000-2003 governmental revenues increased dramatically as a result of application of new taxes and greater efficiency in tax collection. Based on the World Bank data, during this period, total revenues increased from 17 to 45% of the GDP value, whereas the budgetary surplus represented on average 3.5% of the GDP value. As a result of this, at the end of 2003 cash reserves at about 25% of the GDP value were collected.

In 2004 expenditures continued to increase with a high rate and consequently a budgetary deficit emerged which was covered by the surplus of the preceding years. It is worthwhile noting that Kosova is heavily dependent on revenues collected at the border, even though this dependency had started to decrease. Such dependency is high compared to international standards and reflects great dependability of the country on imports. Taxes at the customs comprised 90% of the revenues collected in 2000. This percentage decreased to 70% in 2004, and continued to decrease to 67% in 2005 and 61% in 2007.

The Kosova budgetary revenues in 2005 were **614.4** million Euros. Customs taxes, as mentioned above, comprised the largest portion of budgetary revenues or 67.4%, direct internal taxes were at 12.1%, indirect internal taxes were at 9.1%, whereas non-tax revenues represented 13% of total budgetary revenues.

Total expenditures of the Kosova Consolidated Budget (KCB) in 2005 marked the amount of **710.2** million Euro. They were higher compared to the total revenues of the same year by 15.5%; however, they were lower by 5.1% compared to the total expenditures of 2004. Most KCB expenditures comprised of subsidies and transfers at 28.8%, salaries and wages 26.8%, capital expenditures excluding enterprises at 21.6% and expenditures for goods and services at 20.5%.

Kosova budgetary revenues also continued to grow in 2006, and reached the amount of 684 million euro, which was by 11.5% higher compared to the 2005 revenues. By reaching the amount of 485 million Euros, customs taxes marked an increase by 7.1% compared to 2005, however as part of total revenues, marked a decrease from 67% to 64%. A factor contributing to the increase of the volume of customs taxes could be the increase of the volume of imports (by 11.4%) which could have partially been affected by Free Trade Agreements (FTA's) with Albania and the FYROM, from which imports have marked an increase by 28.7% and 18.4% compared to 2005. A substantial increase was marked in 2006 in the collection of internal taxes (29%); they increased from 127.2 million Euros in 2005 to 164.1 million Euros in 2006[3].

Compared to the budgetary revenues, total Kosova Budget expenditures in 2006 marked a decrease by 8.7% compared to 2005. The decrease in budgetary expenditures of 2006 resulted from the decrease of subsidies and transfers by 27.3%. The KCB expenditure structure continues to remain the as the one of 2005, whereby most expenditures are absorbed by salaries and wages (32%), which is also evident in Table 1.

3 CBAK, Annual Report 2006, page 23

Table 2. Kosova Consolidated Budget 2003 – 2006, in million Euros

	2003	2004		2005		2006 Projections	
Total revenues	**589.7**	**601.3**		**614.4**		**684**	
Taxes	520	533.2		534.6		604	
Customs taxes	424.9	430.0	71.5%	414.5	67.4%	485	
Direct internal taxes	66.5	62.0	10.3%	74.1	12.1%	121	17.7%
Indirect internal taxes	40.3	46.1	7.7%	55.7	9.1%	81	11.8%
Non tax revenues	68.9	68.1	11.3%	79.8	13%	80	11.7%
Total expenditures	**542.6**	**748.5**		**710.2**		**692**	
Current expenditures	506.4	579.5		546.8		559	
Salaries and wages	145.7	184.2	24.6%	190.7	26.8%	199	28.8%
Goods and services	173.9	187.7	25.1%	145.4	20.5%	146	21.1%
Subsidies and transfers	184.5	203.7	27.2%	204.8	28.8%	209	30.2%
Reserves	2.4	4.0	0.5%	6.0	0.8%	6	0.87%
Capital expenditures excluding enterprises	36.2	168.9	22.6%	153.4	21.6%	139	20.1%
Total balance	47.1	-147.2	- 19.7%	-95.8	- 13.5%	-9	1.3%
Budgetary support grants	0.0	4.3	0.6%	0.0	0%	0.0	0%

Source: Kosova: Balance of payments, 2001-2006, IMF staff assessments.

Kosova budgetary revenues in 2007 marked 891.4 million euro, they were higher by 155 million Euros compared to the budget approved for 2007 at the beginning of the year. Revenues collected at the border, at 61%, continued to comprise the largest portion of total revenues and are 51 million euro higher compared to the preceding year. [1]Whereas internal tax revenues comprise 19% of the total revenues with an increase of 23 million Euros compared to the preceding year. Tax revenues at the border during 2007 have increased visibly, mainly as a result of additional measures undertaken by the Customs in the increased levels of border control. This stimulation norm has provided considerable effects.

Kosova budgetary expenditures at the end of 2007 marked 662 million Euros, meaning that they were visibly lower compared to the revenues. During this period, expenditures for salaries and wages marked 208.5 million Euros, thus they were higher compared to 2006.

Although there are efforts to decrease expenditures for goods and services, based on the IMF data for 2003, still these expenditures were higher in Kosova compared to several regional countries, which is evident from the following table.

[1] Department of Treasury and Macroeconomics, MEF, Draft Law for the Kosova Consolidated Budget for 2008

Table 3. Percentage of expenditures for goods and services on 2003 total expenditures

Country	Expenditures for goods and services
Kosova	26%
Slovenia	18%
Bulgaria	18%
Croatia	15%
Bosnia and Herzegovina	13%
Albania	9%

Source: Country Report, IMF (2003 data)

From the data presented above it is evident that within the framework of regional countries included in the table in 2003, Kosova had the largest participation of expenditures for goods and services in total expenditures. Naturally, there were attempts to decrease expenditures for goods and services to the benefit of capital expenditures.

Fiscal Evasion also represents an evident problem for the Kosova budget, because the Kosovo budget is smaller by a large portion of public revenues. Insufficient research was conducted in Kosova in order to identify the magnitude of the informal economy. Based on the World Bank data of 2002, the average participation of the informal economy on GDP in 23 European countries in transition was 38% (the highest levels were marked by Bulgaria – 36.9%, Bosnia and Herzegovina – 34.1%, Albania – 33.4% and Croatia – 33.4%). With OECD countries the level of the informal economy on the same year was 16.7%, among which the highest percentage was marked by Greece (28.5%) and Italy (27%), whereas the lowest was marked by the USA (8.7%) and Switzerland (9.4%).

Conclusions: Reality has shown that the use of fiscal policies in Kosova has had an insufficient impact. The reason is that on the one side governmental expenditures are low due to the limited budget, whereas governmental demand is much higher than what the budget can cover. On the other side, Kosova budgetary revenues are collected mainly from taxes that are collected at the border, about 70% and the remainder are collected within the country, consequently at around 30%. Revenues from the border are collected through the customs tax, VAT and excise taxes, whereas own revenues of municipalities are much lower than those collected by the central government and are mainly ensured by means of the property tax, duties and levies collected at the local level, revenues from interests, road taxes and mine taxes. The collection rate of taxes at the local level in 2005 was only 40% of the budgeted revenues. Therefore, the local authorities need to work in increasing the collection rates of local taxes such as the VAT, property tax, income tax etc. Moreover, they need to work in increasing the tax base and decreasing the informal economy. On the contrary to the situation in Kosova, the OECD countries have the highest participation rate of fiscal revenues from: the income tax at 23%, contributions on social insurance at 22%, turnover tax at 16%, whereas the participation of customs in these countries in 2002 was at about 11%.

When we bear in mind the fact that Kosova until now did not have access to external financing, as well as not having had a monetary policy, such elements make it all the more necessary to dedicate more attention to preserving fiscal sustainability. The fiscal policy, until now, was the sole macroeconomic tool at the hands of the government. Countries in transition usually face problems in maintaining a sustainable fiscal policy during development stages as they undertake expansive fiscal policies that cause problems in terms of budgetary deficits. Therefore, Kosova as a country in transition which aims at EU membership should be careful with budgetary deficits, bearing in mind the fact that one of the main criteria for EU membership has to do with keeping the budgetary deficit under 3% of the GDP.

There are various methods in which fiscal policies could assist in the collection of budgetary revenues of a country. In the case of Kosova, it is recommended that budgetary revenues are ensured through such a tax structure in which the tax base would be very broadly defined and have as few exceptions as possible. This makes it possible to keep tax rates at a low level, by decreasing the demotivation to work, spend, invest or save. With regards to budgetary revenues, it is important for governmental programs to be designed in such a manner so as to support the operation of the private sector – by fostering conditions that are favourable to economic growth and employment.

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Conducting an information security audit

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Abstract: *The rapid and dramatic advances in information technology (IT) in recent years have without question generated tremendous benefits. At the same time, information technology has created significant, unprecedented risks to government and to entities operations. So, computer security has become much more important as all levels of government and entities utilize information systems security measures to avoid data tampering, fraud, disruptions in critical operations, and inappropriate disclosure of sensitive information. Obviously, uses of computer security become essential in minimizing the risk of malicious attacks from individuals and groups, considering that there are many current computer systems with only limited security precautions in place.*

As we already know financial audits are the most common examinations that a business manager encounters. This is a familiar area for most executives: they know that financial auditors are going to examine the financial records and how those records are used. They may even be familiar with physical security audits. However, they are unlikely to be acquainted with information security audits; that is an audit of how the confidentiality, availability and integrity of an organization's information are assured. Any way, if not, they should be, especially that an information security audit is one of the best ways to determine the security of an organization's information without incurring the cost and other associated damages of a security incident.

Key words: *Computer security audit, IT security, informational systems' audit, information security management system, IS security policies, firewall.*

Adapting to the New World

Management of information, one of the most valuable assets, critical to success, often requires guidance in what to do. While there are many information security models, none is universally accepted.

Management must provide the specific actions, policies, procedures, and controls. While each organization does it differently, those responsible include IS management, line management, the CISO (chief information security officer, assuming there is one), and the internal auditors.

High security threats are now normal rather than exception. In 2006 and part of 2007, over 67% of the infections classified by the Forum of Incident Response and Security Teams' (FIRST) Common Vulnerability Scoring System (CVSS), were high severity threats. The CVSS system, (a relatively complex and thorough model for characterizing the fundamental characteristics of a threat and measuring its impact), has no single definition for the vulnerabilities that would cause a high severity threat. As a general rule however, a high severity threat is one that allows an attacker to remove confidential data, take over, or otherwise modify a remote machine without authentication. Such a breach effectively leaves an organization at the mercy of an attacker, and can have negative consequences for a company.

Today, computer security comprises mainly "preventive" measures, like firewalls or an exit procedure.

A **firewall** can be defined as a way of filtering network data between a host or a network and another network, such as the Internet, and is normally implemented as software running on the machine, hooking into the network stack to provide real-time filtering and blocking. Another implementation is a so called **physical firewall** which consists of a separate machine filtering network traffic. Firewalls are common amongst machines that are permanently connected to the Internet. However, relatively few organizations maintain computer systems with effective detection systems, and fewer still have organized response mechanisms in place.

An effective **exit procedure** consists of documented standard processes that are carried out for each person who has ceased employment as well as measures to ensure that cessations are detected and reported so the processes will be completed.

Does it Matter?

As we already know, yes it does, because the key to effective **information security** is to work smarter, not harder. And in this case, working smarter means investing our valuable time, money and human resources on addressing the specific problems that are the most likely to cause a lot of damage. *So we have first to identify the risks.* The answers of some questions will help us:

a) What are the resources, meaning the information systems? Are they enough important so we have to protect them?

b) What is the value of those resources, monetary or otherwise?

c) What are the all the possible threats that those resources face?

d) What is the likelihood of those threats being realized?

e) What would be the impact of those threats on our business or personal life, if they were realized?

If we answered these questions above,

we can then investigate both mechanisms technical and procedural, that might address those risks, and then weigh up the cost of each possible solution against the potential impact of the threat. So, the answer is simple: if the cost of the solution is higher then the potential financial impact of the risks being addressed is higher; then one may need to investigate other solutions, consider accepting and living with a part of the risk, or accepting and living with the risk completely.

A Computer Security Audit

A computer security audit is a systematic, measurable technical assessment of how the organization's security policy is employed at a specific time. According to this, **computer security auditors** work with the full knowledge of the organization, at times with considerable inside information, in order to understand the resources to be audited.

Security audits are part of the on-going process of defining and maintaining effective security policies, which involves everyone who uses any computer resources throughout the organization. Given the dynamic nature of computer configurations and information storage, some managers may wonder if there is truly any way to check the security ledgers. Security audits provide such a tool, a fair and measurable way to examine *how secure is an information environment.*

Computer security auditors perform their work through personal interviews, vulnerability scans, examination of operating system settings, analyses of network shares, and historical data.

Because a policy is typically published, and because it represents executive decision, it may be just what is needed to convince that potential client, merger partner or investor is really exactly who he pretend to be.

Increasingly companies are requesting proof of sufficient levels of security from the parties they link to do business with. They are concerned primarily with how security policies are actually used, that's way a security policy is exactly the place to start.

The complexity of a computer system cannot guarantee that it is free of defects. From some knowledgeable observers to ignore computer security efforts, the external threats, and generally treat the computer system itself as a trusted system, represent an enormous mistake. They also point out that, this ignorance is the cause of many cases of insecurities of current computer systems: once an attacker has subverted one part of a system without fine-grained security, this one usually has access to most or all of the features of that system. This kind of security attitude tends to produce insecure systems.

There are a number of **key questions** that security audits should attempt to answer:

- Are theirs passwords difficult to crack?
- Are there access control lists in place on network devices to control who has access to shared data?
- Are there audit logs to record who accesses data?
- Are the audit logs reviewed?
- Are the security settings for operating systems in accordance with accepted industry security practices?
- Have all unnecessary applications and computer services been eliminated for each system?

- Are these operating systems and commercial applications patched to current levels?

- How is backup media stored? Who has access to it? Is it up-to-date?

- Is there a disaster recovery plan? Have the participants and stakeholders ever rehearsed the disaster recovery plan?

- Are there adequate cryptographic tools in place to govern data encryption, and have these tools been properly configured?

- Have custom-built applications been written with security in mind?

- How have these custom applications been tested for security flaws?

- How are configuration and code changes documented at every level? How are these records reviewed and who conducts the review?

These are just a few of many questions that can and should be assessed in a security audit. In answering these questions honestly and rigorously, an organization can realistically assess *how secure its vital information is.*

Defining the Security Policy

As stated, a **security audit** is essentially an assessment of how effectively the organization's security policy is being implemented. Of course, this assumes that the organization has a security policy in place which, unfortunately, is not always the case. Despite all of this it is possible to find organizations where a written security policy does not exist yet. Security policies suppose to standardize security practices by having them codified in writing and agreed to by employees who read them and sign off on them. If security practices are unwritten or they are just informal, they may not be generally understood and practiced by all employees in the organization. It is also necessary that all employees have read and signed off on the security policy; other way the compliance of the policy cannot be enforced. Written security policies are not about questioning the integrity and competency of employees; rather, they ensure that everyone at every level understands how to protect company data and agrees to fulfill their obligations in order to do so.

The security audit should seek to measure security policy compliance and recommend solutions to deficiencies in compliance. The policy should also be subject to scrutiny. Is it a living document, accurately reflecting how the organization protects IT assets on a daily basis? Does the policy reflect industry standards for the type of IT resources in use throughout the organization?

The Necessary Steps for the Pre-Audit Process

Even before the computer security auditors begin an organizational audit, there is a fair amount of "homework" that should be done. First of all auditors need to know what they're auditing; they must to review the results of any previous audits that may have been conducted. They also need to find about the tools they will use or refer to before. All of these steps represent a technical description of the system's hosts. The auditors must find about the entity management. Several security questionnaires may be used as to follow up the entity survey. Maybe these questionnaires are apparently subjective measurements, but they are useful because they provide a framework of agreed-upon security practices. The respondents are usually asked to rate the controls used to govern access to IT assets. These controls include: management controls, authentication/access controls, physical security, outsider access to systems, system administration controls and procedures, connections to external networks, remote access, incident response, and contingency planning.

Entity surveys and security questionnaires (Munteanu, 2001) should be clearly written by auditors with quantifiable responses of specific requirements. They should offer a numerical scale from least desired to most desired. Both should include electronic commerce considerations if appropriate to the client organization. For instance, credit card companies have compliance templates listing specific security considerations for their products. These measure network, operating system, and application security as well as physical security.

Auditors, especially the internal ones, should review previous security incidents at the client organization to gain an idea of historical weak points in the organization's security profile. It should also examine if current conditions are able to ensure that those incidents cannot occur. If auditors are asked to examine a system that allows Internet connections, they may also want to know about IDS/Firewall log trends. Do these logs show any trends in attempts to exploit weaknesses? Could there be an underlying reason (such as faulty firewall rules) that such attempts are taking place on an ongoing basis. How can this be tested?

Because of the breadth of data to be examined, auditors will want to work with the client to determine *the scope of the audit*, which must be clearly defined, understood and agreed to by the client. The audit process must include some others factors: the entity business plan, the type of data being protected and the value or the importance of those data for the client organization, the time available to complete the audit and the talent or the expertise of the auditors. It's also important to find about previous security incidents.

Next, the auditors will develop the *audit plan*, which must cover how will audit be executed, with which personnel, and using what tools. They will then discuss the plan with the requesting organization. Next they discuss the *objective of the audit* with personnel organization along with some of the logistical details, such as the time of the audit, which their staff may be involved and how the audit will affect daily operations. At this stage the auditors should ensure that audit objectives are understood.

The Auditing Process

Auditors use a set of specific audit techniques and procedures, such as (Dobroteanu & Dobroteanu, 2008): observation, interviews, questionnaires, collecting and studying internal regulations and relevant legislation, organizational charts, graphs, analyses and statistical comparisons, etc.

The evidences can be obtained by combining the techniques (Ali & Stanciu, 2004): direct observations, interviews, questioning, examination, and sampling.

At the beginning, the aim of the auditors is to conduct an entry briefing where they outline the scope of the audit and what they are going to accomplish.

The auditors should be thorough and

fair, applying consistent standards and procedures throughout the audit. During the auditing process, they will collect data about the physical security of computer assets and perform interviews of organization staff. They may perform network vulnerability assessments, operating system and application security assessments, access controls assessment, and other evaluations. Throughout this process, the auditors should follow their checklists, but also keep eyes open for unexpected problems. They should look beyond any preconceived notions or expectations of what they should find and see what is actually there.

The ISACA "S14. Audit Evidence" audit standard recommends to the IS auditors to obtain sufficient and relevant evidences in order to ground as realistic as possible conclusions and to express relevant opinions.

These modern tools and techniques can assist the auditor in any phase of its mission, being used in order to (Nastase et al., 2007):

- Testing a system's security measures;
- Analyzing and controlling the informatics applications existent in the system;
- Identifying the risks for a an organization and assessing them;
- Evaluating internal control;
- Verifying files integrity;
- Analyzing the information of the audited client by complex interrogations of the data bases, extractions, layering, and totals.

After the audit is complete, the auditors will conduct an outgoing briefing, ensuring that management is aware of any problems that need immediate correction. Questions from management are answered in a general manner so as not to create a false impression of the audit's outcome. At this point in time it should be stressed that the auditors may not be in a position to provide definitive answers. Any final answers will be provided following the final analysis of the audit results.

The next step for auditors is to comb their checklists and analyze data discovered through vulnerability assessment tools. There should be an initial meeting to help focus the outcome of the audit results. During this meeting, the auditors can identify problem areas and their possible solutions. The audit report must be simple and direct, containing concrete findings with measurable ways to correct the discovered deficiencies.

The audit report can follow a general format of executive summary, detailed findings and supporting data, such as scan reports as report appendices. The report must include first the executive summary. It's important to realize that strengths as well as deficiencies can be addressed in the executive summary to help give an overall balance to the audit report. Next, the auditors can provide detailed report based on audit checklists. The audit findings should be organized in a simple and logical manner on one-page worksheets for each discovered problem. This worksheet outlines the problem, its implications, and how it can be corrected. Space should be left on the worksheet to allow the site to document corrective steps and a comment block to dispute the finding if appropriate.

The finally step for the audit staff is to prepare the report as speedily as accuracy allows so that the organization staff can correct the problems discovered during the audit. Depending on company policy, auditors should be ready to guide the audited organization staff in correcting deficiencies and help them measure the success of these efforts. Management should continually supervise deficiencies that are turned up by the audit until they are completely corrected.

The Role of Audit of Information Security

While organizations evolve, their security structures will change as well and according to this, the computer security audit must be a continual effort to improve data protection. **Auditing Information Security** the auditors measures the organization's security policy and provides an analysis of the effectiveness of that policy within the context of the organization's structure, objectives and activities. The auditors must help organizations to refine their policy and correct their deficiencies that are discovered through the audit process. Whereas tools are an important part of the audit process, the audit is less about the use of the latest and greatest vulnerability assessment tool, and more about the use of organized, consistent, accurate, data collection and analysis to produce findings that can be measurably corrected.

To be effective in ensuring accountability, auditors must be able to evaluate information systems security and offer recommendations for reducing security risks to an acceptable level. To do so, they must possess the appropriate resources and skills.

Using a computer (Popescu et al., 2005) modifies the way in which financial information is processed, stored and communicated and it can affect both the accountancy system and the internal control system used by the entity. Consequently, a CIS (computerized information system) environment implies most times: large transactions volume – which makes is difficult to identify and correct errors during processing; automatic generation to another application of significant transactions or incomes; making complex calculation; automatic electronic exchange with other organizations, without revising values or their reasonability.

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A study of owner - manager's environmental awareness and small business performance

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Abstract: *The Importance of strategic planning as a major activity of organizational management is being increasingly accepted both academician and professional managers. As one of the important components of strategic planning process, environmental scanning has received importance to explore new opportunities and to identify threats for making important strategic decision. The present study indicates the relationship between owner-manager's environmental awareness and business performance of the Small Business. Bollinger (1994) found that scanning is positively correlated with the firm's financial performance. Similar results were also found by Orpen (1993) reported that small firm which posses more information about themselves and their environment engage in formal strategic planning and they perform better financially than their counter parts. Authors in the area of small business and entrepreneurship have recognized the need for conscious and continuous study of the environment and integrate the environmental information into their strategic planning. Finally, Environmental awareness contributed significantly to the relationship with overall performance of small business under the study*

Key Words: Owner- Manager, Environmental Awareness, Small Business, and Performance.

Background of the Study

The literature on planning in small business has grown considerably over the past decades. With a few notable exceptions, many scholars have recommended that small firms need to use strategic planning as an essential tool for their improved performance. Support for the planning process in small firms comes from a variety of writers in a number of forms (Gibb and Scott,1985).

Importance of strategic planning as a major activity of organizational management is being increasingly accepted both academician and professional managers. As one of the important components of strategic planning process, environmental scanning has received importance to explore new opportunities and to identify threats for making important strategic decision. The notion of environmental scanning developed as apart of open system concept that maintains that organizational survival and growth depend on an organization's ability to adopt to its environment. Indeed, many of the important reasons for small business failures, such as deficient planning, over-investment, unrealistic pricing, low sales can be traced to small business owner- mangers' inattention to the world beyond the office doors (Pearce II, Chapman and David, 1982). The identification of strategic opportunities and threats becomes increasingly vital as the business environment becomes more complex and dynamic. In such an environment, the awareness of the current events and the anticipated changes may pay off in an improved planning and decision-making that may in turn, lead to improved performance (Gibb and Scott, 1985; Deakins, 1996). Despite the prescribed benefits of such awareness, empirical knowledge of its influences on small business performance has been very limited. Authors in the area of small business and entrepreneurship have recognized the need for conscious and continuous study of the environment and integrate the environmental information into their strategic planning. Despite this recognition, studies on the effects of environmental awareness on small business performance are very limited. Knowledge of these issues in developing countries hardly exists. Generalizations derived from the studies in developed countries may not be appropriate when applied to small firms in developing countries. Hence, this study is an attempt to examine the influence of owner-manager's environmental awareness and small business performance and thus it contributes to some extent in fulfilling the gaps in knowledge.

Environmental Awareness

Strategic planning was defined operationally by three elements of the strategic planning process-environmental awareness, the existence of idea or formal documentation of a future strategic course of action, and an awareness of both short and long-term implications of strategies. It is often asserted that strategic planning is essential for a small as well as a large business for no other reason than that it helps them to take better advantage of the opportunities which lie in the future and to forestall the threats that it contains (Steiner, 1967). Environmental awareness is a concept from business management by which businesses gather information from the environment, to better achieve a sustainable competitive advantage. To sustain competitive advantage the company must also respond to the information gathered from environmental scanning by altering its strategies and plans when the need arises.

Timmons (1978) noted that one of the most striking characteristics of successful entrepreneurs their attitude towards and their use of planning. Similarly, Carland, Hoy, Boulton and Carland (1984) used the term 'entrepreneur' to mean the innovative owners of small firms who use strategic management practices.

The research in small businesses has demonstrated that owner-mangers in small firms place more importance than larger firms on external information (Johnson and Kuehn, 1987) and that they conduct environment scanning fairly regularly (Smeltzer, Fann, and Nikolaisen,1988). Their environmental scanning, however, is frequently reactive, informal and unsystematic (Gibb and Scott, 1985; Fann and Smeltzer,1989). Some authors argued that because of the reactive nature of information search planning in small firms is often impeded by imperfect and insufficient information (Gibb and Scott, 1985;Deakins, 1996). Johnson and Kuehn (1987) indicated that relying primarily on verbal exchanges with suppliers, distributors, and customers, small business owner-mangers find market place information sources both more accessible and easier to interpret that technology – based media. Smeltzer (1988) investigated the environmental scanning practices and information sources by using semi-structured interviews of 88 owner-mangers in the Phoenix and Kansas City metropolitan areas in the United States. Similar to the study of Johnson and Kuehn (1987), this study also found that small business owner mangers judge family and friends to be more valuable than the traditional formal sources of information and advice, such as, lawyers, bankers, and accountants. Market place was found to be the most important environment unit of analysis, and personal information sources were considered to be more valuable than impersonal sources. Holland, Stead, and Leibrock (1976) found that managers faced with a difficult task preferred personal information sources because they enabled the manger to learn about a complex topic in a short time. Written information sources, such as the professional literature and technical manuals, were found to be preferred when task assignments were well understood.

Small Business Performance.

Measuring firm performance has become an important component of empirical research in the field of strategic management or marketing strategy. Researchers frequently take the performance of firms into account when investigating such organizational phenomena as structure, strategy and planning. Research which incorporates performance must address two basic issues (1) selection of a conceptual framework to define performance, and (2) identification of accurate, available measures that operational performance (Dess and Robinson, 1984). Scholars have suggested a number of frame works to define performance. Regardless of the framework chosen to conceptualize performance, it has been apparent that performance, it has been apparent that performance is a complex and multidimensional phenomenon and opeartionalising such a concept is inherently difficult. Dess and Robinson (1984) indicated that obtain accurate economic performance data is often a problem in measuring performance of business units of multi-industry firms and privately –held firms. In providing a framework for operationalisng performance, Venkatraman and Ramanujam (1986) referred to the narrowest conception of business performance that centers on the use of simple outcome-based financial indicators that are assumed to reflect the fulfillment of the economic goals of the firm. These financial indicators have been dominant models in empirical research. Typical of this approach would be to examine such indicators as sales growth, profitability, earnings per share, and so forth. Venkatraman and Ramanujam (1986) viewed that a broader conceptualization of business performance would include emphasis on indicators of operational performance.

(i.e., non- financial) in be logical to treat such measures as market-share, new product introduction, product quality, marketing effectiveness, customer satisfaction, customer loyalty, manufacturing value added, and other measures of technological efficiency with the domain of business performance. The inclusion of operational performance indicators takes us beyond the 'black- box' approach that seems to characterize the exclusive use of financial indicators and focuses on that key operational success factors that lead to financial performance (Venkatraman and Ramanujam, 1986). While business performance can be measure using financial indicators, operational indicators, or both, a further issue in its operationlistion is the sources of data (Venkatraman and Ramanujam, 1986). The sources of performance data are either primary or secondary. Using the conceptualization of business performance (financial versus operational indicators) and data sources (primary versus secondary) as two basic but different concern in the overall process of measuring business performance,

Similar experience was also observed in a number of research in other countries. Harriss (1981) quoted the following statements from some studies of Indian small traders… " they lie when it came to statements about wealth, business, capital, turnover and so forth which they never correctly told to anyone. Similar Fox (1969) Pointed out merchants are extremely reticent regarding money matters in business. Unni (1981) indicated confidentiality of responses was assured, the pre-testing of the questionnaire revealed an unwillingness of small businessmen to specify their profit and sales over the last few years. Orpen (1993) described small firms are notorious for their inability and unwillingness to provide desired information.

Environmental awareness and Small Business performance

On the issue of the importance of environmental scanning on small business performance, Bollinger (1984) found that scanning is positively correlated with the firm's financial performance. Similar results were also found by Orpen(1993) in a study of 51 small firms in England. In this study, he reported that small firms, which possess more information about themselves ad their environment, engage in formal strategic planning and they perform better financially than their counterparts. Bamberger (1980) noted, there is a positive relationship between the existence of a more or less formal strategic planning system and the firms' growth. Watts and Orimsby (1990) pointed out the relationship between strategic planning and performance of small businesses, and that there is a tension between normative statements and the findings of empirical research (Hanlon and Scott, 1993), increasing evidence has confirmed that strategic planning has a positive effect on the performance of small businesses.

Orpen (1993) argued that formal strategic planning follows improved performance, and another view is that formal strategic planning provides a structure for decision making, helping small businesses to take a long term view, and that in general, it benefits small firms. Others have claimed that formal strategic planning enables organizations to better prepare for and to deal with rapidly changing environments that most of them face. Lyles, Baird, Orris, and Kuratko (1993) argued that as small business owners adopt a more formal planning process. There is a significant increase in the thoroughness of their decision process, the breadth of strategic options emphasized in their business activity, and their overall performance. Strategic planning can almost certainly influence the growth of the company and provide a framework for enhancing this or it can also help maintain the existing size and capability of the firm (Gibb and Scott,1985).

Gibb and Scott, (1985) and Flavel (1991) indicated that strategic planning in small business is formal, unstructured, and irregular, supported by insufficient and ineffective information, usually obtained through informal sources, and reactive rather than proactive. Although managers in small firms engage in strategic thinking, such deliberation is seldom formal (Gibb and Scott,1985; Mintzberg,1994). Many reasons have been identified for the absence of formal strategic planning in small business. These include lack of time, cost, expertise, information, training, education and skills of owner-managers (Robinson and Pearce, 1984; Shrader, Mulford, and Bluckburn, 1989). As with the study of Gibb and Scott (1985) reported the most owners-mangers of small firms have ideas or portfolio of ideas of projected action to avail themselves of relevant opportunities and for dealing with the threats that existed in the environment.

Conclusion

Bollinger (1994) found that scanning is positively correlated with the firm's financial performance. Similar results were also found by Orpen (1993) reported that small firm which posses more information about themselves and their environment engage in formal strategic planning and they perform better financially than their counter parts. Authors in the area of small business and entrepreneurship have recognized the need for conscious and continuous study of the environment and integrate the environmental information into their strategic planning. Based on the empirical research, the researcher found that positive relationship between environmental awareness and small business performance. Finally, Environmental awareness contributed significantly to the relationship with overall performance of small business under the study.

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Appraisal of the impact of environmental scanning on corporate performance in selected Nigerian banks

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Abstract:*This research study examines the Impact of Environmental Scanning on Corporate Performance in Selected Nigerian Banks. Our goal was to establish whether the knowledge of organizations environment and its scanning has any relationship with corporate performance.*

This research was conducted to increase our level of understanding of the subject investigated and to add to the existing literature on the subject especially in the Third World countries where such study is not popular.

Survey research method was used in carrying out the study. Analysis was done using Difference of Mean and Pearson Correlation Coefficient with the aid of Statistical Package for Social Sciences.

From the study, the findings show that environmental scanning firms outperform non- scanning firms, that information derived from environmental scanning is increasingly been used to drive the strategic management process, that managers have a significant knowledge of their environment, that the fold up of some banks in the Nigerian banking industry was due to its inefficiencies in scanning its environment for threats and opportunities and that the scanning intensity in each sector is based on the level of perceived strategic uncertainty in each of these sectors.

Base on the findings of the study, recommendations were made that more financial resources should be provided by organisation to put the required systems in place for environmental scanning

Key Words: Businss Organisations, Environmental Scanning, Management, and Performance.

Introduction

Environmental analysis (scanning or appraisal) is very important to modern organization. It is used by corporate planners to monitor the economic factors, competition, government legislation, suppliers, technology and market setting to determine the opportunities for and threats to the enterprise. Organizations scan the environment in order to understand external forces of change so that they may develop effective responses which secure or improve their position in the future.

The importance of environmental analysis lies in its usefulness for evaluating the present strategy, setting strategic objectives, and formulating future strategies. The banking industry is a very strategic catalyst for the overall economic growth in any country. In Nigeria the industry is generally regarded as an engine room for economic growth and development because of the crucial role it plays in linking all segments of the economy in the main stream (Udoaja, 2002). The fortunes of business enterprise are known to have been determined by changes in the social, economic, political, technological, business and industrial conditions. It is therefore pertinent that a thorough and careful analysis be carried out on these factors.

However, with the recent changes brought into the Nigerian banking industry by the Central Bank of Nigeria (CBN), the entire macro economic structure was altered with new opportunities and threats emerging. The financial sector got a boost, an after effect of the raise in the capital base from #10 Billion to #25 Billion. This resulted in a conducive investment climate.

The general problem of environmental scanning faced in the industry however, could anchor on total ignorance of environmental characteristics which affect them or inadequacy of information for management, to plan, implement and control certain events within and outside the organizations environment.

A number of studies have been conducted on the subject of environmental scanning and corporate performance. Miller, (1994) carried out analysis on eighty-one detailed case studies of successful and failing businesses. The study found that environmental scanning was by far the most important factor in separating the successful companies from the unsuccessful, that this, it accounted for more than half of the observed variance. Newgren et al. (1984) compared the economic performance of twenty-eight corporations that practiced environmental scanning with twenty-two non-practicing firms. They measured performance over a period of five-year (1975-1980) using the firm's share price/earning ratio, normalized by industry. The results showed that scanning firms significantly outperformed non-scanning firms. The average annual performance of the scanning firms was also consistently better than the non-scanning firms throughout the period. The study concluded that environmental scanning and assessment has a positive influence on corporate performance. That scanning also benefits small businesses.

West (1988) examined the relationship of organizational strategy and environmental scanning to performance in the food service industry. Data were collected from sixty-five companies over the period 1982 to 1986. The study found that environmental scanning had a substantial influence on the firm's return on assets and return on sales. High-performing firms in both differentiation and low cost strategies engaged in significantly greater amounts of scanning than low-performing firms in those two strategic groups.

Daft et al.'s (1988) study of scanning by chief executives found that executives of high-performing firms (those with higher return on assets) increased the frequency, intensity, and breadth of their scanning as external uncertainty rose.

From the foregoing, it is obvious that many organization regard environmental scanning as a potentially beneficial way of running an organization. However, the extent to which Nigerian banks regard environmental scanning and the performance impact of practicing it have not received adequate research attention. Besides, most of the studies on environmental scanning that have been reported were carried out in industrialized countries. This implies that there is a major dearth of relevant literature on Third World countries, including Nigeria, which has to be covered by research. The study attempts to examine the impact of environmental scanning on corporate performance. Thus, it is hoped that this study will add new information to the present state of knowledge in the field and this will be of assistance to academics and other researchers in this field and other related research areas. Moreover, this study will also be of immense benefits to practicing managers who might be willing to consider this approach in managing their organizations.

In order to address the issues raised above, the following questions will be addressed in this study:

1. What is the level of organizations knowledge of their environment?

2. What is the relationship between environmental scanning and corporate performance?

Hypothesis will be tested in order to know how much knowledge the organization have about their environment and to know if there is any relationship between environmental scanning and

The literature

Environment creates both problems and opportunities for organization. Organization depends on the environment for scarce and valued resources, and organization often must cope with unstable and unpredictable external and internal events. The environment itself perhaps, more than any other factor, affect organizational structure, internal processes and managerial decision making. From an information processing perspective, the environment is important because it creates uncertainty for managers. Environmental uncertainty increases information processing within organization because managers must identify opportunities, detect threats, interpret problem areas and implement strategic or structural adaptation (Hambrick, 1982). One means of competing for policy and decision makers is to acquire superior information about the environmental opportunities and threats depends on management's perception of signal that other organizations miss (Dulton and Freeman, 1984).

Despite research on environmental uncertainty, the question remains how do senior managers learn about and if they know the impact of the environment? Before an organization can begin strategy formulation, it must scan its environmental for strengths and weaknesses. Strategic managers view environmental scanning as a prerequisite for formulating effective business strategies (Beal, 2000). Environmental scanning includes both looking at information (viewing) and looking for information (searching) (Benczúr, 2005). As leaders, strategic managers are challenged to anticipate changes in the environment and be flexible enough to adjust strategies to creatively seek out new opportunities. Applying the process of environmental scanning creates the opportunity to weave together the past, present, and future change (Mason, 2001). A corporation uses this tool to avoid strategic surprise and to ensure its long-term health. It is against this background, the researcher believes that there is a positive relationship between environmental scanning and corporate performance.

Wheelen and Hunger (2006), defined environmental scanning as the evaluation, monitoring, and dissemination of information from the external and internal environments to key people within the corporation.

Nickole (2004) defined it as the activity of acquiring information about company's outside environment, the knowledge of which would assist top management in its task of charting the company's future course of action.

Hagen et al. (2003), the term environmental analysis refers to the process of picking up signals from the larger environment, analyzing their significance for the organization, and tracking the most relevant of these signals.

An organized activity of the group responsible for strategy, which improves a firm's competitiveness by gathering, processing and internally diffusing information, in order to rule the environment. (Bournois and Romani, 2000).

Choo (1999) defines environment scanning as the acquisition and use of information about events, trends, and relationships in an organization's external environment, the knowledge which would assist management in planning the organization's future course of action.

Auster and Choo (1993), Environmental scanning is the activity of gaining information about events and relationships in the organization's environment, the knowledge of which would assist management in planning future courses of action.

To Donald (1981), environmental scanning is the managerial activity that entails learning about events and trends in the organization's environment; it is one of the tasks comprising the broader boundary spanning role.

Environmental scanning refers to the exposure to and acquisition of "information about events and relationships in a company's outside environment, the knowledge of which would assist top-management in its task of charting the company's future course of action (Aguilar 1967). This interrelated set of categories contributes to understanding how environmental factors- (external and internal) to the organization, influence the scanning activity, and also how perceived environmental change affect strategic change (Correia, 1997).

The business environment

Every business organization operates in an environment that transcends its official boundaries. Organisation's environment can be defined as all the forces and conditions within and outside the organisation that affect the organization in its day- to-day activities .

Meanwhile the environment of business is a highly dynamic, complex, and competitive one. The forces a business is to contend with are varied as they are continually changing. Thus managers must take into account the influence of the environmental forces that can affect the performance of their organisations. They must have sufficient knowledge to be able to identify, evaluate and cope with environmental forces tat may affect the operations of their organizations. A thorough understanding and analysis of the business environment by managers will enable the business to cope with the changing forces within the environment.

To adequately understand organisational environments, we must borrow some concepts from "System Theory". One of the basic assumptions of system theory is that organizations are neither self sufficient nor self-contained. Rather, they exchange resources with and are depended upon the external environment, which is defined as all elements outside an organization that are relevant to the physical operations (some of these elements connect the organization to the physical world) (Stoner, 2004).

Organization take 'input' i.e. raw materials, money, labour and energy from the external environment, transform them into products and/or services and then send them back as 'outputs' to the external environment (ibid).

The external environment has both direct- action and indirect –action elements, also called shareholder include shareholders union, suppliers and many others who directly influence an organization. Indirect action elements; such as the technology, economy, and politics of a society, affects the climate in which an organization operates and have the potential to become direct element.

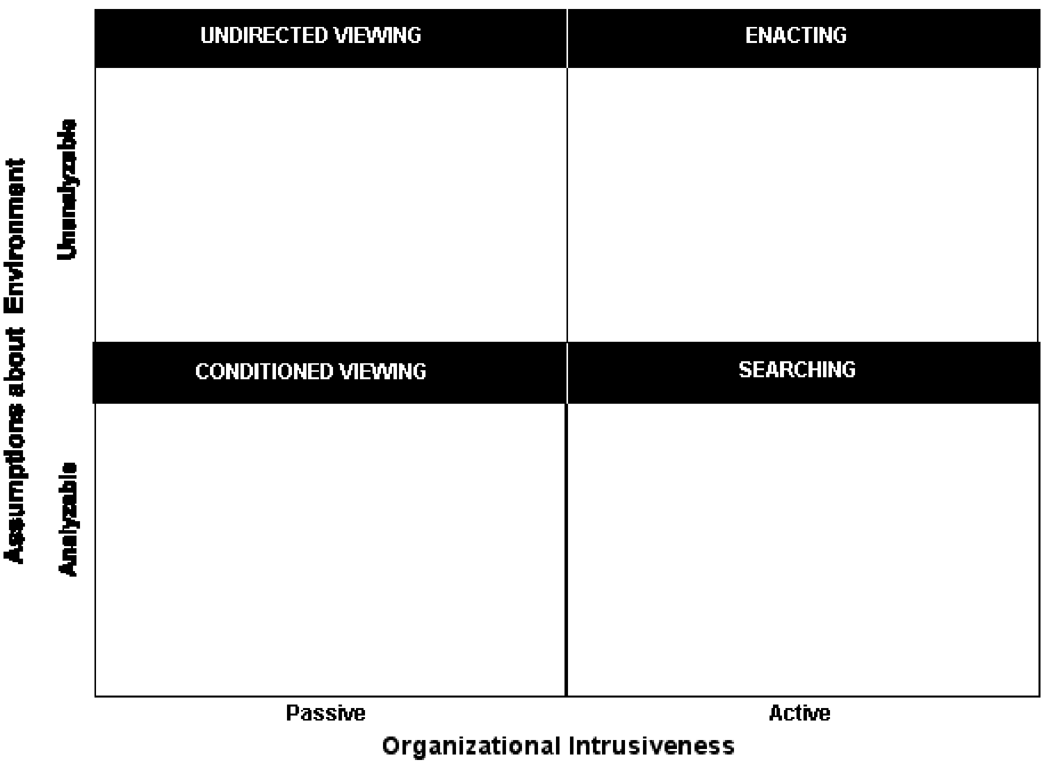
The business environment has been classified by various authors to suit their purposes. In this research paper we shall classify organisation environment into two major ways: the external environment and the internal environment. The external environment refers to all relevant forces and conditions outside the organisation's boundaries that affect its activities. The internal environment, on the other hand, consists of all forces and conditions within the organization that influence its activities. The external environment can be subdivided into two broad groups for proper analysis. These are the general environment and the task environment. The general environment consists of the major forces in the external environment that reflects the broad conditions in the societies in which an organization operates. The general environment is made up of the following elements; economic, technological, socio-cultural, political-legal, demographic, ecological, and international. The task environment is that part of the external environment made up of the specific outside parties such as competitors, customers, suppliers, new entrants, regulators and shareholders, which an organization interact with in the course of performing its day-to-day business activities (Ojo, 2007).

Models of environmental scanning

Despite its importance, theoretical understanding of organizational scanning remains limited. Although all forms of scanning necessarily involve the seeking and use of information about the environment. Different organizations operating in different environments may be expected to scan quite differently. Aguilar (1967) identified four modes of managerial scanning based on his field research. Weick and Daft (1983) Daft and Weick (1984), and Choo (1998a) built on Aguilar's work and developed a general model of organizational scanning based on the two dimensions of environmental analyzability ('can we analyze what is happening in the environment?') and organizational intrusiveness ('do we intrude actively into the environment to collect information?'). This research work made use of objective of Aguilar, Daft and Weick, and Choo model in two ways. First, since scanning is an essential form of organizational information seeking, it explained the model by detailing the information needs, information seeking, and information use patterns that characterize organizational scanning. Second, since the goal of scanning is the gaining of new knowledge that enables action, the model also details: the sense making, knowledge-creation, and decision-making processes that constitute organizational scanning.

Depending on the organization's beliefs about environmental analyzability and the extent that it intrudes into the environment to understand it, four modes of scanning may be differentiated: undirected viewing, conditioned viewing, enacting, and searching.

Figure 1: Models of Environmental Scanning.



Source: *Summary of Principal Findings from Research on Environmental Scanning (Choo, 2001)*

Undirected Viewing: Consists of reading a variety of publications for no specific purpose other than to be informed. The goal is to scan broadly in order to detect signals of change early. As a result of undirected viewing, the individual becomes sensitive to selected areas or issues.

Conditioned Viewing: In this case the individual directs viewing to information about selected topics or to certain information with the purpose of evaluating the significance of the information encountered in order to assess its relevance on the organisation.

Informal/Enacting Searching: The individual actively seeking specific information to deepen the knowledge and understanding of a specific issue, but doing it in a relatively limited and unstructured way.

Formal Searching: The individual makes a proactive effort to obtain specific information or information about specific purposes. (Morrison 1992).

According to Choo (2001), from the works of Daft and Weick, they suggested that organizations differ in their modes of scanning, depending on management's beliefs about the analyzability of the external environment, and the extent to which the organization intrudes into the environment to understand it. An organization that believes the environment to be analyzable, in which events and processes are determinable and measurable, might seek to discover the 'correct' interpretation through systematic information gathering and analysis. Conversely, an organization that perceives the environment to be unanalyzable might create or enact what it believes to be a reasonable interpretation that can explain past behaviour and suggest future actions.

Daft and Weick (1984) hypothesize that differences in perceptions of environmental analyzability are due to characteristics of the environment combined with management's previous interpretation experience. Analysis done in the environment is said to be closely related to the concept of perceived environmental uncertainty. Perceived environmental uncertainty is the variable that measures the totality of the scanner's perception of the external environment's complexity and changeability (Choo, 2001).

Besides environmental uncertainty, the level of knowledge and information available about the environment may also be an important factor. Some industries regularly collect and analyze data about products, markets, and competitors. In many cases automation and the use of information technology have made it possible to efficiently gather and analyze data and trends. Information that is available affordably, and that is sufficiently detailed and timely to support decision making, may lead to the perception that the environment is analyzable.

An organization that intrudes actively into the environment is said to be one that allocates substantial resources for information search and for testing or manipulating the environment. A passive organization on the other hand takes whatever environmental information comes its way, and tries to interpret the environment with the given information.

Research hypotheses

Two major hypothesis are proffered and will be tested in order to know how much knowledge the organization have about their environment and to know if there is any relationship between environmental scanning and corporate performance in the banking industry using Zenith International Bank, Oceanic Bank International, Guaranty Trust Bank, Bank PHB and First Inland Bank Plc as the case study. Thus, the following hypotheses were formulated in order to provide a necessary sense of action to the study.

HYPOTHESIS 1

H_0: There is no significant difference in organizations knowledge of their environment.

H_1: There is significant difference in organizations knowledge of their environment.

HYPOTHESIS 2

H_0: Environmental scanning does not contribute positively to corporate performance.

H_1: Environmental scanning contributes positively to corporate performance.

Research methods

We shall concisely describe the methods and procedures employed in carrying out this research work.

The basic idea of this study will only be beneficial if proper research design is clearly spelt out. The design of this study is the survey research design.

The study population of this research work was made up of executives, directors, corporate planners, managers and senior staff of the Nigerian banks. Owing to the widespread of the network of branches of these banks all over the country, it is therefore impossible to carryout this research using the whole population. A representative sample of randomly selected branches in the South West geo-political zone comprising Ekiti State, Lagos State, Ogun State, Ondo State, Osun State, and Oyo State was used. Although the entire country was expected to be covered, but due to paucity of financial resources, the study is restricted to the aforementioned States.

Stratified sampling method was used for the selection of samples. The reason for stratified sampling method was that we want the sampled elements to reflect the various strata of the population. In all, 75 elements were ultimately selected as our sample..

Both primary and secondary data were used. A well-structured questionnaire was used to collect primary data while Annual Report and Accounts of the selected companies were used to garner secondary data based on the research questions and objectives

In our design, 75 respondents were selected through stratified random sampling technique in various branches these banks and 71 (94.67%) of the respondents actually participated in the study.

Our data were collected, collated, coded and analyzed sequentially through the use of Statistical Packages for Social Sciences (SPSS). In specific terms, Difference of Mean and Pearson Correlation Coefficient were used in the analysis of data.

Hypotheses testing

HYPTHESIS ONE

H_0: There is no significant difference in organizations knowledge of their environment.

H_1: There is significant difference in organizations knowledge of their environment.

DIFFERENCE OF MEAN TEST

	N	Mean	Std. Deviation	Std. Error Mean
Do you have knowledge of environmental scanning?	71	4.85	.402	.048
scanning is done to provide better knowledge of the environment and help the organisation to achieve strategic fit	71	4.61	.547	.065

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
	Lower	Upper	Lower	Upper	Lower	Upper
Do you have knowledge of environmental scanning?	101.630	70	.000	4.845	4.75	4.94
scanning is done to provide better knowledge of the environment and help the organisation to achieve strategic fit	70.924	70	.000	4.606	4.48	4.74

Interpretation: This is a two - tailed test with a Degree of Freedom (DF= n- 1) i.e. (71-1 = 70). From the statistical value for 0.05 at 70 the df of is 4.94. While the calculated value t=101.630. Since the calculated in both cases (questions) is greater than the tabulated value we reject H0 and accept the alternative hypothesis H1. This implies that there is a significant difference in organizations knowledge of their environment.

HYPOTHESIS TWO

H_0: Environmental scanning does not contribute positively to corporate performance.

H3: Environmental scanning contributes positively to corporate performance.

CORRELATION TEST: Environmental Scanning Contributes Positively to Corporate Performance.

		task uncertainty	internal uncertainty	external uncertainty	Task intensity	Internal intensity	External intensity
Task uncertainty	Pearson Correlation	1	.215	.238(*)	.302(*)	.288(*)	.107
	Sig. (2-tailed)		.072	.046	.011	.015	.373
	N	71	71	71	71	71	71

		task uncertainty	internal uncertainty	external uncertainty	Task intensity	Internal intensity	External intensity
Internal uncertainty	Pearson Correlation	.215	1	.181	.027	.392(**)	.116
	Sig. (2-tailed)	.072		.131	.826	.001	.334
	N	71	71	71	71	71	71
External uncertainty	Pearson Correlation	.238(*)	.181	1	.225	-.084	.183
	Sig. (2-tailed)	.046	.131		.060	.489	.127
	N	71	71	71	71	71	71
Task intensity	Pearson Correlation	.302(*)	.027	.225	1	.169	.160
	Sig. (2-tailed)	.011	.826	.060		.158	.183
	N	71	71	71	71	71	71
Internal intensity	Pearson Correlation	.288(*)	.392(**)	-.084	.169	1	.017
	Sig. (2-tailed)	.015	.001	.489	.158		.887
	N	71	71	71	71	71	71
External intensity	Pearson Correlation	.107	.116	.183	.160	.017	1
	Sig. (2-tailed)	.373	.334	.127	.183	.887	
	N	71	71	71	71	71	71

* *Correlation is significant at the 0.05 level (2-tailed).*
** *Correlation is significant at the 0.01 level (2-tailed).*

INTERPRETATION: The above table indicates the degree of association or relationship between the perceived uncertainties in each of the environmental sector: Task, internal and external environment and the frequency with which organisation scan the environment. (Most of the correlations i.e. are significant at 0.05 and 0.01 significance level). For example, the frequency or intensity of the company's scanning of internal environment has a fairly association with their perception of uncertainty in this environmental sector at r = 0.39. Such scanning how ever, has a weak and negative association with their perception of uncertainty in the environment (r = -0.084).

Empirical findings

The empirical findings of this research study, refers to the hypotheses tested in chapter four of this research study. They include:

1. That the Nigerian banking industry have knowledge of its business environment: it was found that directors, managers, corporate planners etc have a sound knowledge of environmental scanning, that scanning is done to provide better knowledge of the environment and help the organisation to achieve strategic fit and that it is actually a vital part of the organisation, that firms scan frequently, and that sufficient resource are provided by organization for scanning.

2. That environmental scanning has impact on corporate performance: it was discovered that this positively contributes to corporate performance. That the success of organisation depends on its ability to scan its environment for opportunity and threats which will be used to its own advantage.

3. That folding up of some banks is due to the failure of not scanning the environment for threats.

4. The result of this study also indicates that scanning is done based on the level of

uncertainty across environmental sector. That the task (were more attuned to monitoring threats from competitors) and external environment causes the greatest uncertainty and influences the organisation most.

Recommendations

Environmental scanning leads to knowledge and information acquisition, and a better understanding of the organisations business environment. Organisations which do not scan end up not attaining maximum performance (in terms of profitability, increased growth etc) and may eventually die (i.e. fold up). Hence, the researcher recommendations are centered on the following.

1. Organisations should provide the necessary financial resources which will aid in putting the required systems in place for environmental scanning.

2. Implementation of programmes to train both directors and strategic/ corporate planners on how to scan its environment when ever the need arises.

3.Enterprises should endeavor to include other lower levels of management in its scanning activities.

4. The task and external environment should be closely monitored since these are very intense (turbulent) and causes a greater uncertainty to the organisation.

5. Organisations should make policies that favour the course of environmental scanning since the survival of the organisation depends on it.

Conclusion

This study provides some empirical insights on the relationship between environmental scanning activity and corporate performance, it determined if there is a significance difference of organizations knowledge about their environment and the level of perceived strategic uncertainty across environmental sectors.

When managers scan their organizational environment, they simultaneously explore variables that provide information for both potential opportunities and potential threats; in fact, they do not deliberately ignore either one. They do so, so that they can be adequately equipped for the challenges presented by the environment.

However, the researcher came to the conclusion that the very foundation of strategic management in organisations hinges on environmental scanning activities. And that environmental scanning plays a vital role in organizational planning and implementation process, which if proper implemented results in enhanced and sustained long-term performance of the enterprise.

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Benchmarking in Mobarakeh Steel Company

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Abstract: *Benchmarking is considered as one of the most effective ways of improving performance in companies. Although benchmarking in business organizations is a relatively new concept and practice, it has rapidly gained acceptance worldwide. This paper introduces the benchmarking project conducted in Esfahan's Mobarakeh Steel Company, as the first systematic benchmarking project conducted in Iran. It aims to share the process deployed for the benchmarking project in this company and illustrate how the project systematic implementation led to success.*

Keywords: Benchmarking, Steel industry, Iran

Introduction

In an era when many organizations are trying to catch up with global competition, rapid technological advances and ever-changing customer needs, benchmarking has been gaining attention among managers and academics as a means of strengthening a company's ability to compete. Benchmarking has emerged as a reaction to growing competitive pressures in international markets, and the concept of benchmarking has become increasingly synonymous with successful performance of business organizations (Rohlfer, 2004). Benchmarking has been defined as the search for industry best practices that will lead to superior performance (Camp, 1989). This definition has been coined by Robert Camp, who first wrote a book on the subject based on his experience at Xerox Corporation in the USA.

In a more elaborated way, the International Benchmarking Clearing House Design Committee defines benchmarking as "...a systematic and continuous measurement process; a process of continuously measuring and comparing an organization's business process against business leaders anywhere in the world to gain information which will help the organization to take action to improve its performance" (Lema and Price, 1995). Benchmarking is currently considered as one of the most effective approaches to help a company improve its performance (Maire et al., 2005). Many companies consider that it is the search for "best practice" and many initiatives were launched to count, classify and propose best practices.

Although benchmarking in business organizations is a relatively new concept and practice, it has rapidly gained acceptance worldwide as an instrument of continuous improvement in the context of total quality management (TQM). In the USA, where it was first introduced, a large number of organizations make use of benchmarking. Many are the organizations in the USA and Europe that promote the use of benchmarking, such as the International Benchmarking Clearing House or the European Network for Advanced Performance System (ENAPS), which provide benchmarking databases and assistance in identifying partners. Following this international trend, many organizations in Brazil, from large to medium size, are adopting benchmarking.

The activity of benchmarking can be decomposed into basically five steps (Drew, 1997):

(1) identify the object of study;

(2) select the superior performer (benchmarking partner);

(3) collect and analyze data;

(4) set performance goals for improvement; and

(5) implement plans and monitor results.

One can see there is a clear relationship between benchmarking and improvement strategies in the sense that if it is to be used as part of the business strategy for gaining and maintaining competitive advantage, improvement projects must be prioritized by taking into consideration the company performance levels relative to competitors on product and operational aspects most important to present and future market demands. In fact, most models and methodologies for benchmarking implementation published in the literature (Zairi and Leonard, 1994) stress the importance of aligning benchmarking projects with competitive and operations strategy, so that organizational efforts for improvements are directed towards dimensions of performance critical to competitiveness.

However, many companies, in their attempts to adopt world class management practices rapidly such as benchmarking, tend to adopt a strong operational view of improvement, devoting little or no attention at all to the alignment of such practices with market demands and strategic objectives. This is especially true for medium to small size companies, where strategic thinking and positioning is part of the tacit knowledge of the organization.

Benchmarking is considered one of the most effective tools of transferring knowledge and innovation into organizations (Spendolini, 1992; Czuchry et al., 1995). More importantly, when benchmarking is used to support continuous improvement strategies, it has a positive impact on competitiveness (Codling, 1998, p. 3; Karlöf and Östblom, 1993, p. 112; Carpinetti and Melo, 2002).

Over the years, there has been a tremendous development of benchmarking techniques, in terms of benchmarking practices and method, which are widely used in different industries to achieve different goals in the developing countries. However, similar phenomenon is not observed in Iran. Due to very few benchmarking implementations in Iranian industries, there is a lack of research in this area. Benchmarking has not been widely adopted for improvement by the Iranian companies. Only recently, companies are moving toward using this technique. The current paper overviews the implementation of the first structured benchmarking project in Iran, namely in Mobarakeh Steel Company (MSC). It tries to introduce the employed implementation process. Besides, the main challenges faced during the project and key success factors are listed.

Mobarakeh Steel Company Overview

Mobarakeh Steel Company is undoubtedly one of the Iranian's most striking successes. It is the largest industrial complex in the Islamic Republic of Iran and has been established and commissioned after the victory of the Islamic revolution and entered into operational stage in early 1993. The company is located at 65 kms from south west of Esfahan which covers a land of 35 kms and has an annul capacity of 4 mt/years of flat steel products ranging in thickness from 0.18 mm to 16 mm in the from of hot and cold rolled coils and sheets, tinplate sheets and coils , Galvanized and pre-painted coils. The high – Quality products producible at MSC meet the needs of various industries such as: automotive, home appliances, pipe making, pressure vessels, foodstuff, chemical material and medicinal packing, constructional industries, metal industries transportation, naval industries, high and heavy metal equipment and etc.

This complex is consisted of different plant units, out of which 10 plant units are considered as the main production line and the rest are rated as the auxiliary and back up units.

Benchmarking Stages

Camp (1989) of Rank Xerox, the pioneer of benchmarking, further developed benchmarking into four stages, namely planning, analysis, integration and action.

Planning. Planning starts off with the commissioning of a team supported by a sponsor who has authority and stature in the organization to drive the exercise and support the findings (Camp, 1989; Cook, 1995; McNamee, 1995). Camp (1989) divides the planning stage into three steps. The first of these steps is to identify the activity to be benchmarked and the quantitative and qualitative measures to be used (Camp, 1989; Cook, 1995; McNamee, 1995). The second step is to identify the benchmarking partner (Camp, 1989; McNamee, 1995). A prerequisite of effective benchmarking is the availability of participation from reliable information resources (Babachicos, 1999).

Four routes may generally be taken to establish benchmarking partners, namely, benchmarking with organizations in related industries, best practice benchmarking, internal benchmarking and external competitive benchmarking. With respect to the latter, Cook (1995) proposed a direct relationship between the degree of such external propensity and the potential for improvement. Finally, one should establish the appropriate means of collecting internal and external data, who will be involved in data collection (Camp, 1989; McNamee, 1995), the aggregation level of the data (Cook, 1995; McNamee,

1995) and the number of benchmarking partners required (Cook, 1995). The collection of data should be well-planned (Brown et al., 1994) and based on the principles of a relevant benchmarking code of conduct to ensure that benchmarking efforts are not derailed over a breach of etiquette (McNamee, 1995).

Analysis. This involves the interpretation of information as a basis for action and implementation. According to Camp (1989) this involves two steps, namely the establishment of the performance gap and the projection of future performance. In the first place, one should quantify and determine the reasons for the current gap between the company and benchmarking partner. This will "inject energy into the programs the size of the problem – and the opportunity – comes into view" (Peters, 1989, p. 74). Ratios and formulae make IA performance evaluation more visible, but unless such data is standardised, comparative analysis would not be workable. Babachicos (1999) proposes the development of a benchmarking survey to provide each participating IA executive with a data source for comparison, based on a confidentiality agreement. One such survey is the annual report of the Global Auditing Information Network (GAIN) organised by the IIA (USA).

However, it is important not to reduce the problem to metrics (McNamee, 1995). One must step back and look for things the numbers are not telling us. Examples of performance indicators to measure qualitative issues are: employee absenteeism or the number of suggestions made to a suggestion scheme in order to gauge motivation; the number of layers in a department and the frequency of gathering and acting on feedback by management to monitor management; and the number and types of complaints to determine customer satisfaction (Cook, 1995). Cangemi and Singleton (2003) propose the use of the balanced scorecard system to combine qualitative and quantitative performance measures.

The second step in the analysis stage is to project future performance, that is, estimate, over an agreed time frame, the change in performance of the company and the benchmarking company in order to assess if the gap is going to grow or decrease (Camp, 1989; McNamee, 1995).

Integration. Integration involves two further steps. The first is the effective communication of findings and establishment of goals to eliminate the performance gap (Camp, 1989; McNamee, 1995). The second is the development of action plans to achieve the established goals. Discussions with IA staff, possibly forming quality circles (Zettie, 2002), give staff the opportunity to identify better procedures (Babachicos, 1999) and to prioritise areas of change through cost-benefit analysis and other techniques (Cook, 1995). Even a small change could be the start of a journey to significant improvement (Babachicos, 1999).

Action. Finally, action should be taken to implement the plans, report and reassess the benchmarks. The first step is to implement the actions, plans and strategies. This involves good project planning and management (Camp, 1989). Two-way communication, management support, a coaching leadership style and the use of readily understandable language are ways of overcoming resistance, which generally manifests itself at this stage (Cook, 1995). The second step is to assess and report the results of the action plans (Camp, 1989). Finally, one will reassess or recalibrate benchmarks on a regular and systematic basis and maintain good links with the benchmarking partners (Camp, 1989). Cook (1995) even suggests the formation of benchmarking consortia where representatives of the companies involved meet on a regular basis to share information and experiences.

Case Study of Mobarakeh Steel Company

During the previous years, several benchmarking practices had been conducted in the company, but there hasn't been any unity in such practices. Therefore in an effort to regularize such practices and plan a systematic benchmarking, the current benchmarking project was defined and conducted in the company. The project executive team started benchmarking project by a thorough study of the company's existing situation. In this stage, which took about 6 months, company's pre-defined goals were completely studied and necessary revisions were proposed. After this stage, the educational stage of the project started were almost 40 representatives of each of the 20 existing committees in the company were trained on benchmarking basics and principles, its process and implementation guide. The current stage had a positive effect in the smoother run of the project in the next stages. The training sessions were conducted in the form of workshops and after the participants were given the essential training, they followed the given instruction on how to choose the key process indicators of their committee for the benchmarking project. As a result, the output of these training sessions included the key process indicators chosen for benchmarking. After this, the project team of experts suggested some indicators for the measurement of each chosen KPI. These indicators were drawn from various resources including American Productivity & Quality Center (APQC). Committee members were asked to choose and finalize the indicators for the selected KPIs based on the existing standard indicators within their committee and the suggested ones from APQC.

Finally, in the last stage, action plans for the benchmarking of the chosen KPIs were defined, best practices were searched, sources of benchmarking were identified, and benchmarking partners were selected.

Figure 1, summarizes the process deployed for the benchmarking project in Mobarakeh Steel Company. The planning phase includes determining the key processes for benchmark, forming the benchmarking teams, documentation of the key processes chosen for benchmark and identifying the performance indicators for the mentioned processes.

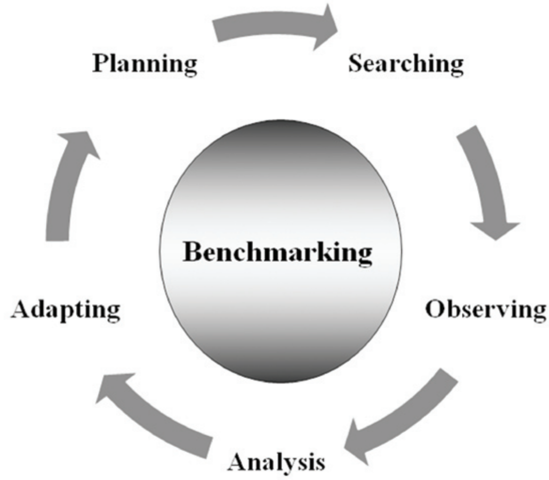
In searching phase, a list of proper benchmarking partners is determined. After that, the benchmarking partners are contacted for the benchmarking purpose.

In observing phase, informational requirements are identified, data collection methods are chosen, and finally the required data is collected.

Analysis phase includes process of the collected data, quality control of the information gathered, normalization of the data, gap analysis, and identification of the gap sources.

Finally, in adapting phase, results of the previous phase are announced, operational goals for improvements are set determined, improvement action plan is developed, and the improvement process is continuously monitored and feedback is announced.

Conclusion: Perhaps the major reasons for the success of benchmarking in Mobarakeh Steel Company are the fact that they have introduced comprehensive education programmes and introduced process based thinking before attempting to benchmark. They have also realised that benchmarking is not just measure to measure comparison, but that effective benchmarking is 20 per cent measures and 80 per cent practices. It should not be forgotten that benchmarking must be a continuous project which will move company forward in the road of excellence.



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The dynamics of organizational transformation

~ Prof. Ph.D. Paul Marinescu (University of Bucharest)

Abstract: *The present paper aims to emphasize a number of defining elements of the organizational transformation dynamics. The way in which people are prepared to face changes is essential and it adds value to the management team's qualities. The analysis of the business environment, people training, emphasizing organizational values are important factors, essential in preparing for major changes. Un-deciphering organizational contexts allows for healthy strategies to be established, which are necessary in order to achieve organizational objectives.*

Key words: change, transformation, behavior, leader, culture, motivation, objectives, values, contexts, stakeholders, environment

Organizational change takes time. One can speak of the shock felt by employees when employees cut downs take place or when the company undergoes a worrying financial situation. Grounded on these realities the refuse can occur of accepting the situation, upon rather reactive than proactive attitudes. When people start to admit their problem their repositioning against the created context begins. The first concerns for accepting the situation imposing the change occur. Redefining one's own position and giving up old working manners represent signs of decreased resistance to change. The new behavior becomes natural when employees appreciate the advantages of change. Actually, severe organizational changes mean perusing individual and organizational states which the management team must manage upon discernment. Loosing the safety feeling regarding one's job, the fear of the unknown are natural human reactions in the rapport of assessing one's own aptitudes and attitudes. The fear of diminished responsibility, of reducing one's status can reconfigure existing alliances. In these moments it is important for leaders to identify organizational problems and to indicate their problems to people, as well as the risks they would face unless they take measures. Performance gaps can be presented by using benchmarking (comparison etalon against other company or another branch). The level of discomfort created by the change must be tolerable, and collective motivation should be sufficiently high as to ensure that stressful situations are kept under control. The quality of the communication process is essential under such contexts because it emphasizes the messages defining future stages of the system and therefore advantages for employees. Reformulating organizational culture, redefining the formal structure, represent prerequisites of organizational change. The organizational vision and values are essential catalytic elements in the reaction of change. The process of change represents an organizational effort which cannot be achieved without individual efforts. Without the employees' support no veritable organizational change can be achieved. Stimulating critical thinking, real dialogue motivates the employees and involves them in the change. An essential element in changing behaviors is to increase the employees' power. We refer here to more types of power:

- The expert's;
- The position's;
- The authority's;
- Informational;
- The resources holder etc.

Aligning organizational architecture to the new functioning way, training people in order to ensure they have the necessary competencies for organizational change are immediate needs.

Creating attitudes and competencies and professional development are essential activities specific to the ample process of planning the organizational change.

Increasing the market share, increasing profitability, decreasing operational costs, expanding geographic coverage, increasing the shares' value are the first signs of success in an organizational change. These are encouraging signs of success, yet they have to be doubled by real people motivation.

Thus, we refer to four phases in the change process:

- Creating favorable collective mentality
- Behavior change
- Creating attitudes, competencies and practices
- Increasing organizational performances.

Organizational redesign should be the resultant of a serious analyses performed over the organizational context and its players. This process must be grounded on judicious vision of the future in which the personnel selection process considers the real necessary jobs, without overloading the remaining positions. Under such circumstances, although additional effort is paid, it is possible for the employees to not be able to answer to the demands, thus creating useless stress and tension generating points. Comparative analyses are important because they emphasize without a doubt the functional context in the rapports with other spectacular contexts, yet total unrealistic. People generally have a reduced tolerance to uncertainty and that is why in limit situations prompt, sometimes surgical measures are imposed. Of course this is about the rapport between moral and immoral, between efficient and social, between appropriate and inappropriate. In any change it is necessary for the company to make a correct analysis of the activities in which it is an expert (it is obvious that here also we refer to the quality of the company's people and management). Secondly, an exact analysis should be performed of the business environment, in which the correct configuration of the stakeholders is essential.

Creating a collective mentality combines the concrete objectives for the future with elements of the organizational culture which are defining for the company. The organization's uniqueness nature, its identity, the set of symbolic elements expressed by language, rituals, metaphors, artifacts, behaviors provides the proper environment for people to manifest themselves. That is why this combination of sometimes invisible elements can be the "organizational engine" valuing principles and people.

Power holders have to know that in organizational transformations people's trust is essential and that this can be achieved by accurate communication in which the rapport between SAYING and DOING must be balanced.

Attracting support and creating systems that could allow for the change represent defining elements of the pragmatic leader.

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Overview on business ethics and human resources management ethics

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Abstract: *In the contemporary business world ethics represents one of the most exciting challenges, precisely because there is still no universally valid modality for solving a problem of this kind. Adopting an ethic personal behavior does not always ensure winning in the problems regarding the actual business, nor in the organizational behavior itself. The personal values, either native or gained by an individual throughout his socializing do not represent a support or advantage in the attitude towards the economic life. What is it that actually concerns the managers: to succeed in their activity or to have an ethic activity? A successful business is necessarily an ethic one, or one lacking ethics? In particular, should the human resources manager choose the human factor of solid moral and ethic grounds, or the one exclusively focused on money quantifiable performance?*

Perhaps it would be easier if managerial theory ignored the ethical aspects confronted by the management practice. Why raise questions on why and how to behave in a certain situation, if consequent to obvious actions an organization would gain?! To whom is it useful to waste time on analyzing alternatives, some more ethical than the preferable version in financial terms? What could the organization obtain as compensation for the money it would loose but not applying money generating measures, regardless the consequences?

The questions similar to the ones above are not only limited to the said.

Specialists are most frequently concerned with business ethics as set of moral principles and standards governing the behavior in the business environment. However, unfortunately managers don't have time to study, or even don't have profound knowledge regarding ethics and equity among employees, regarding the said and the other employees on the labor market, and worst, they are often not interested in such observations and investigations…

Many managers spend most of their days at work, facing apparently insurmountable professional situations and inter-human confrontations. The last mentioned ones are actually the ones on which the level of efficiency and competitiveness depend.

There are many cases of managers who live to work. For them, each sun raise comes with the joy of at least one objective to be achieved, regardless the financial security and social status implied by achieving it. In their case, managerial success means scientific knowledge and practical experience, and also emotional coefficient which could influence the decisions they make, in most cases after ethic thinking and moral judgments.

Passionate managers also exist, who are not satisfied with envied careers, demonstrating that they are in charge with the processes around them, directing and controlling professional activities. And in the decision making process logic is accompanied by senses and sensations, feelings and bad feelings, by genuine emphatic actions, not only on a declarative level, but also along with natural, connected well justified reasoning. Sometimes, this passion is of positive connotations and in ethical, equitable moral parameters. There are more alarming the realities of those organizations where the spring and impetus of the managers are translated by passion subjugated to personal interests, independent or even divergent from the general ones.

Lately the number of managers has increased who pay attention to their emotional intelligence, which they use almost permanently and encouraging the increased number of persons open to development, by using any means considered as acceptable by their own set of values. They understand their condition in life, knowing how to express themselves in harmony with their own being [1].

[1] **Lassus,R.de**, *Descoperirea sinelui*, Editura Teora, Bucuresti, 1999.

Rich businessmen in rich organizations are not stimulating research on self knowledge, or in any case not among mangers, or other persons who could influence other people's destiny. It might be thought that not understanding the human dimension is unconsciously neglected, because for too many years managerial interest has been mainly focused on facts, operations and activities or results. It has been and continues to be essential the effect obtained upon levels that are higher than those of the competition. It hasn't been too important how and who would get those results. And when human relations have begun to gain field in the area of knowledge, investigating was grounded on needs and possibilities of satisfying them. Nothing on the competencies of the executives, nothing on the achievements of the multitude of individuals by fulfilling their aims or needs, nothing on the origins of all human needs. A case-effect of the research, focused on eneagram are: perfectionist; generous; efficient; original-sensitive; knowledge thirsty logic; nice intuitive; controversial by contradicting and often un-finalized interests; strong combatant; patient careful. Which of these types are more often, more rarely or not at all confronting with ethical decisions?!

Of course since long ago studies have been initiated on organizational behavior upon the moment when conflicts appear between the employees' personal values and those of the organization. It is also true that many attempts exist of identifying the ethical problems in organizations. Nonetheless, maybe not in view of finding the most appropriate solutions according to the decision maker's credo, beliefs or ethical expectations, but rather with the organization's economic purpose.

The present is on the business ethic's side. And the assertion is supported not by the importance of the field, but by insufficient transparency. Both scientists and practitioners have numerous uncertainties – the first mentioned ones, or gaps in their specialized training – the last mentioned ones.

Frequently the question answered by ethics is if certain business practices are acceptable or not (such as omitted information or changed information on the interest for a contracted loan or reduced feasibility of a good, or lack of interest for expensive investments in increased safety measures for a product). Without considering aspects regarding their lawfulness, this sort of actions are anyway regarded as right or wrong, and the one who has to judge them, to assign justice to one party or the other, proves a lot of imagination and creativity.

On a conceptual level, ethic decisions, either made in the business world or regarding inter-human relations in an organization, gravitate around the responsibility of weighting values in order to reach unprecedented decisions, whereas accepted rules are useless, and the accent is rather on personal values and judgments. Evolved people tend towards high ethic standards, calling both for the business environment and for the individuals to comply with solid moral principles.

The particularities of ethics applied to the dimension of business or to that of the human factor involved in this process are subordinated to the permanent pressure from the dilemma of making a profit or answering to the society's needs and demands, on one hand, but also on the nature/quality of people employed in those businesses. Compromises and compensations are those raising ethical issues. Referring to those unique aspects in the economic life, society has developed rules – lawful and implicit – aimed to direct businessmen in their efforts of gaining a profit by means which would not damage individuals. It is known that laws are made by people and for people, yet people are also the one breaking them. And in respect with rules, standards and moral principles of the business behavior, it is open to public opinion. Good and evil take shape depending on interests, compared to which social responsibility and social value are fading.

Ethics is only achieved in businesses when such are managed by people of ethical principles. There are representative those who consider that if an institution employs good professionals, also with solid moral principles, it is enough for that organization to have an ethic behavior. Nothing could be more false. However, it is a plus in order to generalize an ethic business behavior.

Usually, a serious organization, concerned of its future, does not establish rules regarding personal ethic problems, yet it imposes politics of moral and ethic content regarding its products, its rapports with the partners, its internal attitude towards employees, and also the external attitude regarding potential employees.

By using this new concept of "emotional intelligence[2]" the way of evaluating human intelligence has actually been revolved. Comparative with traditional management, an ethical management is rather subordinated to the five components of emotional intelligence – self-awareness (knowing your possibilities, limits, desires, as well as their effects on those around, by understating your own emotions, realist self-assessment, self-confidence); self-regulation (knowing to control your resources, your states, impulses, by self-controlling your emotions, giving trust, consciousness, adaptability and innovative capacity); self-motivation (being passionate about daily work, not necessarily due to the money generated by such, but rather for the purpose of achieving something, of demonstrating attachment to people, of giv-

[2] The American psychologist Daniel Goleman grounded his theory in *"Emotional Intelligence"* (1995) and *"Working with Emotional Intelligence"* (1998).

ing proof of initiative, of optimistically persisting in achieving goals); empathy (being aware of the needs, concerns and feelings of those around, by understanding and supporting for differentiated development, or by focusing evolution towards their own needs) and social ability (being skilled in manipulating the others by establishing relations, team work, collaboration and cooperation, communication, influencing, conflict control, focusing on change, in conclusion, by demonstrating leadership).

An ethic and intelligent manager – in emotional sense also – becomes aware of his actions by responsibility, creativity and frequent altruism. He is not far from the team, he is next to the others and leads them from the shadow or gives them the impression that the decision making process comes from unanimous conviction. It is easier for him to identify the problems raised by the ethical aspects and it is comfortable for him to operate distinctions between good and evil, between right and wrong, between true and false.

Life demonstrates that precisely these gaps in the managerial education and practice consolidate local habits, encouraging bribery, pay offs, payments, advantages or secret agreements, fees or portions from earnings, so-called promotions with free gifts or discounts, discriminatory prices by favoritism, products with complete service granted only to certain persons…

There are also long established unfair practices regarding subordinates, to whom incorrect, dishonest treatments are applied, far from moral integrity and impartial correctness of the decision maker. Misrepresenting reality occurs since bringing people into the organization, by breaching the in force norms and laws, by giving up to valuable candidates because they are not related to the "proper persons". Once this step is taken, there is no obstacle in left in front of preferential salaries, cutting down equity in allocating working tasks and rewards, in blocking certain persons in their career evolution in order to give way to others, maybe less entitled on a professional level.

There are also problematic on an ethical level incomplete, incorrect, inexact or even unreal communications; false or misleading advertising; dissimulating or discretionary organizational relations, with no content yet nicely enunciated in front of extended audience; discriminatory behavior; non-value culture and personality cult…

Most times the economic interest is primordial and does not request the knowledge of the decision maker in respect with concrete ways of achieving a purpose. Situations also occur when managers are concerned with strict or limited compliances with lawfulness, and only with the explicit form of the business, without going into the details of the procedures' intrinsic connotations.

Why try to push correctness to the limit of the most sensitive aspects of working with and among people, if everything that is intended is obtained especially without a code of morale, ethic and equity, of good manners in business and at work, among colleagues?

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Relationship marketing in the retail sector: an insight in the determination of customer loyalty

~ Sabin Niculae (Academy of Economic Studies)

Abstract: *In recent years we see a loss of power of individual brands, despite the money and the effort invested in them. The power is now in the hands of retailers. The final challenge of an individual band is the battle it has to win in the store. One way of winning the retail battle is to grow, to expand your offer, to sell food, clothing, electronic consumer durables, luxury goods, etc., to become the mastodon of your market.*

But, growing, being the easy way into bigger profits, it is sure you will be soon followed by others.

You have to differentiate; you have to expand not only the product range but also the services. This is the age of relationship marketing.

Key words: *CRM, relationship marketing, retail, customer retention, customer loyalty*

Competition between retailers is increasingly fierce. One of the biggest problems is that more than 74% of the customers say that all stores look alike; while a third of the customers feel that there is no difference between products and services.

The aim of any retail marketing strategy in the last few years was and it still has to be high levels of repeat purchase and greater commitment from the customer.

For retailers, retaining the customers they already have is a key to their ability to grow.

In one known study about the motivations of the customers defection is stated that:

- 69% leave because of poor customer service
- 13% leave because of poor product quality
- 9% leave because of competitive reasons
- 3% move away
- 6% leave because of other reasons

Losing customers can be expensive, as a new customer can cost a company more than

10 times than to keep an existing one and an unhappy customer can influence another 5 to 7 other people by telling of their bad experience with your company.

Frederick Reichheld, in his 1996 book The Loyalty Effect claimed that even small improvements in customer retention can double company profits. This is because:

1) It costs less to serve long-term customers;
2) Loyal customers will pay a price premium;
3) Loyal customers will generate word of mouth referral. [4]

The ability to detect changes in the marketplace is more important than ever. Consumers have the luxury of choosing from a wider assortment of products, the Internet makes it easier to shop and compare prices, and fads come and go at breakneck speed. Resolute store loyalty is a thing of the past. Today, retailers have to work much harder to please more sophisticated consumers. [7]

In January 2008 National Retail Federation (NRF) conducted an annual survey of the USA retailer market. The results where surprising.

As new competitors appear and old ones grow each year, the competition is becoming a place where growth comes from taking customers away from competitors. [6]

According to the Kanbay Research Institute, the retail industry's growth rate has slowed from 16.7 percent from 1995 through 2000, to 8.1 percent from 2001 through 2005, 6.3 percent in 2006 and 3.7 percent in 2007.

The forecast is that industry sales growth is on a declining rate.

With this in mind it is easy to see that the way of surviving and obtaining growth is taking customers away from your competitors.

This is where CRM – customer relationship marketing – comes in place.

The first step in obtaining your customer loyalty is to know what he really wants and that means marketing research. Thru research you have to better understand how your business can grow by reducing customer defection an increasing customer satisfaction.

Develop research instrument that can be used on a constant basis, apply them and use the results in developing your product range, services and loyalty programs.

The strategy you use for gaining customer loyalty must be based on what matters most to your customers.

Analysis of the global top five hypermarkets has shown that they concentrate on activities and competencies that don't seam to have any relation with CRM.

They are obsessive customer focused, seeking to please customers even if it does not make short-term economic sense.

They take in account all, from the supply chain system to store operating system and integrate applications and technologies like POS – point of sale, inventory management, RFID – radio frequency identification, store-level demand, merchandising software, implemented satellite network system.

Processes like ordering, shipping, communications and logistics are automated and store-level data sales are collected, analyzed and transmitted electronically within 15 to 20 minutes delay period.

The major technology enablers for relationship marketing have been the Internet and enterprise-wide management information systems. The former allowed businesses, for the first time, to get low cost interactions with customers. The second allowed for a firm to generate a single view of a customer across all functional areas of a firm and to improve relationship with the suppliers.

Both of these systems together allowed for customized communication with a single customer for very large firms. [5]

Another characteristic the top retailers share is innovation. By including special online services and ongoing, nonstop research and development programs like mystery shopping they can tailor their business according to the targeted customers.

In the past 3 years we have seen supermarkets introducing online services like online buying lists where the customer can chose the products, accessories, quantities, find out estimated prices and having their list optimized for the shortest time spend in the store.

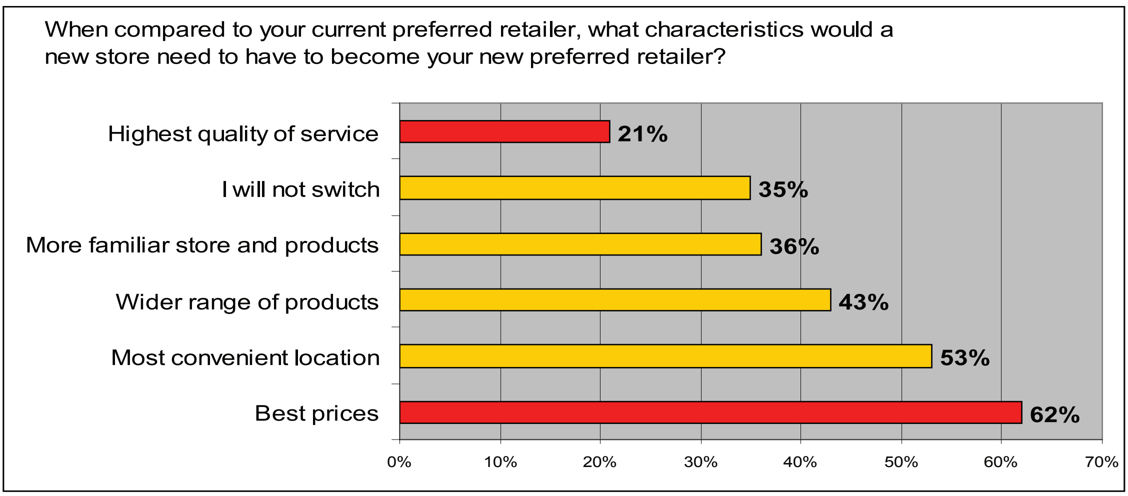
It is also interesting to get information thru the eyes of the consumer, fact shown by the increase in mystery shopping programs use.

These programs can monitor and measure service performance, make employees aware of what is important in serving customers, provide feedback from front line operations, allow for competitive analysis, support promotional programs, improve customer retention and ensure positive customer relationships on the front line

When location, pricing, and product assortment are no longer unique, service is often the key to success or failure.

In a recent study from Accenture Institute for High Performance Business, when the customers where asked about their preferred characteristic in a retailer their first answer was best price.

Fig. 1: Preferred characteristics



Price is the most often cited reason behind loyal customers' willingness to defect to a different retailer. Knowing this is easy to get the false impression that low prices are the solution for your customer loyalty program.

This misconception can be often observed in retailers that have a short-term focus and strategy.

This statistic indicates that the retailer offering better prices on select goods to poached target loyal customers from a competitor isn't assured of anything more than incremental volume. Price buys volume and service earns continued loyalty. [6]

Another implication of this misconception is the generation and usage of loyalty programs with a defensive role.

We see increase usage of warranties, extended shopping hours, loyalty cards that implicate repetitive purchase to gain some advantages or lists of benefits for loyal customers that do not include prices eliminating in this manner the price correlation that can generate defection.

CRM services can be used as an offensive action. Retailers can and do include credit cards with the possibility to pay online on a later date or in advance, delivery of large expense items, attending to customers with special needs (teletype writer for deaf shoppers – Sears, Braille menus – McDonalds, sign language training for employee – South Town Mall, Rochester, New York).

Many features of a store can influence the customers that buy from outlet to find another. The kind and quality of services are the key factors. You have to close the gap between the service customers' expectations and the service they experience.

However, it is very important to balance likely revenue against the cost of the services.

The way to gain economic growth is to differentiate and to position yourself in line with customer needs and requests. In this increasingly crowded market with its fierce competitors, the only route to success is customer oriented strategies.

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Mintzberg on organizations

~ Prof. Ph.D. Sorin-George Toma (Faculty of Administration and Business - University of Bucharest)

Abstract: *Henry Mintzberg is considered as one of the most representative writers in management. Until now, he has written more than 140 monographs and articles, and 13 books, mostly in the management field. On the basis of his research findings, Mintzberg proposed a typology of organizations. Taking into account their structure, he discovered seven major types of organizations.*

Keywords: Mintzberg, organization, planning, structure

Introduction

Widely known for his numerous articles and books on almost every management topic, Henry Mintzberg is one of the most popular management thinkers of the world. With an easy style and refreshing approach, he is one of the most accessible management writers. Until now, Mintzberg has written more than 140 monographs and articles, and 13 books, mostly in the management field. His reputation is high among people who study organizations and strategic management.

Henry Mintzberg: a short biography

Born in 1939, Henry Mintzberg is a Canadian professor of management at McGill University in Montreal (Canada) and at INSEAD in Fontainbleau (France). Originally an engineering graduate of McGill University, he later studied at the Sloan School of Management, Massachusetts Institute of Technology. He received a Ph. D. from MIT with the thesis 'The Manager at Work-Determining his Activities, Roles and Programs by Structured Observation' in 1968. His honors have included election as an Officer of the Order of Canada and of l'Ordre national du Quebec, and selection as Distinguished Scholar for the year 2000 by the Academy of Management (10).

Mintzberg worked in the filed of operational research for the Canadian National Railways between 1961 and 1963. After that, he became professor at McGill in 1968 and visiting professor with several universities and business schools around the world. He was elected as president of the Strategic Management Society between 1988 and 1991. Due to his multicultural teaching work, he has supervised a co-operative venture by five business schools in Canada, United Kingdom, Japan, France and India. Also, he is consultant to a large number of organizations.

One of the leading management guru, Mintzberg has written more than 140 monographs and articles as well as 13 books (e.g., Strategy Bites Back, The Strategy Process, Strategy Safari etc.). His influential work comprises the following three main categories (1):

- strategy-making;
- what managers actually do with their time, and how their mental processes work;
- how organizations design themselves to satisfy their needs.

Published in 1973, The Nature of Managerial Work represented the result of a systematic research of five middle- to large-sized organizations: a consulting company, a technology firm, a hospital, a consumer goods company and a school. Mintzberg observed how chief executives officers of these organizations spent their time and found that a manager's time is constantly being fragmented by interruptions. As managers are hostages to interruptions in a pressing managerial environment they are not encouraged to develop a strategic thinking. In an environment of stimulus-response Mintzberg considered that managers develop a clear preference for live action. In this book, he exposed many of the myths surroundings top managers and stated that they are rather creatures of the moment than farsighted strategist. In sum, Mintzberg called for a clear understanding of the way managers spend their time and of what they do.

In The Rise and Fall of Strategic Planning: Reconceiving Roles for Planning, Plans, Planners, published in 1994, Mintzberg provided a deep insight in organizational planning and strategy. In his opinion, there are several formal definitions of planning (7):

1) Planning is future thinking.
2) Planning is controlling the future.
3) Planning is decision making.
4) Planning is integrated decision making.
5) Planning is a formalized procedure to produce an articulated result, in the form of an integrated system of decision.

He argued that planning is mandatory for any organization because:

- Organizations must plan to coordinate their activities.
- Organizations must plan to ensure that the future is taken into account.
- Organizations must plan to be "rational".
- Organizations must plan to control.

Much of his work has focused on trying to classify organizations taking into account the perspective of structure and the perspective of power.

Mintzberg and organizations

In his influential early work, Mintzberg had to do with the structural configuration of organizations (8). In The Structuring of Organizations, published in 1979, and in Power In and Around Organizations, published in 1983, Mintzberg analyzed the main attributes of organizations and proposed several types of organizations (Table 1). On the basis of research findings made with some of his colleagues at McGill University, he identified six basic parts of an organization as follows:

- the operating core, comprising people who perform the basic work;
- the strategic apex, occupied by at least one full-time manager;
- the middle line, as a hierarchy of authority between the strategic apex and the operating core;
- the technostructure, comprising analysts who perform administrative duties;
- the support staff, putting together staff units who provide various internal services;

- the ideology, encompassing the traditions and beliefs of the organization.

In his opinion, the structure of an organization is "the total of the ways in which its labor is divided into distinct tasks and then its coordination achieved among those tasks" (5). In order to coordinate their work, organizations use the following coordinating mechanisms:

- Mutual adjustment.
- Direct supervision.
- Standardization of work processes.
- Standardization of outputs.
- Standardization of skills.
- Standardization of norms.

All these coordinating mechanisms represent the most basic elements of structure.

Table 1 - Types of organizations (5)

No.	Type of organization (configuration)	Prime Coordinating Mechanism	Key Part of Organization	Type of Decentralization
1.	Entrepreneurial	Direct supervision	Strategic apex	Vertical and horizontal centralization
2.	Machine	Standardization of work processes	Technostructure	Limited horizontal decentralization
3.	Professional	Standardization of skills	Operating core	Horizontal decentralization
4.	Diversified	Standardization of outputs	Middle line	Limited vertical decentralization
5.	Innovative	Mutual adjustment	Support staff	Selected decentralization
6.	Missionary	Standardization of norms	Ideology	Decentralization
7.	Political	None	None	Varies

The entrepreneurial organization has a simple, informal, and flexible structure. The chief executive exercises the power personally and controls personally through direct supervision. The decision-making process is flexible, allowing for rapid response. The entrepreneurial organizations are often young and aggressive organizations.

The machine organization has a highly specialized structure, based on a centralized bureaucracy and formal procedures. The operating tasks are simple and repetitive, and require a minimum of skill and training.

The professional organization has a bureaucratic yet decentralized structure, dependent on training to standardize the skills of its operating professionals. This type of organization relies for coordination on the standardization of skills, which is achieved through formal training.

The diversified organization has a divisionalized structure, in which market based divisions are coupled together under central administrative headquarters. In the 1920s, A. P. Sloan Jr. introduced this type of structure to General Motors in order to successfully compete with Ford Motors.

The innovative organization has a fluid, organic, and selectively decentralized structure. This type of organization is known as adhocracy in the business world. The adhocracy innovates and solves problems directly on behalf of its customers.

The missionary organization has a highly integrated structure. This type of organization is based on the standardization of its norms. In other words, the sharing of values and beliefs among its members is very strong. The Japanese corporations (type J0 represent a good example (Table 2).

Table 2- Type A versus type J corporation (9) .

The political organization is characterized by a lack of the forms of order found in conventional organizations. This type of organization is based on the fluidity of informal power.

Table 2 - Type A versus type J corporation (9)

Type A (American corporation)	Type J (Japanese corporation)
Short-term employment	Lifetime employment
Individual decision-making	Consensual decision-making
Individual responsibility	Collective responsibility
Rapid evaluation and promotion	Slow evaluation and promotion
Explicit, formalized control	Implicit, informal control
Specialized career path	Nonspecialized career path
Segmented concern	Holistic concern

Conclusions: One of the top management thinkers in the world, Henry Mintzberg has written prolifically on the topics of strategic management and organizations. He concluded that most organizations fall into several basic categories. Trying to classify organizations, first from the perspective of structure and later from the perspective of power, Mintzberg discovered seven types of organizations.

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The manager of the future and the team performance

~ Drd. ec. Mirela Udrea (Al.I.Cuza University, Iași - Faculty of Economy and Business Administration)

Abstract: *The achievement of strategic objectives of any economic organization cannot be real without turning to account the professional potential of all its employees, of their abilities and knowledge. "Team work", as a method of activities organization, is a requirement in order to obtain success. The team work based on solidarity and cohesion is more performant than team work based on individualism and competition.*

The confidence is the basic principle in order to build a performant team, within the team (confidence between the members of team) and, also, the confidence of the whole team in their leader (manager). The working style of a manager has an influence on the team working style leaded by him.

Manager of future will be a decisive progress factor through his open-minded personality for novelty and his involvement, and the prevalent feature of his activities will be "orientation to excellency ".

Key words: team, working group, objectives, performance, manager

In the business environment, nowadays, the achievement of strategic objectives of any economic organization cannot be real without turning to account the professional potential of all its employees, of their creativity and talent, of their abilities and knowledge, all these being emphasized in new organization type, different from those rigid ones, much more flexible and much easier adaptable to the changes of external environment.

One such method of activities organization is represented by " team work" used on a large scale, on one hand as a requirement in order to obtain success (from efficiency and performance reasons) and on the other hand, as a reply to the emphasized need of Maslow theory, that is group affiliation.

During the time, the team work based on solidarity and cohesion is more performant than team work based on individualism and competition, and this was already proved. In other words, performance of team is superior than totalized performances of its members, in case that those should work one by one. This is possible because in a team there is an additional component part besides the number of its members , which is in fact the binder that makes them from separate persons a whole. This intangible force intensifies knowledges and experience of each member and amplifies team performance.

Although the concept of "working group " and the one of "team" are related, finally these concepts are distinct. Choosing as analyses criterion the scope for which are established, structure and working manner , we can appreciate that not all teams can be considered as groups , not all groups can become teams. In order that a group of persons to be considered a team, there are four cumulative conditions to be accomplished :

- to be one of the set of workers group;
- to have a chief (manager) ;
- to have one objective allocated ;
- to use concertized action practices.

A team contains a group of persons whoose aim is to co-operate in order to achieve a common target, on the basis of a set of performance objectives, persons who, mutually, are assuming the responsibility for the obtained results .

We are talking today about teams in all kind of organizations : project team, team of experts, team of intervention, etc., which certifies that team work is suitable in any activity field, as a result of the awarded advantages:

- creates the possibility of bringing altogether various knowledges, abilities, which are exceeded by those belonging to any other member of team ;
- teams which comes with better ideas than in case when persons should work separately for different problems or matters which can be solved in real time ;
- creates a positive working climate, based on confidence, cohesion, involvement, efficiency, collaboration, satisfaction.

The team work is recognized as being a success strategy, but is difficult enough to be implemented. The difficulty to implement is resulting, many times, from the following aspects :

- the techniques of team work are less known and less applied ;
- in most of cases, the meetings of team took place in an non-efficient mode, due to the inability of moderator (usually, the chief of team) ;
- difficulties in defining some distinct objectives or the misunderstanding of assigned objectives ;
- incompatibility between team work, as a type of developped activity and the evaluation systems of performances and of remuneration ;
- the of the middle managers who are thinking frequently that subordinated teams are some threatenings for their position and authority .

The basic principle in order to build a performant team is the confidence within the team, confidence between the members of team , but in the same time is represented by confidence of the whole team in their leader (manager) and confidence in the management organization.

To gain confidence in his team, manager must be deeply acquainted with his team, in order to be able to change the potential into action, by training and continuos motivation. This involves : to identify and to understand motivations belonging to each member as well as motivations of team, as a whole, to establish the existing connections between the team behaviour and the personality of each team member, to identify the informal hierarchy within the team. Here are some basic rules to be noticed by the manager :

- more than frequent communication with team members ;
- respect for all team members ;
- correctness given to team (when you have to estimate the performances and to establish the rewards) ;
- consistency;
- proficiency in solving the matters, as well as technical aspects .

Managers are interested to have teams who are working efficiently and have success in fulfilling of their objectives. Being preoccupied by this, managers can interfere within the teams leaded by them, using many types of actions :

- actions connected to human being – favoured by a good communication and development of mutual confidence between the members, between team and management ; to minimize the conflicts, fight for supremacy and threatenings from internal side of team ;
- actions connected to organization – manager is concerned in running and progress of team , is involved in important events and is rewarding the achievements ;
- actions connected to tasks – manager has to determine the objectives, directions, distinct plans for team, has to offer guidance and to give the necesary independence for tasks fullfilment.

Therefore, the role of leader for a team is not easy to be carried out ; a good manager must have a lot of qualities and abilities : to be intelligent, well-informed, sensible to the feelings of team members, dynamic, intuitive, communicative, good listener, wise, patient, determined. In addition, a manager must be careful, with strength of character, intellectual robustness, innovation, to be able to take actions.

Is difficult to find a human being to fulfil all these requirements, taking into account tha fact that future is coming with other changes and challenges which are imposed to all economic organizations to be guided by extraordinary managers (neo-manageri), in their way to reach the high performance .

The working style of a manager has an influence on the team working style leaded by him. An efficient working style of a manager is connected :

- to be concerned and to define distinct objectives of team ;
- to ensure an economic efficiency ;
- to organize in a rational way the activities of the team ;
- to call for discipline and respect of team ;
- to evaluate the performances of team depending on good settled criteria ;
- to be involved in studying and perfecting ;
- to recognize the contribution of team members and on the whole to recognize the contribution of team in order to reach the objectives and to give a corresponding remuneration ;
- top stimulate creativity and innovation to all the members of team.

Manager of future will be a decisive progress factor through his open-minded personality for novelty and his involvement.

A performant manager has the capacity to identify the problems and the needs of team, has new ideea to solve the problems and to act, learning from results. According to condition of an increasing proffesional competition, increasing the possibilities to be informed and human resources proficiency, the prevalent feature of activities for a tomorrow manager will be "orientation to excellency " (Thomas Peters), based on a total involvement of the whole team in order to reach the objectives of organization.

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