

University of Bucharest

The word "Manager" is written in a cursive, handwritten style. A thick, black, horizontal line, resembling a pen stroke, is drawn over the top of the letters "a", "n", "a", and "g".

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Change from desire to reality

When the leader proposes a change in the organizational level, he needs to know very well the internal springs that motivates each employee involved in this change. Changing the behaviour of a group can lead to decreases in performance for various periods of time. Learning management plays an essential role in successful change supporting because it provides useful information to the accumulation process and encourages the assumption of the difficult situations' responsibilities. Insufficient preparation can induce individual or group fears that influences the speed and quality. In preparing the change, it's mandatory to use the concrete situation's right leadership. The type of organisation, the size, the moment of changing, the type of the leader, the market reality, the quality of the people involved in the process ... here are some decisive elements that contribute to the successful completion of the change. Building a high performance team to oversee the change requires collaboration and constant communication. Given that power is the ability to influence the others, it is important that the team leader to distribute power in the team which is dealing with change in relation to the competencies of each team member so that decisions are quickly valued. Inefficient management's decisions can lead to genuine organizational earthquakes resulting in loss of control of the organization. When there is a big difference between a set of present events and a set of desired events, change is inevitable. Starting from the observation that in many areas of the company there is a leadership crisis we decided to create a Centre for Organizational Strategy and Leadership at the University of Bucharest (CSOL-UB). We want it to become a true National School of Leadership for the economic, political, social, academic, cultural domain. Based on the results of an assessment that we will make to the socio-economic environment, we will determine the main directions of development of CSOL-UB.

Prof. Ph.D. Paul Marinescu

A typology of organizational cultures in terms of improvement of the quality management

~ Ph. D. **Radosław Wolniak** (*Faculty of Organisation and Management, Silesian Technical University, Poland*)

E-mail: radek_wol@o2.pl

Abstract: *There is in the paper, the analysis of research conducted by author's carried out under the Higher Education Grant. There is an original typology of organizational cultures in terms of improvement of quality management. Organizational cultures were divided in their four types: the culture of pro-quality (success), avoidance culture, culture of conservative (stiff) and the culture of enforced changes. The study focuses especially on the culture of pro-quality, for which it had been a detailed characterization.*

Key words: quality management, organizational culture, pro-quality culture, cultural dimensions

1. Introduction

More and more frequently it is believed that quality management improvement is influenced not only by the so-called „hard” management aspects, but also by the „soft” ones, such as organisational culture

or leadership. In this publication the results of studies conducted within the framework of a research project devoted to the influence of organisational culture on quality management improvement have been presented. Taking into consideration the results of detailed analyses, an author's typology of

organisational culture based on two variables – the attitude to uncertainty and status ascription – has been developed. This provided a basis for distinguishing four types of organisational cultures, to which the investigated organisations have been assigned. It has been determined which organisational culture and why has the most pro-quality character.

2. Typologies of cultural dimensions

There is a number of studies conducted to isolate those factors that are most important and the largest contribution to cultural diversity (Ailon 2008; Aniszewska 2007; Aniszewska 2008; Boski 2009; Cameron and Quinn 2006; Glińska-Neweś 2007; Krzemień and Wolniak 2004; Mikuła 1995; Schein 2004; Sikorski 2002; Sitko-Lutek 2004; Sułkowski 2002; Zbiegień-Maciąg 2005). Belong to the most well-known study by G. Hofstede and study Ch. Hampden-Turner and Trompenaars A.

There are five Hofstede cultural dimensions (Chiang 2005; Hunt 1981; Jefferson 2002; Korman 1983; Kwek 2003; McSeeeney 2003; Robinson 1983, Sorge 1983):

- **Power distance** - This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us. Power distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.
- **Individualism** - The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people's self-image is defined in terms of "I" or "We". In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist societies people belong to 'in groups' that take care of them in exchange for loyalty.
- **Masculinity / Femininity** - A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organisational behaviour. A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine).
- **Uncertainty avoidance** - The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways. The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is reflected in the UAI score.

- **Long term orientation** - The long term orientation dimension is closely related to the teachings of Confucius and can be interpreted as dealing with society's search for virtue, the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view.

In 1998, management consultants Trompenaars and Hampden-Turner published their "Seven Dimensions of Culture" model to help explain national cultural differences in organisations and to show how managing these differences in a heterogeneous business environment is a major challenge for international managers. In this conception there are seven cultural dimensions (Hampden-Turner and Trompenaars 2002; Hampden-Turner and Trompenaars 2003):

- **universalism versus pluralism** The degree of importance a culture assigns to either the law or to personal relationships. In a universalistic culture, people share the belief that general rules, codes, values and standards take precedence over the needs and claims of friends and other relationships. In a pluralistic culture, people see culture in terms of human friendship and intimate relationships. While rules do exist in a pluralistic culture, they merely codify how people relate to one another.
- **individualism versus communitarianism** - The degree to which people see themselves function more as a community or more as individuals. In a principally individualistic culture, people place the individual before the

community. This means that individual happiness, fulfilment and welfare prevails and people take their own initiative and take care of themselves. In a principally communitarian culture, people place the community before the individual. Thus, it is the responsibility of the individual to act in ways which serve society. In doing so, individual needs are automatically attended.

- **specific versus diffuse** - The degree to which responsibility is specifically assigned or is diffusely accepted. In a specific culture, people first analyse the elements individually and then put them together, the whole is the sum of its parts. People's lives are divided accordingly and, only a single component can be entered at a time. Interactions between people are very well-defined. Specific individuals concentrate on hard facts, standards and contracts. A diffusely oriented culture starts with the whole and sees individual elements from the perspective of the total. All elements are related to one another. Relationships between elements are more important than individual elements.
- **affectivity versus neutrality** - The degree to which individuals display their emotions. In an affective culture, people display their emotions and it is not deemed necessary to hide feelings. However, in a neutral culture, people are taught not to display their feelings overtly. The degree to which feelings become manifested is therefore minimal. While emotions are felt, they are controlled.

- **inner directed versus outer directed** - The degree to which individuals believe the environment can be controlled versus believing that the environment controls them. In an inner-directed culture, people have a mechanistic view of nature; nature is complex but can be controlled with the right expertise. People believe that humans can dominate nature, if they make the effort. In an outer-directed culture, people have an organic view of nature. Mankind is viewed as one of nature's forces and should therefore live in harmony with the environment. People therefore adapt themselves to external circumstances.
- **achieved status versus ascribed status** - the degree to which individuals must prove themselves to receive status versus status simply given to them. In a culture with achieved status, people derive their status from what they have accomplished. Achieved status must be proven time and time again and status will be given accordingly. In a culture with ascribed status, people derive their status from birth, age, gender or wealth. Here status is not based on achievement but it is accorded on the basis of the person's being.
- **sequential time versus synchronic time** - The degree to which individuals do things one at a time versus several things at once. Cultures developed their own response to time. Time orientation has two aspects: the relative importance cultures assign to the past, present and future, and their approach to structuring time. In a sequential culture, people structure

time sequentially and do things one at a time. In a synchronic time culture, people do several things at once, believing time is flexible and intangible.

3. The characteristics of the conducted studied.

The analysis in this paper were made during the reporting of the research project in the field of sustainable development of enterprises in Poland against the experience of selected countries of the European Union 2011/03/B/HS4/01790 PBU10/ROZ3/2012 symbol at the university, funded by the National Science Centre .In order to analyse the influence of social aspects on the improvement of quality management and differences within this scope depending on the kind of an organization, a possibly and wide choice of research tests have been decided on so as not to include only industrial enterprises but also service sector in different branches. Additionally, a wide spectrum of research tests have been used so as to assure a representative nature of research and possibilities for their statistical analysis.

The questionnaires were sent to 2500 companies. 700 of them were industrial companies while 1800 were services ones. 1120 correctly filled -in questionnaires were obtained. The expert-like method was used in order to define variables used in these studies. The characteristics of entire studies were presented synthetically in Table 1. In the research, the concept of improvement of quality management is understood in a given publication as a set of problems, such as: a systemic attitude to quality management, the use of different methods and techniques of managing quality, creating innovative solutions, market position of a company, its financial status.

Table. 1. The characteristics of all studied companies

Variables		Number of respondents	Percentage of population
The criterion of division	Interval		
Tape of activity	Industry	385	35%
	Trade and services	725	65%
Business sector	Industry (except for mining)	356	32%
	Mining	29	3%
	Trade	175	15%
	Construction	74	7%
	Transport and logistics	41	4%
	Financial Institutions	41	4%
	Other commercial services	290	26%
	Non-commercial services (education, health)	45	4%
	Administration	59	5%
Size	Micro organizations	235	21%
	Small organizations	268	24%
	Medium size organizations	420	38%
	Big organizations	187	17%

Source: Author's own study.

The following variables were taken into account within a scope of the improvement of quality management:

- **D1** – having a quality management system being in accordance with standards of PN-EN ISO 9001,
- **D2** – attitude to the implementation of standardization in an organization,
- **D3** – having trade quality management systems,
- **D4** – having environmental management systems,
- **D5** – having security management systems,
- **D6** – use of team work ,
- **D7** – involvement in team work,
- **D8** – use of methods and tools of quality management systems (the variable which defines how many methods and tools of quality management is used in a given organization),
- **D9** – number of innovative ideas per an employee,
- **D10** – rewarding employees for their innovative ideas,
- **D11** – pro-innovative attitude of a company,
- **D12** – market position of a company in comparison with the best companies in a given branch of business,
- **D13** – change of market position in comparison with companies in recent years,
- **D14** – financial condition of a company.

The study also included variables discussed in the theory of cultural dimensions. On the basis of factor analysis and proposed his own typology consisting of five dimensions, which will be included in further analyses.

4. Typology of cultural dimensions

The discussed social aspect which has a considerable influence on quality management improvement is pro-quality organisational culture. On the basis of the conducted investigations, the cultural factors have been divided from the point of view of their influence on quality management into four categories: key, useful, useless and harmful. In this case the results should be analysed by using a cultural map constructed in a manner similar to that applied in the case of a leadership map.

In this situation, the vertical axis will contain the above listed categories of cultural factors division, while on the horizontal axis the existence or non-existence of a particular cultural factor in the examined organisations

will be marked. In this way an eight-field matrix is formed, which has been shown in Fig. 1. On the basis of the matrix, the cultural factors can be divided into four categories:

- optimal culture – exists in an organisation in which key factors from the point of view of quality management improvement are present, while harmful factors do not exist,
- good culture – means that factors useful for quality management improvement are present in an organisation, whereas the useless ones do not exist,
- bad culture – occurs in the event the existence of cultural factors which are not useful from the point of view of quality management improvement is observed, while the useful factors are absent,
- very bad culture – the culture of an organisation is characterised by the fact that it contains factors which are harmful from the point of view of quality management improvement, while key factors do not exist.

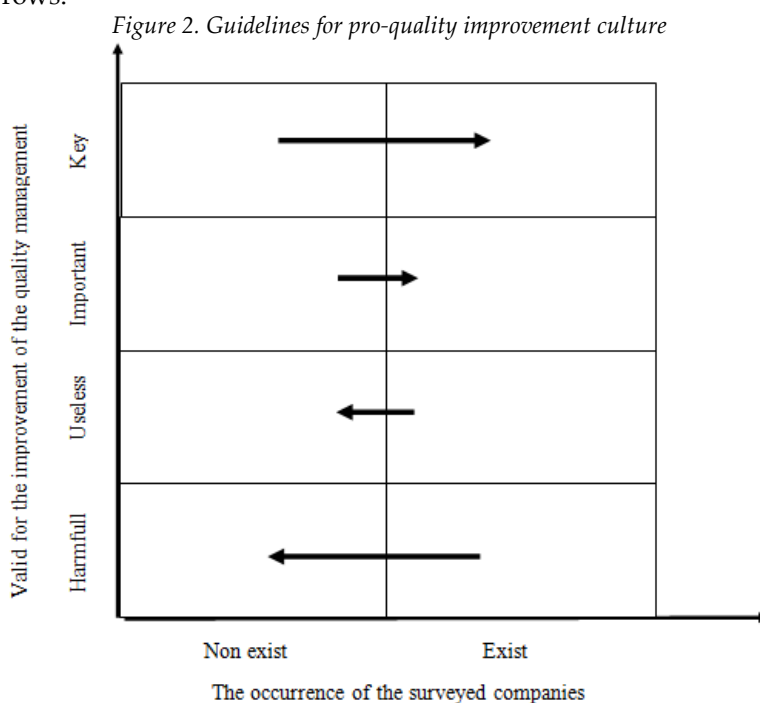
Figure 1. Matrix of pro-quality culture factors

Valid for the improvement of the quality management	Key	Very bad culture	Optimal culture
	Important	Bad culture	Good culture
	Useless	Good culture	Bad culture
	Harmful	Optimal culture	Very bad culture
		Non exist	Exist
		The occurrence of the surveyed companies	

Source: Author's own study.

Basing on the presented concept of cultural attributes division, it is possible to find a direction of changes in the culture of an organisation which can make it more pro-quality in character. To this end, harmful and useless attributes should be reduced in the process of quality improvement, while the key and important cultural attributes should be strengthened, Figure 2 presents suggested directions of cultural changes – the intensity of activities to be taken has been marked with the length of arrows.

The pro-quality culture map can be used for analysis of both single companies and the whole population; then cultural factors dominating in the largest number of the investigated companies will be marked in relevant fields of the matrix. Using the concept presented in Fig. 3, a map of pro-quality cultural factors for the whole examined population has been presented



Source: Author's own study.

The investigated leadership attributes have been included in the previously described categories in the following way:

- optimal culture – CK1A – status achievement;
- good culture – none of the cultural attributes has been included in this category,
- bad culture – CK2B – a considerable aloofness from authority; CK4A – outside control; CK5A – collectivism;

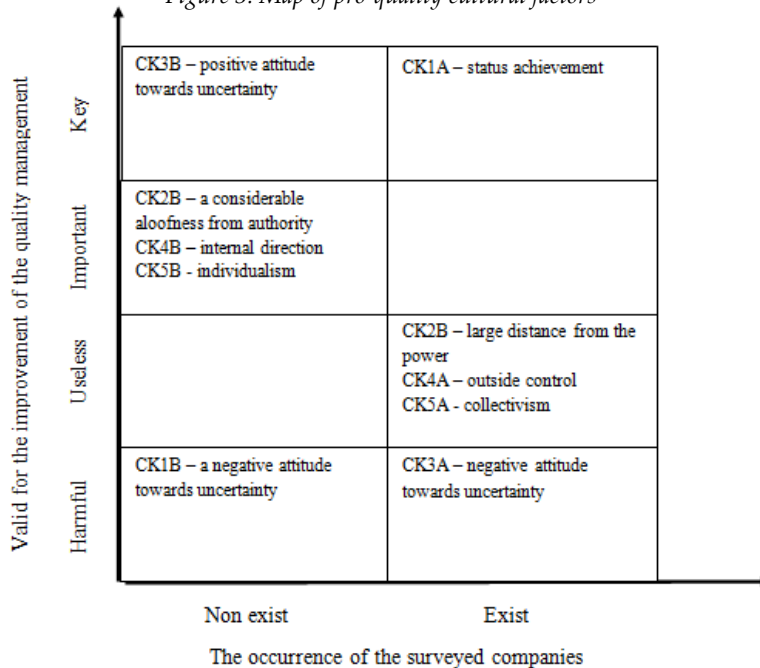
- every bad culture –CK3B – a negative attitude towards uncertainty.

On the basis of the cultural factors' illustration in the form of a matrix it can be stated that the culture of Polish firms does not favour quality management improvement. The discrepancy between cultural factors that are important for quality management improvement and their existence in the examined companies is significant and concerns the following issues:

– the investigated companies' culture is characterised by excessive avoidance of uncertainty, which translates into restrained innovativeness and problems with implementation of new solutions,

– in the investigated companies only the attributes which are useless from the point of view of quality improvement are observed, whereas useful attributes do not exist.

Figure 3. Map of pro-quality cultural factors



Source: Author's own study.

Due to a high level of uncertainty avoidance in Polish companies, having an adverse influence on the application of new solutions, the customer receives a worse product and is dissatisfied, which translates into a worse position on the market and lower profits. Companies characterised by high avoidance of uncertainty cannot make use of chances appearing in their environment, because they cling to well-known patterns, even if this is harmful for them and the changes might improve the company's condition. This is an unfavourable phenomenon, especially nowadays, in a period of big changes resulting from a crisis on world markets, which might provide an opportunity for firms that are able to make a proper use of them.

The problems of the examined companies' culture from the point of view of quality management improvement are related to excessive collectivism, which constrains the innovativeness and creativity of employees. It is worth noticing that excessive collectivism, as suggested by world research analysed in the third and fourth chapter, adversely affects the wealth of a country, which suggests that it restrains the economic activity. However, on the other hand, excessive individualism exerts a negative influence on the implementation of PN-EN-ISO 9001:2009 standard due to the reluctance of individualistically-oriented employees to observe the requirements imposed by the standard.

Another problem observed in the investigated companies is also excessive aloofness from authority, which creates problems in free communication between employees and causes excessive hierarchization of an organisation. This also has a negative effect on innovativeness and leads to a reluctant attitude to standardization on the part of employees, who perceive it as an element of control imposed by the management and fail to notice its advantages. This is confirmed by the results of world research, which suggests that a considerable aloofness from authority has a harmful effect on innovation, certification of quality management systems as well as on the country's GDP. Also outside control, i.e. a situation in which conformist attitudes and accommodation to the group prevail, adversely affects innovative / improving solutions and contributes to the problems experienced by Polish organisations in the area of quality.

In the analysis of problems related to cultural factors from the point of view of situational factors (using a map of pro-quality cultural factors), no bigger differences were noticed, irrespective of the branch, the size of companies, the sources of financing, the degree of organisational structure complexity etc. This confirms the results of investigations conducted by specialists in this field in other countries. They believe that in the case of the examined factors, the culture of a country dominates the organisational culture. The place of our birth has a very big influence on our attitude to work, changes, authority and to many other variables existing in every organisation.

On the basis of his research, G. Hofstede labelled a culture as the programming of the mind. According to him, our behaviour is to a certain degree determined by cultural factors, by the social environment in which we grow up, family, school, group, workplace and the

place of living. He believed that the culture of the country exerts a stronger influence on us than the culture of the organisation we work for. The results of studies presented in this monograph confirm these observations. Similarly to other investigations carried out by Polish specialists, they indicate that specific cultural attributes do not depend on the above mentioned situational variables and remain characteristic of the majority of companies operating in Poland. Even a foreign capital share in the financing of a company has little influence on cultural factors from the statistical point of view.

The conducted studies indicate that two major cultural factors in the examined organisations are: status achievement – status ascription and an attitude to uncertainty. These are key factors for quality management improvement and for this reason they were used in the studies into the proposed typology of organisational cultures from the pro-quality point of view. This typology has been presented in the form of a matrix in which the vertical axis contains the variable of status ascription and status achievement, and the horizontal one contains a negative as well as positive attitude to uncertainty. From this point of view four types of organisational cultures have been distinguished (Fig. 4)

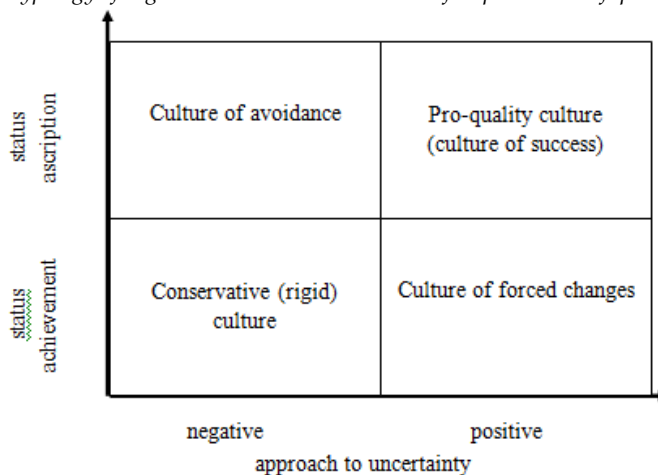
- pro-quality culture (culture of success) – is characterized by a positive attitude to uncertainty and status achievement orientation,

- culture of avoidance – occurs in a situation when status achievement is accompanied by a negative attitude to uncertainty,

- culture of forced changes – a culture in the case of which a positive attitude to uncertainty is accompanied by status ascription,

- conservative (rigid) culture – is characterised by a negative attitude to uncertainty and a simultaneous status ascription.

Figure.4. The typology of organizational culture in terms of improvement of quality management



Source: Author's own study.

In the pro-quality culture, which can also be called a culture of success, the focus is on success, both personal and organisational. In such a culture the emerging changes and new circumstances on the market are treated as a chance which should be taken by an organisation to improve its competitive position. A possibility of achieving a higher position in an organisation owing to good work, commitment and good results triggers employees' creativity and ingeniousness. This way the company becomes more flexible, prone to changes and innovative, continuously improving its products and processes. It is focused on customers and fulfilment of their needs. Enterprises define their targets in a measurable way and employees' promotion as well as bonuses depend on the fulfilment of these goals. Employees account only for the fulfilment of organisational goals, while other factors, such as formal diplomas, age, sex etc. are not taken into consideration in evaluation of their achievements. In contemporary turbulent environments this is a model culture, which should be a goal to strive for by Polish companies.

The culture of forced changes is the one in which changes do take place, but they are usually top-down, forced by the management instead of grass-roots initiatives of the employees. In certain aspects of quality management, such a culture may be favourable – for example PN-EN-ISO 9001:2009 standard implementation is frequently a decision taken by the highest level management, which is next „imposed” on the employees. However, this creates problems related to resistance against changes. If the employees do not accept this decision, and this is a frequent situation in the case of the forced changes culture, they may be reluctant towards some of the management's ideas. In extreme cases, such a culture may lead to strike and discrepancies between the needs of the management and employees. It can be favourable in certain circumstances, if changes are managed in a right way, but due to excessive status ascription this results in restrained creativity. Even an employee who achieves good results cannot be promoted over a certain position. Such a culture is observed for example in

family businesses and in companies with a foreign capital share. A company following the culture in question may effectively function provided that the need for promotion is replaced by some other, for example financial incentives.

The culture of avoidance is characteristic of organisations in which employees, despite being assured of promotion and development possibilities, are not prone to make excessive changes in their environment and undertaken activities. Rewards correspond to the effort put in their achievement, the organisation establishes goals, but most of the employees' effort is focused on a well-known standard behaviour. Promotion is possible only in the event a person is characterised by conformism and adapts their behaviour to the rules followed by the company. Such people are valued when they achieve good results, whereas non-conformist persons trying to make changes in the organisation may be perceived as a threat. A company in which such a culture of avoidance exists may operate effectively on condition that it functions on a stable market, where taking sudden and drastic changes is not necessary. Then its conventionality, accompanied by simultaneous motivating of employees to make a greater effort ensures it success. On the other hand, in a turbulent environment companies managed in such a way may have problems with adapting to quick changes. The discussed culture of avoidance is frequently observed in big companies, concerns etc.

In the case of the last type of culture – conservative (rigid) one, we deal with a combination of two aspects adversely influencing the improvement of quality management. An organisation is very reluctant to changes, any new ideas are immediately blocked by

the management. Its leaders strive to maintain the status quo and keep their positions, so each change is perceived as a threat. This kind of companies frequently get rid of creative and success-oriented employees, as they are seen as a menace to the rigid hierarchy. Also the employees themselves, having understood that promotion does not depend on the achieved results, try to find a job in organisations characterized by a more satisfying culture. Such a culture has an anti-quality character; it should not be applied by any company striving to satisfy the customer, achieve a high quality of products and success on the market.

After defining the typology of culture from the point of view of quality management improvement, it is worth considering what is the culture of the examined organisations in the light of the presented typology. Figure 5 presents the number of investigated organisations classified as a particular type of culture on the basis of research. The pro-quality culture exists in 52 companies, 15 companies are characterised by the culture of forced changes, in 760 companies prevails the culture of avoidance and in 283 – the conservative culture.

Table 2 contains a percentage share of organisations representing a given organisational culture in a system of division into branches. On the basis of collected data, it can be noticed that:

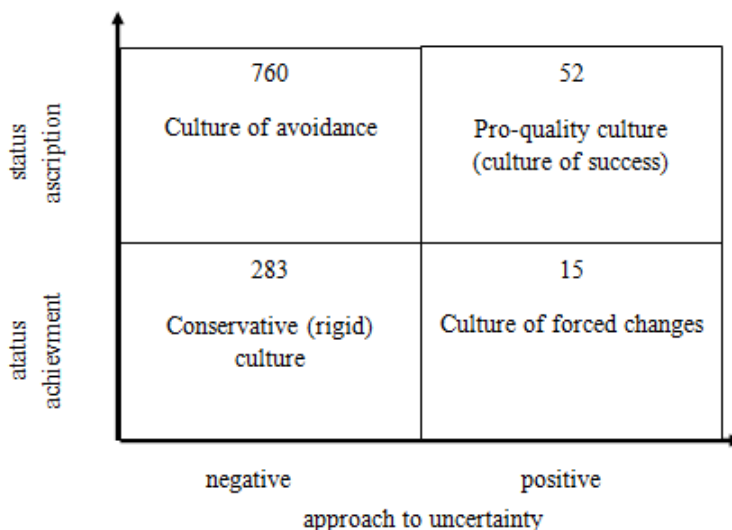
- the pro-quality culture occurs mainly in industry, financial institutions, transport and communications as well as in some of the leading construction companies,
- the culture of avoidance is observed chiefly in trade and building branch,
- the culture of forced changes occurs

- the least frequently of all the analysed cultures; it is present in the mining branch and public administration,
- the worst culture from the point of view of quality management improvement is most frequently observed in the mining branch; it is also encountered in transport and communications, industry, administration,
 - the mining branch is characterised by the largest number of organisations following the rigid (conservative) culture, which leads to the conclusion that the mining industry restructuring, taking place over the last few years, has not enabled the companies in this branch to fully adjust to the market situation, as the research suggests that mining is still dominated by

the traditional culture,, going back to the time of centrally planned economy none of the examined public administration institutions is characterised by the pro-quality culture, which leads to the conclusion that transition into a new model of public administration - focused on customers and their needs - has not really taken place; a reluctant attitude to changes is still observed in administration. Also, we frequently deal with status ascription, excessive hierarchization, the blocking of dynamic young employees' promotion as well as other similar phenomena adversely influencing the improvement of quality management.

Research suggests that the organisational culture of Polish companies is unfavourable from the point of view of quality improvement. The existing cultural practices

Figure 5. The typology of organizational culture in terms of improvement of quality management - the results for the surveyed companies



Source: Author's own study.

Industries									
	Industry	Mining	Trade	Building	Transport and communications	Financial institutions	Commercial services	Other services	Administration
Pro-quality culture	5,06%	6,90%	4,57%	6,76%	4,88%	7,32%	3,79%	6,67%	0,00%
Culture of forced changes	1,40%	3,45%	0,57%	0,00%	0,00%	2,44%	1,38%	2,22%	3,39%
Culture of avoidance	69,66%	48,28%	71,43%	71,62%	63,41%	65,85%	69,31%	62,22%	64,41%
Conservative (rigid) culture	23,88%	41,38%	23,43%	21,62%	31,71%	24,39%	25,52%	28,89%	32,20%

Source: Author's own study.

(conservative culture and the culture of uncertainty avoidance) as well as the attitudes of employees have a negative influence on quality, which leads to problems with Polish products' competitiveness on global markets, where domestic companies have to compete with organisations from countries characterised by a more pro-quality culture. The dominance of the culture of uncertainty avoidance in the conditions of fast global changes is an alarming phenomenon. In this context it seems advisable to devote another chapter to changes that organisations must make in order to shape their culture in such a way that it assumes a more pro-quality character.

5. Summary

On the basis of the conducted studies, different types of organisational cultures have been defined as follows: a pro-quality (success) culture, the culture of avoidance, a conservative (rigid) culture and the culture of

forced changes. Studies indicate that Polish firms are most frequently characterised by the culture of avoidance, while the pro-quality culture is observed relatively seldom (less than 5% of the investigated companies).

This is an unfavourable phenomenon as the pro-quality culture is characterised by the strongest focus on improvement and success. People learn easily, want to introduce changes and new solutions, are flexible and innovative. As indicated by research, Poland takes one of the last places in the field of innovation. Such an outcome of our country can to a certain degree result from the fact that Polish firms are dominated by the culture of avoidance or conservative culture, characterised by a negative attitude to uncertainty, which in consequence leads to restrained innovativeness and creativity. This can only be changed by an attempt to change the organisational cultures of Polish companies. It is, however, a difficult, complex

and time-consuming task, and its detailed discussion goes beyond the scope of this publication.

Questions discussed in the paper are also important from the point of view of corporate social responsibility. Cultural dimensions and behaviour of employees have an

impact on corporate responsibility strategies. In some cultures, these issues are easy to implement, while in others they may encounter significant obstacles. This issue will be further discussed in subsequent publications.

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Corporate Governance As A Tool For Curb- ing Bank Distress In Nigeria Deposit Money Bank: Empirical Evidence

~ Ph. D. Senior Lecturer **Ikpefan Ochei Ailemen** (Department of Banking & Finance, Covenant University, Ota, Ogun State)

E-mail: ochei_ikpefan@yahoo.co.uk

~ Ph. D. Lecturer **Stephen Ojeka** (Department of Accounting, Covenant University, Ota)

E-mail: stojeka@yahoo.com

Abstract: The study objective is aimed at finding the relationship between corporate governance bank distress in deposit money banks. The research design adopted in this paper is the case study method, in other to have an intensive insight of the subject matter. Primary data was used specifically the survey technique. The method that was used in the presentation of data in this study is the Statistical Package for Social Sciences (SPSS) which contains all the necessary and important statistical technique for data analysis. For testing the hypothesis, correlation analysis which measures the degree of relationship between variables was used to analyze the result generated from the questionnaire. The evidence shows that corporate governance has no significant improvement on the prevention of bank distress but has significantly improved the performance of the Nigerian banking sector. We therefore recommend that banks should demonstrate strong internal policies to identify and manage conflict of interest and zero tolerance posture against cases of unsound corporate governance practices.

Type of Paper: Case Study

Key words: Corporate Governance, Bank Distress, Code of Conduct, Pearson Correlation

1. Introduction

The Organization of Economic Corporation and development (OECD) paper defines corporate governance as involving “a set of relationships between a company’s management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently”. Corporate governance in recent years assumed considerable significance as a veritable tool for ensuring corporate survival since business confidence usually suffers each time a corporate entity collapses. Most of the business failures in recent past are attributed to failure in corporate governance practices. For instance, the collapse of banks in Nigeria in the early 1990’s and onwards was as a result of inadequate corporate governance practices such as insider-related credit abuses and poor risk appreciation and internal control system failure.

Corporate governance refers to the organizational framework for decision making and action taking within a corporate entity. In this regard, it can also be defined as the structure of relationships within an entity for making decisions and implementations. Simply put, it refers to how an organization is run, that is, how the resources of an organization are employed in pursuant of the set missions and goals of the organization. Hussey (1999) as cited in Ivior (2008) defines

corporate governance more formally as “the manner in which organizations, particularly limited companies, are managed and the nature of accountability of the managers to the owners”. In other words, corporate governance is not just a set of rules but also a structure of relationships geared towards establishing good corporate practice and culture. The ultimate Business Dictionary (2003) as cited in Sani (2010) defines corporate governance functionally as the managerial or directional control of an incorporated organization, which, when well practiced can reduce the risk of fraud, improve company performance and leadership and demonstrate social responsibility. Essentially, corporate governance is focused on controlling the activities of those in whose custody the resources of an organization are entrusted with a view to protecting the interest of the resource owners.

Wise and Mahboob Ali (2009) opined that “corporate governance indicates the policies and procedures applied by firms to attain certain sets of objectives, corporate missions and visions with regard to stockholders, employees, customers, suppliers and different regulatory agencies and the community at large”. Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the functioning of the banking sector and economy as a whole. Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to inability of a bank to manage its assets and liabilities, including deposits, lost of confidence and in turn trigger a bank run or liquidity crisis.

Oyediran (2003) as cited in Babalola (2010) posits that corporate governance is the way and manner in which the affairs of companies are conducted by those charged with that duty. In Nigeria, the governance of a limited liability company is the responsibility of its board of directors. Corporate governance is characterized by transparency, accountability, probity and the protection of stakeholders' rights. Corporate governance refers to the manner in which the power of a corporation is exercised in the management of its total portfolio of economic and socio resources with the aim of increasing shareholders' value and safeguarding the interest of other stakeholders in the content of its corporate mission.

The above definitions are summarized into one by the Report of the Committee on Corporate Governance of Public Companies in Nigeria (2003) as cited in Sani (2010) which sees corporate governance as "the system by which companies in Nigeria are directed, and managers are held accountable for the performance of the organization." This further emphasizes the fact that the concept of corporate governance is principally on the structure of relationship within an organization which is directed at best practice in the overall interest of the organization and its owners/stakeholders with the sole aim of curbing distress in the Nigeria banking system.

In ordinary parlance, distress connotes being in danger or difficulty and in need of help. A bank is distressed when it is technically insolvent implying that the bank's liabilities exceed the assets. The terms distress connotes "unhealthy situation" or a state of inability or weakness, which prevents the achievement of set goals and aspiration (Ologun, 1994). Benston et al, (1986) as cited

in Sani (2010) defines distress as a situation of complete loss of shareholder funds. To evolve a working definition of distress, it is desirable to synthesize those factors that will the unhealthy as well as state some broad set obligation and aspiration of a typical financial institution. A financial institution is described as unhealthy, if it is unable to meet its obligation to owners and the economy occasioned by severe financial, operational and managerial weaknesses (Ologun, 1994). To Elebuta (1999), distress occurs when a fairly reasonable proportion of banks in the banking sector are unable to meet their obligation to customers, owners and the economy, as a result of weakness in the financial, operational and managerial capabilities which renders them either illiquid or insolvent.

The Nigerian banking sector witnessed dramatic growth post –consolidation. Banks began to grow in size and numbers and even diversified across the shores of the country with branches and subsidiaries. However, neither the industry nor the regulators were sufficiently prepared to sustain and monitor the sector's explosive growth. Prevailing sentiments and economic orthodoxy all encouraged this rapid growth, creating a blind spot to risks building up in the system. Prior to the crisis, the sentiment in the industry was that the banking sector was sound and growth should be encouraged. The international monetary fund (IMF) endorsed the strength of the banking system to support this growth. However, this sentiment proved misplaced. Among the many interdependent factors that led to creation of an extremely fragile financial system is failure in corporate governance at banks. Consolidation created bigger banks but failed to overcome the fundamental weaknesses in corporate governance in many

of these banks.

The problem in the Nigerian banking industry pre-post consolidation has been that of risk management arising from accumulation of huge non-performing accounts. This is as result of non-application of the five 'C' of lending – Character, Capacity, Capital, Condition and Collateral. The banking industry experienced misuse of shareholders funds, governance malpractice, unchecked at consolidation. For instance, a large part of the sector enriched themselves at the expense of many depositors and investors. Corporate governance in many banks failed because boards ignored governance practices to the extent executive management obtained for themselves un-secured loans at the expense of the depositors and they did not have the boldness to enforce good governance. In addition, the audit process at all banks appeared not to have taken fully into account the rapid deterioration of the economy and hence the need for aggressive provisioning against risk and assets.

As banks grew in size and complexity, bank boards often did not fulfill their function and were lulled into a sense of well-being by the apparent year-over-year growth in assets and profits. In hindsight, boards and executive management in some major bank were not equipped to run their institutions. The bank chairman/CEO often had an overbearing influence on the board, and some boards lacked independence; directors often fail to make meaningful contributions to safeguard the growth and development of the bank and had weak ethical standards: the board committees were also often ineffective or dormant. Chief executive officers (CEO's) lend money to themselves for stock price manipulation and other activities in variance

with corporate governance. A review of the prevailing situation in the Nigerian banking industry shows that most banks are yet to embrace practices that will ensure good corporate governance in their institutions. Good governance practices results in higher firm's market value, lower cost of funds and higher profitability (Black, Jang & Kin, 2006 & Claessens, 2006).

According to Chiejina (2009), "the executive of banks had abandoned the key elements of good corporate principles of honesty, trust, and integrity, openness, performance orientation, responsibility and accountability, mutual respect and commitment to the organization for selfish reasons". The core banking practices have been traded off and the most beneficial are the CEOs and their loyalist. Eight chief executives and executive directors of some Nigerian banks were dismissed between August and October 2009 due to issues related to poor corporate governance practices. This was the outcome of audit investigations embarked upon by the Central Bank of Nigeria to determine the soundness of Nigerian banks. Hence, this paper is poised to examine the role of corporate governance practice in relation to bank distress in Nigerian deposit money banks (formerly known as commercial banks). It is also aimed at finding the relationship between good governance and better performance of banks. Based on the objectives and focus of this study the hypotheses formulated were:

H1: There is no significant relationship between good corporate governance and prevention of bank distress

H2: There is a significant relationship between practice of good corporate governance and better performance of banks.

It is pertinent to note that the understanding of corporate governance will increase growth rate, increase efficiency of their activities and minimize risks, improve standard of lending, strengthen their reputation and raise the level of investors and clients trust and attract strategic investors. The remainder of this paper proceeds as follows. In section two a review of relevant literature in the area of corporate governance and distress is examined. In section three, an explanation of the methodology is provided. The empirical evidence of this paper is discussed in section four. Lastly, the paper ends conclusion and recommendation.

2. Review of related literature

Iyang (2009) conclude in his findings on nurturing corporate governance system: emerging trends in Nigeria, concluded that major challenges which require urgent attention to enhance the effectiveness of the system were noted "making voluntary codes mandatory; developing more effective mechanisms for monitoring compliance and enforcement; developing strong internal control mechanisms to checkmate the boards oversight responsibility; crafting strategies to enhance shareholders activism and the extension of the codes to state-owned enterprises with more cases of corporate abuses". The SEC Code of Best Practice for Public Companies in Nigeria is voluntary and is designed to entrench good business practices and standards for all listed companies, including banks. The mandatory corporate governance provisions relating to banks are contained in the Companies and Allied Matters Act (CAMA) 1990, the Banks and other Financial Institutions Act (BOFIA) 1999, the investments

and Securities Act 1999. The Securities and Exchange Commission Act (SECA) 1988 (and its accompanying Rules and Regulations, the Code of Conduct for Directors of licensed Banks and Financial Institutions (approved by the Bankers' Committee in 2003) and Code of Corporate Governance for Banks in Nigeria Post Consolidation issued by CBN in 2006. Compliance with the provisions of these codes is compulsory.

The impetus for the development of corporate governance system in Nigeria also came through the activities of the Nigeria Securities and Exchange Commission (SEC). In 2001, the SEC set up the Atedo Peterside committee to identify weaknesses in the current corporate governance practices in Nigeria with respect to public companies and make recommendations on the necessary changes therein. A Code of Best Practices for Public companies in Nigeria was adopted (SEC, 2003). The code is voluntary and is designed to entrench good business practices and standards for boards and directors, CEOs, auditors, etc., of listed companies, including banks.

A major development in the history of corporate governance in Nigeria is the recent intervention by the Central Bank of Nigeria (CBN). The incessant collapse experienced in the banking sector due to poor corporate governance and the recent bank consolidation exercise forced the CBN to issue new corporate governance guidelines to all banks operating in the country in February 2006. Known as Central Bank of Nigeria Code for Corporate Governance for Banks in Nigeria Post Consolidation (CBN, 2006), the code seeks to address the issues of poor corporate governance and create a sound banking system in Nigeria. The code introduced more

stringent requirements in the area of industry transparency, equity ownership, criteria for the appointment of directors, board structure and composition, accounting and auditing, risk management and financial reporting. The new code according to CBN was developed to complement existing codes in the country, and compliance to it is mandatory for all banks

Earlier studies by Okike (1994, 1995, 1998 and 1999) specifically investigated the accounting and audit-reporting environment in Nigeria, as important elements of corporate governance. Okike (2007), posited that the role of the Corporate Affairs Commission (CAC) has remained perfunctory and ineffective as some companies and even auditors are known to have flouted company legislation without being punished. In their review of corporate governance in Africa, Okeahalam and Akinboade's (2003) conclude that "the adoption of corporate governance principles by African countries will be a giant step towards creating safeguards against corruption and mismanagement, promote transparency in economic life and attracting more domestic and foreign investment". Ogbechie and Koufopoulos (2007) evaluated corporate governance issues in public quoted companies in Nigeria. The findings of the study show that Nigeria public companies have embraced the principles of good governance but at different stages of adoption of various issues that contribute to good governance. Oyejide and Soyibo (2010) suggest that for Nigeria to reap the benefits of effective corporate governance there is need to strengthen the enforcement mechanism of the regulatory institutions. The role of the Courts are important in this regards. The judicial system must have the capacity to restore the confidence of the

shareholders and help him to enforce his rights.

Shah and Haq (2007) undertook an empirical study and found that:

"in the cement sector of Pakistan, corporate governance structure variables such as percentage block holding by individual and family members, board size and firm size have a positive impact on firm performance. They concluded that the firm's performance is adversely affected if the CEO also acts as chairperson of the board of directors; the percentage of blocking holdings by financial institutions has a negative relationship with performance; the size of the firm has a positive impact on firm performance and the expected leverage is an adverse signal for firm performance"

Before the consolidation exercise of 2006, the Nigerian banks were very weak with poor corporate governance, and this affected customers' confidence in banking operations. The consolidation exercise helped to reduce the total numbers of deposit money banks from 89 to 25 and to 19 in 2012 (excluding the three nationalized banks - Enterprise, keystone and mainstream banks) through mergers and acquisitions and consolidations. This development posed serious challenges which the CBN has acknowledged in its Code of Corporate Governance (CBN, 2006).

"These challenges include technical incompetence of board management; Boardroom squabbles among directors; Squabbles among staff and management; very few banks have a robust risk management system; malpractices and sharp practices; insider abuses; rendering false returns and concealment of information from examiners; ineffectiveness of board/statutory committees and inadequate operational and financial controls".

All existing banks in the country are required by the code to adopt and enforce well articulated codes of ethics and conduct for

directors, management and staff and to render periodic report (Templars, 2006). The key highlights of the Codes of corporate governance of SEC and CBN include:

Separating the roles of the CEO and board Chairman; prescription of non-executive and executive directors on the board; Improving the quality and performance of board membership; Introducing merit as criteria to hold top management position; introducing transparency, due process and disclosure requirements; transparency on financial and non-financial reporting; protection of shareholder rights and privileges; and defining the composition, role and duties of the audit committee, etc (Wilson, 2006).

However deliberate accounting fraud is serious problem of corporate governance in the country. Cases of “inaccurate reporting and non-compliance with regulatory requirement” (Ibru, 2008) and “the prevailing incidences of false and misleading financial reporting” (Al-faki, 2007) by some corporate organizations lead to corporate failures. We have different shareholders associations registered with Corporate Affairs Commission (CAC). Etukudo (2000) argued that the shareholder associations serve the interest of the investing public as shareholders who have the opportunity to contribute to the formulation of broad corporate policies, thereby enhancing management accountability. However, for effective performance of this body, corporate governance institutions need to strengthen shareholders activism as a prerequisite for effective corporate governance and accountability in Nigeria. In Nigeria, there is the general weakness of public institutions, high level of corruption, poor managerial capacity and total absence of market discipline for transparency and accountability, which combine to create a seeming lack

of demand for corporate governance in state-owned enterprises (Ahmed, 2007).

The corporate governance framework also depends on the legal, regulatory, and institutional environment. In addition factors such as business ethics and corporate awareness of the environmental and societal interest of the communities in which a company operates will also have an impact on its reputation and its long term success.

Key element of a sound corporate governance framework in a bank

Hennie and Sonja (2009) expressly state the main elements of corporate governance in a bank to include the following:

- A well articulated corporate strategy against which the overall success and the contributions of individuals can be measured;
- Setting and enforcing clear assignment of responsibilities, decision making authority, and accountabilities appropriate for banks selected risk profile;
- Strong financial risk management function (independent of business lines), adequate internal control systems (including internal and external audit functions), and functional process design with the necessary checks and balances;
- Adequate corporate values, codes of conduct, and other standards of appropriate behavior and effective system used to ensure compliance. This includes special monitoring of the bank's risk exposure where conflict of interests is expected to appear (example relationship with affiliated parties).
- Financial and managerial incentives

to act in an appropriate manner offered to the board, management, and employees, including compensation, promotion, and penalties (compensation should be consistent with the banks objectives, performance and ethical values).

- Transparency and appropriate information flows internally to the public.

According to CBN (2006), "No one person should combine the post of Chairman/Chief Executive Officer of any bank". No two members of the same extended family should occupy the position of Chairman and that of Chief Executive Officer or Executive Director of a bank at the same time. The office of the Chief Executive should be held by a different person other than the chairman. This is because such step could lead to the problem of moral hazard and thereby threatening the financial sector stability. Effective corporate governance is all about board's performance. The task of growing a corporate entity is the work of board of directors. For a board to function effectively, it should be composed of members who are independent, skilled, knowledgeable, experienced and of diverse perspectives. In Nigeria there has been a high profile case of corporate failure which is traceable to weak and ineffective boards. In some cases, the board appear were dormant being satisfied with having business cards that identify them as board members. Critical reviews of the nation's banking system over the years have shown that one of the problems confronting the sector had been that of poor corporate governance. From the closing reports of banks liquidated between 1994 and 2003, there were evidences that clearly established that poor corporate governance

led to their failures. A further revelation showed that many owners and directors abused or misused their privileged positions or breached their fiduciary duties by engaging in self serving activities. The abuses included granting of unsecured credit facilities to owners, directors and related companies which in some cases were in excess of their banks statutory lending limits in violation of the provisions of the law.

Sanusi (2010) contends that the primary responsibility of keeping individual bank sound lies with each banks owner, managers, and the board of directors. Together, they must establish a framework of internal controls and practices to govern the operations of the bank and ensure that it functions in a safe and sound manner. Poor internal governance has been identified as a major factor in virtually all known instances of banking unsoundness. One basic requirement is that persons who control and manage the business of banking must be men of integrity, above board, trustworthy and must possess appropriate skills and experience.

Sanusi (2010), posits that disclosure and transparency are key pillars of a corporate governance frame work, because they provide all the stakeholders with the information necessary to judge whether or not their interest are being served. He sees transparency and disclosure as an important adjunct to the supervisory process as they facilitate banking sector market discipline. For transparency to be meaningful, information should be accessible, timely, relevant and qualitative. According to Anameje (2007) as cited in Babalola(2010), transparency and disclosure of information are key attributes of good corporate governance which banks must cultivate with new zeal so as to provide

stakeholders with the necessary information to judge whether their interest are being taken care of. Sanusi (2003) opines that lack of transparency undermines the ethics of good corporate governance and the prospect for effective contingency plan for managing systemic distress.

There are various laws put together to regulate the practice of a particular trade or profession in order to protect investors and ensure a stable business environment and to prevent distress, which in this case concerns the banking industry. They are CBN act (1991), Bank and Other Financial Institution Act (BOFIA) 1991 as amended, Investment and Securities Act (ISA) 1999, The Nigerian Deposit Insurance Corporations Act (NDIC) 1988 as amended and other laws. However the basic laws governing all companies operating in Nigeria is the Companies and Allied Matters Act (CAMA) 1990. The act makes it mandatory that all companies operating in Nigeria must be registered either as a private company or as a public company limited by shares. The provisions of the CAMA also require that the financial statements of each company should conform to the accounting standards. Specific standards for reporting consolidated accounts regarding all or any of the subsidiaries of the company must be specified and applied as detailed by Unegbu (2003).

In Nigeria, the insider's trading, massive and prevalent frauds, mandatory retirement of CEOs of banks, due to corrupt practices and inefficient rubber-stamped board, have combined to signal the absence of or failure of existing corporate governance structure. The Company and Allied Matters Act (CAMA) enacted to regulate and balance the relationship among the board, shareholders

and the management including other stakeholders, failed woefully due to inadequate enforcement capacity.

Challenges and Failures of Corporate Governance in Nigeria

The challenges and failure of corporate governance in Nigeria stems from the culture of corruption and lack of institutional capacity to implement the codes of conduct governing corporate governance. Company executives enjoy an atmosphere of lack of check and balances in the system to engage in gross misconducts since investors are not included in the governing structure. Policy and procedures required to ensure efficient internal controls are disregarded, and total lack of thorough selection process (of CEO and board members – round pegs in square holes) remain a challenge in Nigeria. The businesses cum shareholders' interests are secondary to the self-interest of board members and the management. Limited opportunities for institutional investors, and near zero interest in corporate social investments to demonstrate companies' sense of belongingness as evidenced in environmental pollutions, are clear indications of failure of corporate governance. Lack of managerial training and capacity development among Nigerian executives to manage business risks has resulted in huge agency costs, and shareholders have had to shoulder several avoidable agency costs since the board of directors usually failed as a monitoring device to minimize agency problems.

The recent collapse of The Nigerian Stock Exchange market is a pointer to a system devoid of controls and accountability, which resulted in lack of shareholders' interest and confidence in the operating

environment. Some Nigerian companies relocated their operations to more stable and vibrant neighboring countries like Ghana and South Africa. Failure of corporate governance in Nigeria has also been traced to lack of effective yardsticks to evaluate board and management processes and performance, since the board sub-committees required to be fully independence, especially the audit and remuneration committees, are compromised. The auditors/the audit committee of the board have been singled out as instrument of fraudulent practices given their readiness to cover-up corrupt practices for executives in a desperate bid for kick-back, and, to retain the audit engagement(s) of big clients (Habeeb, 2010). According to the code of corporate governance issued by CBN (2006), the following are challenges that are faced by consolidated banks in respect to the adherence to the code.

Technical incompetence of board and management: in view of the greatly enhanced resources of the consolidated entities, board members may lack the requisite skills and competences to effectively redefine, re-strategize, restructure, expand and or refocus the enlarged entities in the areas of change of corporate entities new business acquisitions, branch consolidation, expansion and product development.

Relationship among directors: board-room squabbles could be an issue due to different business cultures and high ownership concentration especially in banks that were formerly "one-man" entities. The dominance of a "key man" could also emerge with the attendant problems.

Increased level of risks: currently, very few banks have a robust risk management

system in place. With the huge amount of funds that will be available to them and the significantly increased legal lending limits, banks will be financing more long term mega projects in the real sectors of the economy as opposed to the existing working capital/trade financing. Given the expected significant increase in the level of operation, the banks will be facing various kinds of risks which, if not well managed, will result in significant losses. The management of risks in a transparent and ethical way will thus present some issues bordering on corporate governance.

Resurgence of high level malpractices: to boost income as a result of intense competition and lack of enough viable projects, malpractices may resurface post consolidation. Such sharp practices could include round tripping of forex, excessive customer charges, falsification of records etc, and adoption of unethical methods to poach customers.

The corporate failures which characterized 2000 to 2002 when institutions like Enron and WorldCom collapsed brought corporate governance issues to the front burner. Arunma (2010) stated thus that "corporate failures no doubt drew the world's attention to the fact that good corporate governance was extremely important to corporate performance and survival; indeed there is a nexus between good corporate governance and the preservation of shareholders value, safeguarding investors' assets and promoting financial stability particularly, when governance of financial institutions is concerned. Indeed good corporate governance has become an important index for institutional investors' participation in business enterprises and financial markets".

3 Methodology

Participants and Procedures: The sample of study consisted of 120 respondents who were mainly bank employees amongst who are professional experts and investment analysts, shareholders and customers among others. The choice of respondents was based on their knowledge and experience in the industry. Ninety respondents finally participated in the study, which represented 75% response rate. Among the respondents, 46 (51.1%) represents male and 44 (48.9%) represents female. Majority of the respondent are in the middle age which is between 31 to 40 years (58%) have been working with the organization for more than 5 years and 32% have been working between 5-10 years. Majority of the respondent have First degree (57%), while those with Masters Degree are 20% and only 23% with diploma qualification.

Research Instruments: The research design adopted in this study is the case study method, in order to have an intensive insight of the subject matter. Primary data used is the survey technique. This was supplemented with data from secondary sources of information. The research was carried out in the Nigeria banking industry based on a sample of four deposit money banks (formerly called commercial banks) in Nigeria. Out of the One hundred (120) questionnaires that were administered on the 4 deposit money banks, (30 questionnaire each for the 4 different banks) only 90 questionnaires were retrieved. The research work was designed in such a way that data was generated from the questionnaires personally administered to the staffs of the respective banks with a high response rate of 75%. The structured questionnaire was administered to obtain

relevant information from conveniently selected respondents within Lagos metropolis who showed interest in the subject matter. The questionnaire consisted of 20 questions in statement forms describing issues operationalised in the concept of corporate governance and bank distress as it relates to Nigerian banking industry. Responses were measured using Likert five point-scale of; strongly agree to strongly disagree. The research work was designed in such a way that data was generated from the questionnaires were personally administered to the staffs of the respective banks.

This study employed the Stratified Sampling technique. In stratified sampling, the population is categorized into groups that are distinctly different from each other on relevant variables. Each group is called stratum (plural strata). In applying stratified sampling, we categorized the population and stratified using bank capital. Each group is called stratum (plural strata). In this study, the elements in a particular stratum are the same with respect to the relevant parameter (bank capital). The banks are grouped into stratum and were selected using simple random sampling supported by judgment sampling (non-probability) methods. These banks were selected using judgmental sampling technique in order to have a representation of the population. Four sample banks were selected and are made up of two old generation banks and two new generation banks. New generation banks came on board in Nigeria from 1989 because of the innovations they introduced. The sample size of this research work constitutes four Nigeria banks. They include Eko bank, Access bank (new) United Bank of Africa and First bank of Nigeria (old).

Krejcie & Morgan (1970) in Amadii (2005) agrees with the sample as they proposed the population proportion of 0.05 as adequate to provide the maximum sample size required for generalization. To the best of the researcher's judgment, the banks make a good representation of the banking industry in Nigeria. The expert opinion was sought for in order to validate the content and the structure of the questionnaire during the pilot study. The method that was used in the presentation of data in this study is the Statistical Package for Social Sciences (SPSS) which contains all the necessary and important statistical technique for data analysis. For testing the hypothesis, correlation analysis which measures the degree of relationship between variables was used to analyze the result generated from the questionnaire. Correlation analysis is a technique used to assess the extent to which two sets of observations or series of data regarding a particular problem or situation can be regarded as positively or negatively related to each other by association. Correlation analysis helps in

determining whether or not two sets of observation co-vary and as such help to determine whether there is any correlation between good corporate governance and distress in the Nigerian banking sector. Theoretically, two sets of data or observations are said to be correlated if there is evidence to believe that there is a positive or negative association in their magnitude and direction. The numerical method which entails using the coefficient of correlation and Karl Pearson's Product Moment Correlation is used because it is a measure of linear relationship between two variables X and Y.

4. Discussion of results

Hypothesis One

H₀: There is no significant relationship between good corporate governance and prevention of bank distress

H₁: There is significant relationship between corporate governance and the prevention of bank distress.

Table 4-1: Pearson's correlation between corporate governance and bank distress correlations

		Corporate Governance	Prevention of Bank distress
Corporate Governance	Pearson Correlation	1	.087
	Sig. (2-tailed)		.417
	N	90	90
Prevention of Bank distress	Pearson Correlation	.087	1
	Sig. (2-tailed)	.417	
	N	90	90

Source: SPSS print out (March 2011)

Coefficient of determination

The coefficient of determination is given by the formula;

$$\text{C.O.D} = r^2 \times 100$$

$$= (0.087)^2 \times 100$$

$$= 0.7569 \times 100$$

$$= 75.69\%$$

Where r = Pearson correlation 0.417

Correlation is not significant at 42% because it is above 10%

Interpretation

The relationship between corporate governance and prevention of bank distress does not have a significant correlation and the correlation coefficient derived from the analysis showed significance = 0.417 which exceeds significance level of 10%.

Decision

The outcome of the Pearson correlation ($r=0.087$, significance 0.417). It is with this regard that the null hypothesis will be accepted. This simply implies that corporate governance has no significant improvement on the prevention of bank distress.

Hypothesis two

H0: There is no significant relationship between practice of good corporate governance and better performance of banks

H1: there is a significant relationship between practice of good corporate governance and better performance of banks.

Table 4-2: Pearson's correlation between corporate governance and bank performance correlations

		Corporate Governance	Prevention of Bank distress
Corporate Governance	Pearson Correlation	1	.087
	Sig. (2-tailed)		.417
	N	90	90
Prevention of Bank distress	Pearson Correlation	.087	1
	Sig. (2-tailed)	.417	
	N	90	90

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

Source: SPSS print out (March 2011)

Interpretation

The correlation coefficient is .304 and the level of significance is 1%

The coefficient is $.304 \times 100 = 30.4$ since $0.20 \leq r \leq 0.50$ = moderate relationship, there is a moderate relationship between corporate governance and bank performance and it is significant at 1% level of significance.

Decision

From the table above, there is a positive relationship between corporate governance

and bank performance at the level of significance at 1%. Therefore we reject the null hypothesis (H0) and accept the alternative (H1). This simply implies that corporate governance has significantly improved the performance of the Nigerian banking sector.

5. Conclusions And Recommendations

In particular, we know that bank distress in Nigeria and other economies have

been caused in part, by excessive exposure concentration, directed lending, lending to connected parties and poor credit policy. To a large extent, such basic risk management failures reflect a break down in corporate governance. They reflect poor management of conflict of interest, inadequate understanding in the board room of key banking risks and poor oversight by boards of the mechanism for managing their banks, such as risk management system and internal audit arrangement. In some cases a lack of truly independent directors on the boards of banks was also a significant factor in weakening the effectiveness of boards. And these problems are compounded by poor quality financial disclosures and ineffective external audit. Adherence to corporate governance is the foundation for effective risk management.

It is evident that sound corporate governance is essential to the wellbeing of a bank and stakeholders, particularly its shareholders and creditors. Practice of corporate governance is not just a vital factor at the level of Individual Corporation; it is also a critical ingredient in curbing distress in banks, promoting and maintaining a sound financial system and stability which in turn ensures a robust economy. To this end, the federal government through the regulatory authority (i.e. central bank of Nigeria and security and exchange commission) has taken keen interest in reviewing and emphasizing the adherence to the year 2011 revised code of corporate governance in order to curb future bank distress in Nigeria.

Recommendations

Based on the theoretical and empirical findings in this study the following recommendations are therefore made:

(1) Since corporate governance has no

significant improvement on the prevention of bank distress; banks should be able to demonstrate that rigorous internal policies were in place and that procedures existed for identifying and managing conflicts of interest to avoid its adverse consequences on their customers and other stakeholders. Insider abuse, conflict of interest and widespread manipulations are at the heart of a nation's financial sector crisis, this crisis connived at or orchestrated by management and board, should be captured by internal and external auditors and regulators so as not to reach serious proportions.

(2) The study shows that corporate governance has significantly improved the performance of the Nigerian banking sector. Therefore, in addressing the role of corporate governance in curbing distress the central bank should review the fit and proper person's regime in order to ensure that only credible persons of impeccable financial, personal and professional character are allowed as major shareholders, directors and managers of banks. The central bank should also strengthen its on-site and off-site supervision functions in recognition of the need for an effective supervision of the banking sector.

(3) To ensure that there is a clear division between the chief executive officer and the managing directors, the Central Bank of Nigeria should enforce and continue to ensure compliance to the 10 years term limit for banks chiefs. Persons occupying these positions should be properly approved by the apex body i.e. central bank of Nigeria and such persons must be knowledgeable in business and financial matters with requisite experience in the banking field.

(4) The banks should establish committees /departments within their banks so as to

oversee the management of risk and credit. This is also to forestall any potential risk and prevent the bank from any imminent or future distress.

(5) Regulatory authorities and other stakeholders in the Nigerian financial sector need to adopt a zero tolerance posture against cases of unsound corporate governance practices. This will ensure that the banks are well run and administered. Identifying, preventing and managing conflict of interest should

be at a very heart of corporate governance.

(6) The central bank and relevant professional body such as Chartered Institute of Bankers of Nigeria (CIBN) should ensure that bank workers do not hold vital position in the banks but rather bankers who are proven competent after the completion of the relevant professional courses should be given full backing to operate.

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Human Capital and Organizational Effectiveness

~ Ph. D. Candidate **Ioana Julieta Josan** (National Institute of Economic Research "Costin C. Kiritescu", Romania); Teaching Assistant (University of Bucharest, Romania)

E-mail: ioanajulieta@yahoo.com

Abstract: The new organizational changes caused by social, economic and politic reforms led to a shift in the strategic management of the companies. The growing need for professionals, who know how to generate profits, is growing and increase confidence of partners and clients, find new ideas and adapt to a dynamic market. Therefore, internally, we need an efficient management of human resources to find and retain the most suitable and efficient people which will increase productivity and face the increased acting globally competition. Currently, companies that succeed are the ones that integrate in their business strategy, an important component of development and valuation human capital.

The paper aims to analyze and highlight the importance of human capital in the new organizational strategies, focused on achieving a high level of competitiveness, innovation and excellence.

Key words: human capital, leadership, effectiveness, productivity

JEL Classification: J24, O15

Introduction

The changes are causing concerns because of the risk of losing control that occurs in any environment: individual, organizational, national and global. Minimizing the risk of any changes in strategy and management consists of people involved in this process of change.

The globalization process changed significantly the way in which businesses runs and accelerates dissemination of Know-how and innovation. From this perspective organizations need to become more competitive. The education, training and change are inter-related. In this context, investment in human capital becomes a crucial factor to increase productivity both at the organizational level and macroeconomic level. Human capital may determine both the added value created in the economy through direct participation in the production process, and growth rate of added value by its innovative capacity. These occurred changes in the modern economy and the major role that important theorists had in this field have led to a new economy based on knowledge, in which education plays a significant role. The role of education in economics is not a very new concept, its roots date back more than six decades ago, but in present the education role is more important than ever. In present education is recognized as a fundamental part in providing human capital to the economy, and also recognizes the need for education to transmit the skills and aptitudes towards flexibility. This marks the entry in the new economy or knowledge society, in which competitiveness depends on skills and human capital possessed.

1. Leadership and human capital management

An important role for an organization, in elaboration and implementation the strategy of human capital, is to identify the skills needed both in present and in future. To achieve this requirement there is a need for leaders who have a clear vision of the organization's future. Organization's leaders must value knowledge and experience within the company so that the organization per ensemble and each of its members can learn more effectively. It is not enough for employees to simply understand the strategic intent, but also the leaders have to succeed in implementation and achievement of positive results. This requires a careful assessment of necessary skills, existing competences, the lack of skills assessment to which organizations must respond by creating development plans and learning strategies tailored to their organization. "Leadership involves collective action in order to bring significant changes, enhancing the competence and motivation of all those involved, i.e. the action of more than one individual influence the process¹ ." Leadership should be seen as a process that encompasses all levels of organizational hierarchy, each level having a corresponsive role in general strategy of organization. For each level it is identified a specific type of leadership:

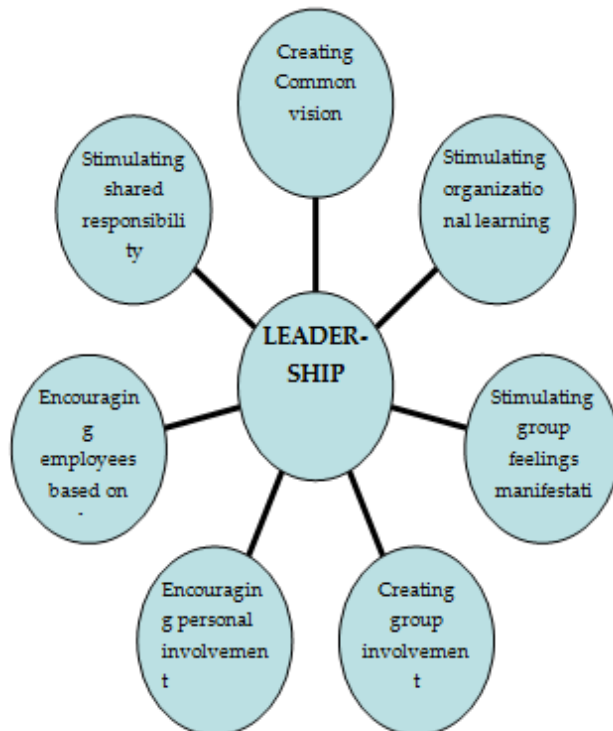
- For the superior hierarchic level the pattern is the strategic leadership;
- For specific middle hierarchical level the pattern is team leadership;
- To the bottom of the hierarchy the pattern is the technical leadership.

1 Popa, Ion, General Management, <http://www.bibliotecadigitala.ase.ro/biblioteca/carte2.asp?id=471&idb=>

The objectives within each hierarchical level are different, and on the other hand, aim to achieve a common organizational climate as performance and efficiency. In the strategic leadership objectives are included: creating strategic thinking, understanding and sharing common values and organizational vision. The objectives for the team leadership are closer to the specific development of human capital through skills training and specific interpersonal team skills. Besides, the above two types, technical leadership helps developing human capital as its objectives include developing and highlighting the technical and professional skills of employees by finding the most suitable organizational contexts that lead to performance of employees and not to the erosion of human capital. The need for leadership at all hierarchical levels

is justified by the fact that the lack of values and norms of joint action will lead to inefficiencies and will affect the competitiveness of any organization. Currently, in addition to economic changes, the absence or ineffectiveness of managerial leadership may be an explanation for many of the companies that lose a large part of the customer's portfolio and profit. Also, within these organizations, employees feel ignored and undervalued in terms of skills they possess. The absence of values and common vision on a long term break the ability of managers to increase labor productivity and competitiveness of its employees. From the general perspective, leadership is a series of roles that a leader has in the organization. These roles are shown in the figure below.

Figure 1. Leader's role in the organization



Source: Author

In terms of effectiveness, leadership is the ability of a person to:

- Create and develop a vision;
- Establish guidelines operations;
- Realize the vision with team members;
- Track project's processes;
- Achieve the desired results through

the organization, control and provide problem solving solutions as they arise.

Therefore, it is necessary for organizations to find a competent leader to plan and organize workflow so that his subordinates could maximize the performance. An effective human capital strategy helps put in place the right leaders to source, develop and direct the right workforce talent. According to Smith¹ "a human capital strategy supports an enterprise in meeting today's urgent needs while also helping it become agile enough to reposition itself for ongoing market competitiveness and growth.

Today, the human capital held by employees in a company are those resources that can contribute to competitiveness and high productivity as long as the management and the leadership in the organization will know how to train and capitalize the resources by putting them in a favorable internal contexts of the organization. I prefer to call them "internal favorable contexts" because it cannot be limited only to provide the most suitable job, but may include: learning - to share common values and norms; a customization of HR strategy to develop human resources; motivation and efficient training to cope with changes requested by the job or the organization.

¹ Smith, David; Silverstone, Yaarit and Lajtha Adrian, Human capital strategy as a business differentiator, Accenture, 2010, <http://www.accenture.com/us-en/outlook/Pages/outlook-online-2010-human-capital-strategy.aspx>

2.Organizational effectiveness

Organizational effectiveness is a new concept that has attracted the attention of specialists once with the transition to a new organizational context characterized by change, competitiveness and high performance. The literature provides various definitions of the concept, of which we have chosen to highlight some of the most appropriate of this paper approach. Thus, "organizational effectiveness is defined as the extent to which an organization, by the use of certain resources, fulfils its objectives without depleting its resources and without placing undue strain on its members and/or society²". Another point of view indicates that "effectiveness evaluates the performance of business units' efforts with respect to strategic goals, and serves as a critical component in the management planning and control processes" (Griffin, 1987). Also, effectiveness "plays an important role in accelerating organizational development³". It is "the net satisfaction of all constituents in the process of gathering and transforming inputs into output in an efficient manner⁴".

Scholars and practitioners draw attention to the difference between efficiency and effectiveness. They are not synonyms their meaning is different, it may be possible

² Thibodeaux, Mary and Favilla Edward, Organizational effectiveness and commitment through strategic management, 1996, Industrial Management & Data Systems, vol96, No 5, pp 21-25

³ Bulent, Aydin and Adnan Ceylan, The role of organizational culture on effectiveness, *Ekonomika A Management*, 2009, http://custom.kbbarko.cz/e%2Bm/03_2009/03_aydin_ceylan.pdf

⁴ Grawich, Matthew and Barber, L.K., Are you focusing both Employees and Organizational Outcomes. Organizational Health Initiative at Saint Louis University, Missouri, S.U.A., 2009

that organization present high efficiency but couldn't gain their objectives. Sometimes efficiency doesn't result to success. Thus, frequently, organizational effectiveness is seen as the "ability of the organization, in either relative or absolute terms, to exploit its environment in the acquisition of scarce and valued resources"⁵. The indicators of effectiveness summarized by Price⁶ include the accomplishments of goals such as high productivity, morale, conformity, adaption, and institutionalization. To achieve the performance of these factors it is needed to develop a leadership style based on progress, innovation and an approach to respond to the needs of the employees.

2.1. The relationship between human capital – effectiveness - leadership

Generally, investing in human capital, namely in education, health and training aims to develop professional and scientific training of available human resources, but also adapt human resources to structural economic changes imposed by technological and scientific progress on efficiency criteria. Also, higher education capital implies a higher value of the workforce due to increased productivity, implying a higher payment if it is sold (salary reflects, in general, the marginal productivity of labor, which increases with education level, as demonstrates the human capital theory). Another important component is the health care of the workers who develop human capital by improving physical

and mental skills and affect human productivity by reducing time lost due to illness.

At the specific level, the Enterprise decision of investment is linked to the company interest in increasing the quality of work. The company is acting for it in the following areas:

- a) Increase the general level of education and training of human resources;
- b) Ensuring a high level of health;
- c) Promote an effective system to motivate employees.

The Human capital investments involve an initial cost tuition and training course fees, forgone earnings while at school and reduced wages and productivity during the training period) which the individual or firm hopes to gain a return in the future. In other words, only employees possessing value and uniqueness are qualified as human capital. The qualities of employees with core skills are the fountain source for a company to raise competence and profits. The studies provide evidence that training generates substantial gains for employers and organization. Innovation and IT not only cause firms to invest more in trainings but are also highly dependent on education, skills and training in generating profit from these investments.

Firm's Investment in Human capital has positive effect on:

- Productivity. The impact on productivity of training undertaken with a previous worker's initial productivity by 9.5 percent. Previous on-the-job training has more long-lasting benefits and increases current productivity by 16 percent.
- Profitability. The productivity increase is over twice the size of the wage increase caused by training. On-the-job firm-provides training sometimes generates

⁵ Yuchtman, Ephraim and Stanley Seashore, A System Resource Approach to Organizational Effectiveness, American Sociological Review, Vol. 32, 1967, 891-903

⁶ Price, James, Organizational Effectiveness: An Inventory of Propositions, Homewood 111, Irwin Publishing House, 1968

considerable third-party externalities when trainees do not stay with the employer who trained them.

- Long term competitiveness. More highly-educated and more highly skilled workers have been found not only to be able to adapt more rapidly and efficiently to new tasks and technologies, but also to be direct source of innovation.

The aim of the human capital strategy is to turn human resources into a more tangible asset, and to plan and to match up the employees in the organization to the firm's strategic needs. An efficient and adapted strategy can also help the organization to attract and hire top talent by applying recruiting practices toward specific individuals, based on the organizational real needs and the human capital owned by the individuals. Moreover, it can increase engagement and job satisfaction, thus reducing attrition and lowering turnover costs.

Conclusions

A program to create and implement a human capital strategy involves various stages of work across four primary work

directions—talent, leadership, culture and organization. The human capital strategy can be seen as a crucial element in the triad of business strategy - human capital strategy – human resources strategy. According with Smith and all⁷ : the business strategy gives the directions, scopes, objectives and competitive distinction, while the human strategy defines the talent, skills, leadership, culture and organization to fulfill the business strategy. The implementation of these two strategies is closely related to human resources strategy that identifies and articulates the imperatives of human resources organization and relies on the capabilities required to align human capital strategy. For this strategic triad to be effective, the leaders need to support the vision, talent and management skills in order to create and develop strategies, making opportunities in the internal and external environment, in the current reality of the organization.

⁷ Smith, David; Silverstone, Yaarit and Lajtha Adrian, Human capital strategy as a business differentiator, Accenture, 2010, <http://www.accenture.com/us-en/outlook/Pages/outlook-online-2010-human-capital-strategy.aspx>

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Executing A Customer Relationship Management Programme In An Emerging Market: An Empirical Approach

~ Ph. D. **Akinyele Samuel Taiwo** (School of Business, Covenant University, Nigeria)

E-mail: akinsamolu2000@yahoo.com

~ Ph. D. **Olorunleke, Kola** (Dept. of Business Administration, Adekunle University, Akungba)

E-mail: kolaleke@yahoo.com

Abstract: Retail financial services in all markets, including emerging markets, are undergoing major transaction, driven by change, deregulation and customer sophistication. Customer service and specifically relationship management in particular, are crucial to attaining a sustainable competitive advantage in the marketplace. The execution of a one- to- one programme within an emerging economy is the focus of this paper, specifically in the financial services environment. The steps in the execution of customer relationship management (CRM) as proposed by Peppers, Rogers and Dorf (1999b) are examined and the effect on customer service in an emerging market is investigated. The findings indicates that there are positive associations with these steps and customer service.

Key words: Retail, Financial services, Emerging markets, Customer service, Competitive advantage, Customer relationship management.

Introduction

Changes in customer expectations can be identified throughout the world. Customer relationship management (CRM) strategies

have become increasingly important world wide due to these changes in expectations from customers as well as changes in the nature of markets. Changes have been noted across the world, but opportunities present

themselves in Nigeria and other developing countries for CRM strategies. Customer relationship management (CRM) is a managerial philosophy that seeks to build long term relationships with customers. CRM can be defined as “ the development and maintenance of mutually beneficial long term relationships with strategically significant customers”(Buttle, 2000). Under certain circumstances it may result in the termination of relationships(Du Plessis and Strydom, 2001). It can also be noted that the relationship is developed with strategically significant customers, and hence it is necessary for the organization to determine the nature of the significance. Traditionally this would be done by determining the value of the customer to the organization, but other criteria that can be used include whether a customer serves as a benchmark for other customers or whether the customer inspires change in the supplier (Buttle, 20002).

The implementation of CRM is regarded as desirable by organizations due to the benefits that accrue from these strategies among their customers, such as greater loyalty and resulting profits. The focus of a CRM strategy is the acquisition, retention and overall customer profitability of the specific group of customers. Acquisition of customers: this refers to the need of organization to find new customers for their products. This means they are required to develop strategies to attract potential customers to purchase the product. The cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy (Kotler, 1997).

Retention of customers : organizations also need to focus on existing customers in order to ensure that profitability by between 20% and 125% if they boost their customer

retention rate by 5 percent (Peck, Payne, Christopher and Clark,2004).

Profitability: customer profitability reflects the financial performance of customers with respect to all the costs associated with a transaction (Gordon, 1998). Profitability in the case of CRM is determined in the light of the lifetime value of the customer to the organization, taking account the income and expenses associated with each customer and their respective transactions over time (Gordon, 1998). In attempting to understand the implementation of CRM programmes ,it must be borne in mind that economies differ in terms of their level of development. Two economic criteria can be used in this economic analysis; population size and per capita income have been incorporated into the calculation of per capita GNP and per capita GDP(Hough, Neuland and Bothma, 2003). This analysis makes it possible to categorize economies as being developed, developing and less developed (Hough et al, 2003). Developing economies (such as USA and Japan) are characterized by political stability, highly- educated and literate populations, high levels of innovation and entrepreneurship as well as high levels of both industrial and information technology. Less- developed economies (such as Bulgaria, Bangladesh and Ethiopia) have political instability (sometimes political anarchy), government inefficiency, low standards of living and low levels of economic wealth. An emerging market (or developing economy) is defined as markets that are in the process of evolving to becoming developed (i.e higher income) (Hough et al, 2003). It is into this category that South Africa can be placed.

Developing economies have the following characteristics :

- Improving educational standards, literacy, and work skills levels
- Relatively efficient technology systems
- Relative political stability and a movement towards market based economies
- Rapidly expanding financial services (Hough et al, 2003).

The characteristics of developing economies as listed above form part of the imperatives for the implementation of CRM. CRM includes the use of technology in the building of databases and the use thereof to develop and improve the relationship with the various markets, including the final consumer. In order to exploit this technology, skills among staff are required. Organizations within developing markets have customer information in databases, though many do not have the advanced technology or skills to exploit the information that is stored (Brunjec and Roderick, 2002). This indicates that CRM can be used within developing markets, though organizations will still be required to manage its implementation with care.

The answer to this question has to be no. The reason for this is that not all organizations have customer information, which makes the implementation of CRM impossible. Examples of these products include mass product (Gordon, 1998). Further, businesses where there is a high customer churn (where customers remove their patronage) or where there is a low customer life time value (CLV) which impacts on the profitability of the organization are not suitable to the implementation of CRM (Kotler, 2003). These are true, irrespective of the nature of the economic development within markets. It can thus be said that CRM is appropriate for certain organizations in emerging markets.

Organizations that can implement CRM successfully are those that have a great deal of information concerning the customer and where there are differentiated needs among the customers (Kotler, 2002). Financial services meet the criteria for the implementation of CRM as indicated by Kotler. Financial institutions have a great deal of information concerning their customers and their needs differ. This means that banks offer different products to different customers. Some customers require a mortgage bond in addition to their current account and credit card, while for other customers, vehicle financing is more important. The financial circumstances of customers differ, resulting in different packages being offered to customers. It is also possible for financial institutions to tailor their packages thereby making them customer specific.

Implementing a CRM Strategy

The success of any strategy is determined by the success with which it is implemented. This is also true in the case of CRM strategies. Implementing CRM requires that the organization and the associated business processes be in place in order to facilitate its success (Brunjec and Roderick, 2002). The risk in implementing any CRM strategy is that the organization is not ready to do so and relying on technology to implement the strategy (Brunjec and Roderick, 2002).

The Role Of Customer Service In CRM Strategy

In order to implement CRM strategy, a key dimension is the question of customer service and the way in which it is perceived by the recipient of the service. Customer

service can be defined as a task, other than pro-active selling, that involves interactions with the customers in person, by telecommunication, or by mail. It is designed, performed and communicated with two goals in mind : operational efficiency and customer satisfaction (Loverlock,1991). The quality of customer service is determined and evaluated by the customer, and this affects the desirability of a relationship with the organization. Customer service creates the moments of truth with the customer, and these service encounters need to be managed by the organization (Payne, Christopher, Clark and Peck, 2001). Service encounters and CRM are thus associated.

The Steps In The Implementation Of CRM Strategy

Successful implementation requires specific actions on the part of the organization. The implementation of a CRM strategy as proposed by Peppers, Rogers and Dorf (1999) comprises four steps, namely the identification of customers, the differentiation of service, interaction with customers and the differentiation among customers.

Step 1 : The identification of customers

The identification of customers enables the organizations to select those customers that they regard as being strategically significant and who they believe can contribute to the success of the organization. These customers have unique needs and due to their value to the organization, will have products developed to meet these needs. It must be possible to identify these customers and so obtain as much detail as possible. This involves collecting as much data as possible in order to obtain as clear a picture as possible of the customer and their profile. This may

require the development of a database or the continued maintenance of a database in order to ensure that the data stays as recent as possible. Having this information enables the organization to determine those customers that have been with the organization for along period and those that have recently started using the products and services of the organization.

The hypothesis regarding this aspect is formulated as follows :

H1: Identifying new and existing clients increases the level of customer service.

Step 2: The differentiation of service

The differentiation of service implies that different customers receive a different level of service and a different product from the organization, depending on the value to the organization and their specific needs. This requires the organization to identify the top (or most significant) customers and adapt service accordingly. Identification of these top customers takes place using sales figures or by calculating the CLV associated with each customer. As the organization is aware of the value of their customers, service levels can be adjusted accordingly.

The hypothesis regarding this aspect is formulated as follows :

H2: Differentiation between the services offered to new and existing clients increases the level of customer service.

Step 3: Interaction with customers

This step refers to the importance of interacting with the customer in relationship building efforts through a variety of communication tools and technologies. This is necessary as the relationship can only develop and be sustained if there is communication with the customers regarding their needs, perceptions and desires. This involves developing

methods of communication proactively with customers regarding the organization's products and attempting to initiate dialogue with customers. Use can be made of technology, but this is not essential (Brunjec and Roderick, 2002). The customers with whom communication takes place are not necessarily all the customers, but only those that the organization regards as being strategically significant. This interaction with the organization increases the expectations of the customers regarding the service received as well as the quality of the relationship.

The hypothesis regarding this aspect is formulated as follows :

H3: The level of customer service is increased if there is an active interaction with potential and existing clients.

Step 4: Customization of products, services and communication

Customization is carried out by the organization in order to ensure that customer needs are met. It requires that the organization adapts its product, service or communication in such a way as to have something unique for each customer. Communication can be customized to address the specific needs and profile the customer, and the organization also makes use of personalization as part of this process. Products can be customized as to the specific desires that the customer has of the organization. In the case of the financial services, it refers to the product package that is offered to the customer. The purpose of customization is to increase customer satisfaction, and the loyalty that is exhibited by customers.

The hypothesis regarding this aspect is formulated as follows :

H4: The level of customer service is increased if customized service is offered according to each individual client's needs.

Methodology

The survey was conducted among clients in a leading commercial bank in Nigeria. The primary research objective was to determine how the implementing of a CRM programme could optimize the relationship between a leading bank and its clients, and thereby to gain competitive advantage in the market place. Hypotheses linked to each step were formulated. The research instrument used was developed by the researchers and measured both the expectations and perceptions of the customers of the bank's actions. Statements were developed to reflect the steps in the CRM model, and hypotheses were formulated to reflect the associations between these steps and the customer service offered by the institution.

The instrument was pre-tested where after a number of changes were made to the original questionnaire. The main body of the questionnaire included 35 positive individual statements reflecting customer service, identification, differentiation, interaction and customization. Use was made of a five-point Likert scale. Structured questionnaires, with 35 statements to measure the respondent's perceptions and expectations, were sent out of 52 branches and to the call centre. A total of 950 questionnaires were distributed among the branches, and 50 questionnaires were distributed to the call centre. The respondents were selected randomly and personal face-to-face interviews were conducted.

The statistical treatment of the study included the determination of the association between the steps in the CRM model and the customer service offered by the organization. Use was made of Pearson's Coefficient to determine the level of association between the

steps in the implementation process as discussed earlier (Peppers, Rogers and Dorf, 1999) and customer service. The level of association as measured by Pearson's Coefficient falls between -1.0 and $+1.0$, which indicates the strength and direction of association between the two variables. The Rules of Thumb proposed by Burns and Bush (in Van Heerden, 2001) suggests that "moderate" ends at ± 0.60 , and "strong" starts at ± 0.61 . It is also necessary to determine a score (P-value) to evaluate the probability that the correlation (r) falls within a desired significance

level. The lower the P-value, the stronger the evidence against the null hypothesis, hence the acceptance of the alternative hypothesis (Diamantopoulos and Schlegelmilch, 1997).

Results and Discussion

H1: Identifying new and existing clients increases the level of customer service

Statistical null hypothesis :

H0: $r = 0$

Statistical alternative hypothesis :

Ha: $r \neq 0$

Variable one (independent variable)	Variable two(dependent variable)	Pearson value(r)	P - value
Identification	Customer service	0.5792	0.00

With a Pearson value (r) of 0.5792, the correlation is moderately positive at the r value of 0.5792 is less than 0.6. The association between the identification of new and existing clients and customer service is statistically significant because of the p-value of 0.00, indicating the acceptance of the alternative hypothesis. The strength of this

association is seen in the p-value of 0.00 obtained and depicted above.

H2: Differentiating between the services offered to new and existing clients increases the level of customer service

Statistical null hypothesis : H0: $r = 0$

Statistical alternative hypothesis :

H0: $r \neq 0$

Variable one (independent variable)	Variable two(dependent variable)	Pearson value(r)	P - value
Differentiation	Customer service	0.5952	0.00

With a Pearson value (r) of 0.5952, the correlation is moderately positive as the r value of 0.5952 is less than 0.6. The association between differentiation and customer service is statistically significant because of the p-value of 0.00, resulting in the acceptance of the alternative hypothesis. The strength of this association is seen in the

p-value of 0.00 obtained and depicted above.

H3: The level of customer service is increasing if there is an active interaction with potential and existing clients.

Statistical null hypothesis : H0: $r = 0$

Statistical alternative hypothesis :

H0: $r \neq 0$

Variable one (independent variable)	Variable two(dependent variable)	Pearson value(r)	P - value
Interaction	Customer service	0.598	0.00

With a Pearson value (r) of 0.598 , the correlation is moderately positive as the r value of 0.598 is less than 0.6. The association between interaction and customer service is statistically significant because of the p – value of 0.00, resulting in the acceptance of the alternative hypothesis. This association is also a strong one due to the p- value of 0.00

obtained and depicted above.

H4: The level of customer service is increased if customized service is offered according to each individual client's needs

Statistical null hypothesis: $H_0 : r = 0$

Statistical alternative hypothesis :

$H_0 : \neq 0$

Variable one (independent variable)	Variable two(dependent variable)	Pearson value(r)	P - value
Customized service	Customer service	0.5912	0.00

With a Pearson value (r) of 0.5912, the correlation is moderately positive as the r value of 0.5912 is less than 0.6. The association between customized service and customer service is statistically significant because of the p- value of 0.00, resulting in the acceptance of the alternative hypothesis. This also shows a positive relationship between these two factors, and the strength of the relationship is seen in the p- value obtained.

do not differ from the way in which it would be implemented among customers in other economies. This requires organization in developing environments to pay attention to the issues of customer needs and differentiation in order to building long term customer relationships.

Limitations of the study include the fact that this was an exploratory study that has been conducted within the Nigerian context, and specifically the financial service sector. The degree to which the finding can be generalized is also limited to scope . Further, the question of the existence of the halo effect in the findings can be raised. The halo effect refers to the bias that is introduced by carrying over a general impression from one area to another (Cooper and Emory, 1995). This means that the responses received in one area relating to customer service are carried over into other areas in investigation. It is however proposed that future research could be conducted to determine whether these

Conclusion and Managerial Implications

The issue of CRM and customer service is vital in the developing environment as customer expectations increase. This is especially the case in developing countries where changes in customer expectations are linked to increasing educational standards and literacy. This study has indicated that the implementation of a one to one marketing of financial services in emerging markets

findings are consistent with other financial institutions in Nigeria and whether similar findings would be obtained, in another industry, such as the insurance industry.

The managerial implications of these findings include a commitment to the implementation of CRM within the organization as well as a commitment to the provision of excellent customer service in order to affect the relationship building and the implementation of CRM. This places great emphasis on improving the customer service of personnel in order to ensure that the objectives of the CRM strategy are attained. Specific actions that can be considered by management include :

- Customer service levels are critical in establishing and developing relationships. Management need to examine existing processes and methods in which service is offered, and where necessary make changes

which can improve the service for customers.

- Training with respect to customer service and improvement in the service levels offered by staff. This is a key area in the development of long term customer relationships.

- In any implementation, it is necessary to identify, differentiate and then interact with customers in order to provide customized service. This requires that management have the ability to identify customers who are important to the organization and then be able to ensure that their needs are different. Thus will enable them to communicate more appropriately with the customer.

- Continuous interaction with the customers are necessary in order continue with relationship building activities over the long term. This may require new methods and techniques in communication such as the use of emails, short message service (SMS) and other technical communication devices.

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Leadership and Innovation – the Catalyst of IT&C Industry. A Case Study of BlackBerry Company

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

E-mail: camelia.cojocaru@gmail.com

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

E-mail: silviu.cojocaru@gmail.com

Abstract: *IT&C companies need to adapt themselves to an environment featuring a high level of competition. Innovation stays as the main vector of the domain, while the renewal rate of new technologies grows in speed (there are cases where new technologies emerge and replace the older ones in months). With this series of research we aim to analyse several local or global companies within the IT&C field, as well as the importance of leadership for their development. This first article will focus on leadership within a company called Research In Motion – RIM (currently named BlackBerry) and on the main problems that have arisen within the company after the organisation was left without support from the leaders that created its worldwide brand.*

Key words: information technology, productivity, leadership, management, operational improvements

JEL Classification: J24 - Human Capital; Skills; Occupational Choice

1. Introduction

IT&C is a very dynamic domain, where innovation processes play an extremely important role. Seen as the Father of Leadership, John Kotter (Kotter, 2009) stipulates that

no organization involved in innovation may exist without leadership. The correlation between management and leadership is vital for organizations. As the main function of the management is to organize and

plan operational processes within organizations, for certain categories of companies the management process is enough for achieving planned results. For example, should we choose to pick a vertical line of activities within FMCG (Fast Moving Consumer Goods) – e.g. meat processing – we could see that things stayed unchanged there since the introduction of freeze generating technology. The management plays an overwhelming role inside such a range of domains, while the leadership stays as a less important feature.

Generally speaking, IT&C is completely different, as new technologies emerge with a speed that in best situations is measured by years and in worst by months. Under such circumstances, the innovation capability becomes of high value for IT&C organizations. One may see the management role as homeostatic (Kotter, 2009 – page 94), being mainly involved with keeping an organization within reasonable limits. When we talk of change and launching new technologies and products at high pace, leadership becomes the organizational development engine.

2. Literature review

Nearly 40 years ago, Stogdill (1974) noted “there are almost as many different definitions of leadership as there are persons who have attempted to define the concept” (p. 7). This should probably be expected of a popular topic with a long history of interest. Much of the diversity is driven by the theoretical underpinning / approach / lens the definer uses when crafting a new definition. Unfortunately, at times, this lack of definitional clarity has led to significant confusion by those interested in the topic.

While not intending to further muddy the waters, I have provided a sampling of leadership definitions collected over the years to provide the interested observer a brief glimpse at the variety. They include:

“Leadership is a function of knowing yourself, having a vision that is well communicated, building trust among colleagues, and taking effective action to realize your own leadership potential.” Warren Bennis

“...leadership is a complex phenomenon that touches on many other important organizational, social and personal processes. It depends on a process of influence, whereby people are inspired to work towards group goals, not through coercion, but through personal motivation.” (Bolden, 2004, p. 5)

“Leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers.” (Burns, 1978, p. 18)

“Leadership is the lifting of a man’s vision to higher sights, the raising of a man’s performance to a higher standard, the building of a man’s personality beyond its normal limitations.” Peter Drucker

“The process of influencing people by providing purpose, direction, and motivation, while operating to accomplish the mission and improve the organization.” (FM 6-22, 2006, p. Glossary-3)

“Leadership should be defined in terms of the ability to build and maintain a group that performs well relative to its competition.” (Hogan & Kaiser, 2005, p. 172)

“Leadership is the art of mobilizing others to want to struggle for shared aspirations.” (Kouzes & Posner, 1995, p. 30).

"Leadership is a process whereby an individual influences a group of individuals to achieve a common goal." (Northouse, 2010, p. 3)

"Leadership is an influence relationship among leaders and collaborators who intend real changes that reflect their mutual purposes." (Rost, 1997, p. 11)

"Leadership is defined as the initiation and maintenance of structure in expectation and interaction." (Stogdill, 1974, p.411).

"Leadership is a process of interaction between persons who are participating in goal oriented group activities." (Stodill & Shartle, 1948, p. 287)

"...(a) influencing individuals to contribute to group goals and (b) coordinating the pursuit of those goals." (Van Vugt, Hogan, & Kaiser, 2008, pp. 182-183)

"...a process of motivating people to work together collaboratively to accomplish great things." (Vroom & Jago, 2007, p. 18)

"Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives." (Yukl, 2010, p. 8)

"Leadership is viewed as a process that includes influencing the task objectives and strategies of a group or organization, influencing people in the organization to implement the strategies and achieve the objectives, influencing group maintenance and identification, and influencing the culture of the organization." (Yukl & Van Fleet, 1990, p. 149)

"Leadership inevitably requires using power to influence the thoughts and actions of other people." (Zaleznik, 1977, p. 67)

3. Leadership in IT&C industry

Considering how "young" IT&C industry is, most companies had leadership and vision as their core assets. Microsoft has been built around the "a computer for everyone" key concept, with Bill Gates as the unchallenged leader for almost three decades. Steve Jobs has been the development engine of Apple, both at the time of the company's foundation laying and after 1996, following the acquisition of NeXT Company and the reinstatement of Steve Jobs as Apple's CEO. IBM is another example of a company where several leaders and visionaries contributed to the constant development of the company and to radical shifts in strategy (e.g. when IBM decided to give up manufacturing personal computers and sold that division to Lenovo, a Chinese company). Google and Facebook are yet other examples where leadership and vision of their founders play a decisive role for the company's development with time.

Leaders and their capability of maintaining a high rate of innovation and development within their companies are extremely important. Within the information technology field, the technologic framework is dominated by change. The Internet completely changed the way all economic and social processes are performed, while social networks today change the Internet. A few years ago we could speak of unprecedented rates of growth for the PCs and laptops market, while today, with the global expansion of tablets and smartphones, that market withstands a steep decline.

As such, leadership plays a crucial role for organizational development. The key for success rests with the continuous emergence of new leaders that are able to take over the

vision related to the development of the company.

4. The importance of communication and alignment

Communicating the message and aligning people behind it are highly valuable for leadership processes performed within any company (Kotter, 2009). No leadership process may be performed without employees understanding the need for change and the need for new products or services. Even more, employees have to align themselves to a leader's vision by their own free will. Things are completely different with the management process, as managers go for bonuses or penalties for employees achieving certain tasks or not. Leaders don't use such means, as they have the ability to convince employees for transforming a certain vision into reality.

Under such circumstances, the message sent by the leader and the communication process with the members of the organization become key factors. As an example, every year, by the beginning of July, when a new fiscal year begins for the company (a fiscal year may be different from a normal year for American companies), Microsoft organizes a global meeting with top and middle management executives from all the company's branches. The meeting takes place on an American stadium and gathers an audience of more than 40,000 Microsoft employees. The aim of the meeting is sending out the vision for the development of the company and the leadership messages. The main element of the conference rests with the opening session, when a message is sent by a keynote speaker, usually Steve Ballmer (currently the

Microsoft CEO, after taking over from Bill Gates).

5. Research in Motion (RIM) – History of a leadership failure?

Although the IT history is rich in leaders (dubbed as founders) that fuelled companies since their beginnings, there are exceptions. With the IT, involvement of the leaders needs to be continuous, no matter they are the founders or leaders taking over from founders).

Research in Motion, or RIM, is well known by means of its BlackBerry range of smartphones. The company was founded in 1984, in Canada. The awareness of the BlackBerry brand led to the company changing its name, beginning January 30th 2013, from RIM to BlackBerry.

RIM founders were Mike Lazaradis and Jim Balsillie. They both took joint CEO positions within the company until January 22, 2012. BlackBerry was an innovative company that understood before other market players the smartphone concept and its importance for the future development of the telecom market. During 1995, RIM attracted supplementary financial resources from an investment fund - Working Ventures Canadian Fund Inc. It used the USD five million to develop its first smart products.

Four years later, RIM launched the BlackBerry 850, a product that was not a phone, but a beeper. However, the product was innovative, as it allowed both receiving and sending messages. At the same time, the device had a QWERTY keyboard (and the way keys were situated led to the "baptising" process of the company – see figure 1).



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

5.1. Innovation and leadership

Operating within the area of mobility, where technologies change fast, BlackBerry succeeded in launching an innovative solution. By 2000, BlackBerry launched the first smart mobile phone – BlackBerry 957 – with Push email facility and integration functions with an enterprise e-mail solution (Microsoft Exchange Server).

Such an innovation was related not only to the phone itself, but mainly to an end-to-end software solution that allowed e-mail management. BlackBerry Enterprise Server allowed messages received in the e-mail server to be managed and filtered. Phone users were not receiving all their messages on their devices, but only messages they considered to be important. By the year 2000 nobody was talking of 3G or other advanced data connections, and receiving daily hundreds of messages into the Inbox and replicating these on the mobile phone represented a technological impossibility of the time (considering the speed of the mobile connections to the Internet). BlackBerry Enterprise Server set complex rules for filtering messages. According to those rules, only most relevant messages for the client or those demanding

an urgent answer reached the mobile phone inbox. Last, but not least, the phone had a very advanced operating system – BlackBerry OS – for those times.

Mike Lazaridis și Jim Balsillie were the two leaders with a definitive role in putting the development vision regarding the company into reality. Results came not too long after that, with the company registering 226 per cent increase in revenues by the end of 2005 compared to 2004. (The company's turnover for 2004 was USD 595 million, while the turnover for 2005 reached USD 1.35 billion) – see Table 1.

5.2. Lack of leadership and decline

BlackBerry failed to support continuous leadership efforts when new competitors emerged on the smart phones market. By 2007, Apple launched its first iPhone, a device

Nicknamed as “the BlackBerry killer” by the media. Google came next with its Android operating system, thus allowing other manufacturers of devices like HTC, LG or Samsung to very aggressively emerge on the smartphone market, although they lacked R&D within their software departments.

How did BlackBerry leaders respond to all these? They failed to find a balance between their personal and the company interests (Forbes, 2012). Jim Balsillie wanted to keep alive a NHL (National Hockey League) hockey team. During 2007 and 2009, he made several attempts to buy First League teams in US, but all his attempts finally failed.

Mike Lazaridis got involved in building a “monumental” mansion for himself (Forbes, 2012), with the building process taking more than six years.

Lacking leadership and vision, the company went into decline on a smartphone market that was registering significant rates of growth.

Fiscal Year	Sales (\$ millions)	Operating Income (\$ millions)	Net Income (\$ millions)	Active BlackBerry Subscribers
2002	294	(58)	(28)	
2003	307	-64	-149	534,000
2004	595	78	52	1,069,000
2005	1,350	386	206	2,510,000
2006	2,066	617	375	4,900,000
2007	3,037	807	632	8,000,000
2008	6,009	1,731	1,294	14,000,000
2009	11,065	2,722	1,893	25,000,000
2010	14,953	3,507	2,457	41,000,000
2011	19,907	4,739	3,444	70,000,000
2012	18,508	1,164	2,199	77,000,000
2013	11,073	-628	-317	76,000,000

Table 1 – Financial Results BlackBerry 2002 -2013 (Wikipedia and BlackBerry company website)

Conclusions

For IT&C companies, the leadership process has to be continuous. The vision and communicating vision to employees, the implementation process of new technologies and adapting the organization to it – these are only few of the development demands for a company that operates within one of the most dynamic economic sectors.

An IT&C company without a leader resembles a ship without an operational rudder. BlackBerry missed the launch of the new

generation of smartphones due to the lack of involvement from founding leaders into the development processes of the company.

Within the IT&C world, leadership is more difficult than in other areas, as it is mainly achieved through the founders of the company. Coupled with the failure of passing over the key to younger generations of leaders, the “founders grow older” process may lead to leadership severe failures, as was the BlackBerry case.

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Analysis of Leadership at The National Bank Of Romania

~Ph.D. **Valentin Mihai Leoveanu** (University of Bucharest, Faculty of Administration and Business)

E:mail: v.leoveanu@faa.ro

Abstract: Leadership could be seen as a process to achieve company's goals through company's people. In any company and also in banks and central banks, leadership could register notable performance as a result of harmonization between formal and informal organization of the company. Maintaining a dynamic and optimal balance for ensuring the simultaneous attainment of individual aspirations of employees and company objectives should be a goal and a permanent preoccupation of the management team. Nowadays, leadership of the central banks have to face a multitude of issues that concern accountability and credibility of monetary authorities. In this regard, one of the essential characteristics that determine and influence leadership of a central bank was to ensure that the degree of central bank independence from the political authorities of the country concerned. Before and during the international financial crisis, NBR has faced some important and difficult periods, watershed might say, in terms of the proper functioning of his leadership. These include: adopting the strategy of monetary policy based on inflation targeting, the speculative attack on the currency in the period 17 October to 5 November 2008 and the liquidity crisis of Romanian banks with foreign capital.

Key words: central bank functions, formal and informal organization, decision taking, inflation targeting strategy, speculative attack on currency

JEL classification: E52, E58, G20, M10, N20, O20

1. Introduction

This article aims to highlight the importance of leadership at the level of central banks, the impact it has style and how to involve people in the process of ensuring the functionality of the central bank. Understanding correlations and influences that the central bank has in the entire banking system and the national economy is the starting point in analyzing how the type of leadership adopted and applied at the level of national monetary authorities influence the thinking and action.

Regulation of NBR was in the period 1991-1998 the Law no.34/1991, beginning to 1998, the Law no. 101/1998 and finally starting with 2004 the Law No.312 of 28 June which fulfills the Statute of the NBR. Consistent with the Statute, the central bank has in a legal plan greater independence, both in the context of the new Conditions; Romanian banking system and the theoretical approach of the role of the monetary authority, which currently exist in the world.

The importance of this study is reflected by approaching and discussing some important problems, arose after the financial crisis, in terms of the proper functioning of the central bank leadership. These include: adopting the strategy of monetary policy based on inflation targeting, the speculative attack on the currency in the period 17 October to 5 November 2008 and the liquidity crisis of Romanian banks with foreign capital.

2. Leadership in Central Banks

Leadership could be seen as a process to achieve company's goals through company's people. The literature defines leadership as "The action of leading a group of people or

an organization" and "process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task" (Hill; 2013).

In any company and also in banks, leadership could register notable performance as a result of harmonization between formal and informal organization of the company. Maintaining a dynamic and optimal balance for ensuring the simultaneous attainment of individual aspirations of employees and company objectives should be a goal and a permanent preoccupation of the management team. It can be said, in this context, the informal structure must be strong enough to support formal organization but at the same time, must also be flexible enough not to dominate or disrupt the normal functioning of the system.

By informal organization one can understand all groups and spontaneous human relations established between employees of the same institution, aiming to satisfy their personal interests, while formal organization can be defined as the design / development / updating of the organizational structure of the company, which is represented through all positions and departments, how they are formed and grouped, and the links that are established between them in order to achieve objectives.

In pursuing the objective of harmonizing the formal and informal organization of a company, leadership will need to focus on the following aspects:

a) find malfunctions such as: failure in fulfillment of duties, lack of interest, wasting time, low accountability against the tasks received, resistance to change, interpersonal or group conflicts. All these are likely to impede the normal functioning of the internal

mechanisms and the causes derived exclusively from informal organization of people involved.

b) identify and analyze information through: preliminary documentation to determine correct the problem, highlighting significant symptoms, identify deficiencies and their root-causes.

c) set objectives and measures to influence informal organization. Selecting the way to influence informal organization will consider the focus on minimal resources to achieve maximum results and comprise: acceptance and understanding informal structure, the personal interests of the group, any informal structure adversity reactions to the measures taken to influence, quick integration of personal interests and the interests of the group, avoiding unnecessary threats through formal organization.

There is a strong correlation between adjacent objectives and measures and, therefore, it is necessary that both the requirements and the conditions specified consider a consistent set of criteria that we always have in the manager carefully.

Leadership is essentially based on decision taking. Taking decision materialize an idea, intention or project in order to respond to a specific problem and is a form of social validation of an action by putting in motion the human, material and financial resources. Decisions implementing in practice is the most relevant qualifying criteria for the assessment of leadership.

Efficiency in taking a decision is a choice between several different alternatives (variants) followed by the action. The decision is related to the forecasting function of the manager, although it is present in other functions provided by members of the management team.

The choice of a particular decision is influenced by:

- Conclusions drawn from detailed analysis of the premises problem to be solved;
- The existence of alternative conditions the very possibility of a decision;
- Evaluation of alternatives by criteria of efficiency;
- The possibility of establishing the best decision in a period required.

Decision taking require from managers intelligence, knowledge and experience in the field, and that is showed in the quality and efficiency of decision. Given that fact, the manager has a specific purpose in mind when taking a decision and the effort is justified only to the extent that decision ensures positive prospects for that purpose.

In any company and especially in banking, decisions are made at all hierarchical levels. The importance of these decisions and the degree of difficulty related to a particular decision option can be appreciated according to following criteria:

- The period of time involved by the decision;
- Flexibility of actions which is developed based on the decision taken;
- Certainty of achieving goals;
- Human impact and quality of resources in this area to execute the decision in optimal conditions during the established period of time.

In the banking system, the central bank has a major role. By the functions performed, by multilateral ties with other banks and, through them, with the economy, the central bank is a hub of the banking system.

There could be accepted some important functions (minimum functions) of a central bank today that are categorized in five areas (Collins; 1983):

- a) currency issue and foreign exchange reserve management;
- b) banker to the government;
- c) banker to commercial banks;
- d) regulation of the financial system;
- e) monetary and credit policy.

There are, no doubt, many more functions as it is showed by the Bank for International Settlement that has published a complete list of approximately twenty separate functions for a central bank.

Taken into consideration leadership in central banks the words of an important central banker could offer a genuine picture: "Central bankers are conservative people. They take great care in implementing policy; they speak precisely; they explain changes completely; and they study the environment trying to pinpoint where the next disaster looms. Good monetary policy is marked by its predictability, but when the world changes, policymakers change with it. If a crisis hits and the tools at hand are not up to the job, then central bank officials can and will improvise." (Cecchetti; 2008).

Nowadays, leadership of the central banks have to face the following issues (Mendzela; 2003):

- "organizational structures that do not support current functions well;
- overload at the top through insufficient or ineffective delegation;
- difficulty in attracting and retaining talented people;
- a struggle to get creative outputs from policy functions;
- proliferating "internal support" departments with growing resource levels;
- above-market remuneration paid to long-serving staff of limited future value;
- a lack of cost information and difficulties in controlling costs."

After international financial crisis, trust in central banks has declined and the reaction of central banks to the crisis is generally judged as unsatisfactory by the general public. The loss of credibility in central banks is preponderantly striking in Europe (see Panel A and B in Table 1).

Table 1.Replies to the question: "Do you feel the Central Bank has responded appropriately to the challenges of the economic downturn?"

	UK (BoE)	Euro area (ECB)	US (Fed)
Yes	28	19	23
No	34	43	41
Not sure	38	38	36
Net Balance	-6	-24	-18

Note: Euro area (ECB) population weighted based on data from panel B.

Panel B

	UK (BoE)	Euro area (ECB)	US (Fed)
Yes	28	19	23
No	34	43	41
Not sure	38	38	36
Net Balance	-6	-24	-18

Source: Harrisinteractive, 2008

The loss of trust in central banks have wider implications on its independence that had broad public support. In this respect, the loss of credibility in the policy conducted by the European Central Bank (ECB) could be a cause of big concerns because "a monetary union whose central institution does not have the trust of its citizens is bound to run into political problems sooner or later" (Gros, Roth; 2009).

3. National Bank of Romania and leadership issues

The National Bank of Romania is managed by a Board of Directors that is composed of nine members appointed by Parliament nominates the executive management for a period of 5 years, with possibility of renewal. Board members can not be MPs and can not do, according to law, of justice or public administration. Permanent executive structure consists of the National Bank governor and three deputy governors, one of whom is the first deputy governor. The other five members are not employees of the Central Bank. Chairman of the Board of Directors of National Bank of Romania is the NBR Governor Mugur Isărescu. NBR Governor is accountable to Parliament for regulating the monetary policy and banking supervision and monitoring.

The Board of Directors is the body with the right decision regarding monetary policies and exchange rate, licensing, regulation and prudential supervision of credit institutions, oversight of payment systems, the internal organization of the bank. Board Decides also that the attributions of executive structures and NBR staff. NBR Board of Directors consists of nine members appointed by the

Romanian Parliament for a period of 5 years.

To ensure the effectiveness of decision-making in the NBR are 4 operational structures responsible for exercising the main functions of a central bank:

- Monetary Policy Committee
- Supervisory Committee
- Reserve Management Committee
- Audit Committee.

Monetary Policy Committee established as a permanent structure in an advisory and decision-making consists of nine members and is led by central bank governor. The main tasks is to establish strategic coordinate monetary policy operational framework of its characteristics, objectives and guidelines on different time horizons, and measures to improve and increase the effectiveness of monetary policy and its operational framework, including in terms of harmonization with the requirements of the European Central Bank.

The Supervisory Committee is a permanent structure and decisional deliberative nature. It is composed of 10 members and is led by central bank governor. The duties and powers aimed at monitoring and evaluation activities of the operation of credit institutions in terms of asset quality, financial performance and their classification in the regulated prudential indicators, and ensuring regulatory base, according to specific laws and international practices in the field.

Reserve Management Committee is a permanent structure, composed of 11 members and is led by central bank governor. Its main functions are to fulfill the strategic guidelines adopted by the Board in the management of international reserves. The Committee shall establish a list of entities with which business trading in the securities of issuers for investment and the assets

accepted for investment; make proposals on the implementation and use of financial instruments (including derivatives); analyzes the markets and proposing strategy for the future.

The Audit Committee examines and proposes strategic directions and policy NBR internal control, risk management, internal and external audit. It consists of 5 members of the Board of Directors who are not part of the executive management of the bank.

In his capacity as monetary authority of Romania, National Bank is considering conducting monetary policy, financial stability, nationwide banking supervision and ensuring the smooth operation of payment systems. Following this task, there are many different levels of expectations in the economy and society, namely population, companies, banks, government and international organizations.

The population expects the central bank to guarantee deposits at banks in monetary values as large as a result of bank regulations that adopt to ensure the maintenance of a general price level as low as possible and have easier access to loans from banks.

The companies expect the central bank to facilitate quick access to bank lending on the basis of costs and bank charges as low and diversification that banks can offer companies especially in terms of financing the activities, all based on measures monetary policy and rules set.

The government expects a strong partnership of the Central Bank regarding the management of macroeconomic policies because monetary policy is the prerogative of the central monetary authority and facilitating the financing needs of the state money through loans.

Banks expect from the National Bank a sound intervention on the money market in order to ensure liquidity and stability of the banking system and also the implementation of monetary policy that favors the development of their activities and increases bank profitability.

International organizations expect from the central bank to be a guarantor of the country's financial and economic stability, a guarantee of fulfillment of payment obligations of the Romanian state.

One of the essential characteristics that determine and influence leadership of a central bank was to ensure that the degree of central bank independence from the political authorities of the country concerned.

The activity of central banks and the conduct of monetary policy is guided by certain department, whose constituents are members appointed by various criteria. Thus, depending on whether the election of the governor and board members depend on the relationship between political power, one can determine the degree of independence of the central bank.

As many models used to quantify the degree of independence of the Central Bank, such a pattern is the one that developed legal evidence of the independence and it is realized by Grili, Masciandaro and Tabellini, named GMT (in 1991), the authors making distinction between political and economic independence of the central bank.

The GMT model is based on some political independence criteria:

- 1) The appointment of the governor by the Government or Parliament;
- 2) The mandate of not less than 5 years;
- 3) The appointment of board members by the Government or Parliament;

- 4) Board members tenure is 5 years;
- 5) There is no government members in BM;
- 6) Credit policy and foreign exchange is exclusively the authority of the Central Bank;
- 7) The Central Bank pursues price stability, which is an objective set out in the statute;
- 8) Existence of legal provisions to support the bank's position in the event of conflict with the government.

Concerning this particular point of view, worldwide, central banks raise their insubordination against politicians not to be confronted with more demanding obligations of reporting and transparency to the public. National Bank of Romania do not published the minutes of its board meetings and, consequently, the public knows nothing about the actual making monetary policy decisions. The general public do not know what is discussed at these meetings, what are the votes of each of the members the NBR Board and how they argue their vote, nor their views on how consistent are the decisions taken. NBR, like many other central banks maintain an opacity of decision-taking that is driven monetary policy as the most important operations in which it is implemented, in particular: how to establish key interest rate and reserve binding (RMO), and the operations of government securities.

In general, central bank officials justify their excessive secrecy in that transparency would prevent, in some cases, the effective transmission of monetary policy in the banking system and financial markets, while in others (such as emergency loans to banks in crisis liquidity) would be likely to cause bank panics and retreats, massive deposits from credit institutions "disclosed" so vulnerable

(Mosoianu; 2012).

NBR has to audit the annual financial statements, like many companies, with the help of audit companies selected through auction and paid even by NBR. Usually, they are happy to find that these statements are prepared "according to regulations". And the Court of Auditors controls only commercial operations of the central bank or the purchases of goods and services. A number of the world's central banks publish their minutes of monetary policy meetings with a certain delay, ranging from several weeks to several months. The most notorious example of this is the Fed, the Czech National Bank and also the National Bank of England, Sweden and Mexico.

4. Difficult times for leadership in National Bank of Romania

Before and during the international financial crisis, NBR has faced some important and difficult problems, watershed might say, in terms of the proper functioning of its leadership. These include: adopting the strategy of monetary policy based on inflation targeting, the speculative attack on the currency in the period 17 October to 5 November 2008 and the liquidity crisis of Romanian banks with foreign capital.

a) Setting inflation targeting strategy

Monetary policy strategy of National Bank of Romania is inflation targeting, a strategy adopted in August 2005, after a training process, concerning a functional testing framework for economic analysis and decision specific for direct inflation targeting. This type of monetary policy strategy imposes from the NBR leadership a completion of other requirements and criteria that

determines the effectiveness of this strategy:

- i. lowering the annual inflation rate below 10 percent;
- ii. gaining credibility for the central bank decisions and actions;
- iii. strengthening the independence *de jure* (by entry into force on 30 July 2004 of the new Statute of the NBR) and *de facto*;
- iv. restriction of fiscal dominance, fiscal consolidation and improving coordination between fiscal and monetary policy;
- v. ensure flexible exchange rate and reduce the vulnerability of the economy to changes in this variable;
- vi. recovery and strengthening the banking system and the relative growth of bank intermediation;
- vii. raising transparency and accountability of the central bank and the scope and intensity of communication with the public and financial markets, including issues related to the new monetary policy strategy and the preparation of its adoption;
- viii. shaping clearer macroeconomic behaviors and mechanisms of the economy needed to identify and increase the effectiveness of monetary transmission channels.

NBR leadership approaches for creating organizational and technical framework necessary for the implementation of the new monetary policy strategy lasted 16 months and received technical assistance from the International Monetary Fund and the Czech National Bank (NBR; 2005).

Inflation targeting strategy adopted by BNR is characterized by:

- Expressing the inflation target in terms of headline inflation (consumer price index), given the public's awareness and familiarity of the need to ensure transparency and credibility of monetary policy decisions;

- Setting targets as mid-points within an interval of variation (+ / -1 percentage point) in order to anchor inflation expectations effectively;
- Announcement of annual inflation targets for a longer time horizon (initially 2 years), which emphasizes the necessary medium-term perspective of monetary policy;
- Continue practicing a managed float exchange rate;
- Ex ante definition of a narrow set of circumstances ("exceptional circumstances"), independent of monetary policy, which makes the central bank responsible for achieving the inflation target;
- Setting the inflation target by the central bank in consultation with the government.

Similar experience of other central banks in the region that implements monetary policy in the context of inflation targeting strategy, the evolution of nature and values set by the central bank inflation targets so far are characterized by two distinct phases (NBR; 2012):

- step downward inflation targets set on a time horizon of two years annual figures for December (2005-2012), covering its major argument with the need to strengthen the disinflation and achieving sustainable annual rate of inflation in the medium term;
- Stage a flat multi-annual inflation targets, consistent with the definition of price stability in the medium term in the Romanian economy (from 2013) is an interim period designed to ensure the move to continue the inflation target in the long run - consistent with the definition of price stability adopted by the ECB.

- b) Speculative attack on the national currency Leu

In the period October 17 to November 5, 2008 there was an increase of the average interest rate on the interbank money market, well above the monetary policy interest rate, which led analysts NBR to say that there was a speculative attack on Leu. This attack has altered the flows of liquidity of commercial banks, thereby raising interest rates.

According Adviser to the Governor of central bank monetary policy Lucian Croitoru (Croitoru; 2012), a speculative attack on the domestic currency can be defined by a large subsequent increasing of three indicators - exchange rate, currency and net sales of foreign currency and interbank interest rate - recorded in a short period time.

The literature recommends as response to the speculative attacks on national currency the increase of the monetary policy interest rate. In October 2008, the National Bank of Romania has successfully countered the attack on the national currency Leu, extracting liquidity from the money market by selling foreign currency and not by increasing the monetary policy interest rate. This response was an example of unconventional monetary policy measure and the motivation for the central bank leadership to take that kind of response to this attack was that of maintaining financial stability and central bank credibility and reputation.

c) Liquidity crisis of Romanian banks with foreign capital

As international financial crisis had struck Romanian financial system and economy, the National Bank of Romania had to ensure money market liquidity. This objective was achieved through punctual intervention of the central bank on the money market and

by the so-called Bank Coordination Initiative in Vienna on 31 March 2009, which IMF initiated as a dialogue between the government and foreign banks operating in Romania, dialogue whose goal was to prevent closing refinancing credit lines from parent banks to their Romanian branches (Leoveanu; 2013-1). This quick response of international authorities (International Monetary Fund, World Bank and European Union through European Central Bank) to help Romania was crucial in stopping the departure of foreign capital. Banks had to intake during this period about 1.5 billion euro to their equity to be able to meet the criteria of solvency and liquidity regulations imposed by the National Bank of Romania and by international financial organizations (Leoveanu; 2013-2).

5. Conclusions

Definitely involved with the monetary issuance, in the process of lending and credit and currency control of the economy, in the currency exchange policy and other important operations in terms of credit, the central bank acquires paramount importance for the economy, especially in terms of leadership and management specific to it.

In this regard, effective decision-taking is provided by competent decisions. Top-managers should not and can not by themselves ensure decision-making and decision-making competence because they distribute the hierarchical levels through delegation and decentralization decisions.

This raises a number of issues to be considered, such as:

- Crumbled compartments and multiplying the number of management positions;
- Diluting responsibility for work

assigned personnel;

- Independence of staff and inability exaggerated its effective coordination;

- Delaying the decision making and implementation;

- The deterioration of work between bosses and executives;

- Impaired administrative inertia tasks, delays and long delays, reduced professional competence, training muddled thinking and compromise decisions.

Leadership of the central bank will have to take into account the following:

- Creative ideas emanate from individuals who know and think about solving their problem

- If subordinates participate in the development of a decision, they show greater commitment to meeting them, so it will work more on outcome

- The quality of a product produced in the group, compared to that of a product produced by an "ace" in the field varies according to the skills of group members and the information available to them, plus the degree of efficiency in the collective labor

- When a group of people is asked to solve a problem, the leader must think about their potential and their desire to solve the problem.

New concepts must be applied to develop the leaders and the managers of central banks, such as: considering a central bank as an evolving business instead of a bureaucratic institution; encouraging innovative leaders for projects that are not mission-critical and aiming to build leadership, management and technical skills thinking on people and their capabilities (Mendzela; 2003).

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New Media and Leadership: Social Media and Open Organizational Communication

~ Ph.D. Associate Professor **Viorica Pauș** (Faculty of Journalism and Mass Communication, University of Bucharest)

E:mail: viorica.paus@fjsc.ro

Abstract: *This paper aims to identify and analyze the extent to which new media have penetrated the Romanian organizations' internal communication and have influenced the leadership. We intend also to consider how social media becomes a tool for organizational communication and contributes to the creation of a new kind of leadership associated with open communication. We start from the premise that new media and social media can contribute to the leader's mission to create around him a vision and makes others to share this vision. In terms of open communication, the external image of organization reflects, in part, leadership practices within the organization. It is about the exercise of the shared collective leadership (Don Tapscott, 1996) that should strengthen the organization position.*

Key words: Leadership, new media, social media, open communication, shared information

JEL Classification: O15

Leadership and management: definitions and theories

The term 'leadership' is used referring to inter- or intra-group communication. Strictly speaking, its meaning is to influence communication. Fundamentally, leadership

and influence are synonymous (Tellier, 1999, p.126). In this perspective, we start from the principle that in any group - regardless of structure or number - individuals interact in pursuit of a common goal, whether it is inside or outside group, referring to public

or private interests, shaped or diffused. The leadership designated as "the ability of a leader, driving a framework to determine a group of people to work with it in achieving a goal based on their strong involvement" (Nicolescu, Verboncu, 1999, p.516). The same authors designate leadership as the interface between the leader and his followers' staff as "interpersonal influence that a manager exerts on subordinates in the establishment and in particular the achievement of the objectives" (Nicolescu, Verboncu, 1999, p.514).

From here results the idea that "leadership is based on team spirit, which is the result of integrating four processes: build trust between those involved; establishing a clear mission and goals that join individuals; conduct participatory decision-making processes; strong individual and group motivation to help achieve common goals" (Cornescu, Mihailescu, Stanciu, 2003, p.221).

A definition that takes into account explicitly the communication process belongs to the authors R. Tannenbaum, J. Weschler, F. Massarik (Leadership and Organization, 1961), cited by Mielu Zlate: "Leadership is interpersonal influence exercised in a defined and directed situation, through the communication process, to achieve a defined goal or goals" (apud Zlate, 2004, p.23).

In terms of effectiveness, leadership involves a person's ability to create a vision, to establish guidelines for actions, to unite the individuals for achieving the vision, to realize the vision with team members, to track the project in its processuality, to achieve results through organization, control and problem solving and teamwork seen as a sum of complementary forces which identity is given by the following and achieving a shared vision.

From the multitude of definitions, as a common element appears the processual character of leadership and the fact that it involves a group over which the manager exercises a formal influence or an informal leader exerts an informal influence, in both cases this influence is transmitted through a form of communication, in order to influence the achievement of group goals or achieving goals.

Tellier believes that leadership occurs whenever we are dealing with a process of communication between two or more people - transmitter and receiver - between which there is a circulation of meanings. The significations movement between these two poles affects the counterparts in some way by these significations, for long or short term. Some influences are deliberately pursued by the transmitter in the short term and the receiver cannot be aware of this influence. We talk here about advertising, political and media influences (Tellier, 1999, pp.127-128).

Also in this category we placed the messages sent through social media influence. Leadership reflects the human dimension of the manager, the side that allows it to influence, to determine which group leads to work together to achieve the objectives of the organization.

The studies from the 60s, among which those of Kurt Lewin from the National Training Laboratories recommends participatory perspective control. During this period the term leadership is used in place of the commander. Thus, the manager must lead not only as a commander, but he has to influence subordinates and to consent to be influenced by them so as to create a consensus that can be translated into actions.

The 70s showed that in the modern

economy wins one who has the best human resources in fighting competition. At that time the situational and evolutionary theories of leadership had appeared. They took account of the context and relationship between superior - subordinate. In this context, the leadership is a key factor in striving for excellence and self-improvement. Manager cannot meet these challenges. He must be a leader with a clear vision that you can communicate to others. This must be an effective communication through which to impose the ideas at the same time. "In this perspective, leaders are people who do what it takes to implement the vision, exerting influence on others. On the other hand, managers are people who do things right" (Hellriegel, Slocum, Woodman, 2001, p. 296).

Organizations began to move towards a new type of leader, charismatic, transformational, open to change and to interpersonal communication. To update this vision, the leader must have a sense of organization, respect, use and take care of his subordinate staff. It will promote a set of transparent values and be able to convey to others. One of the most important qualities is his ability to perform change management, which is increasingly important in terms of the complexity of the modern world where everyone is striving to remain competitive. The management through the leadership has to face competition to keep costs as low as possible, to increase product quality, to improve customer service, and to impose faster the products into the market. Company image is transmitted over public relations services to diversify their communication techniques inside and outside the organization.

Leadership as a process of influence, but also managerial process, is determined

by a number of factors, from personal qualities to the organization's situation and position in the external environment. The first category of factors related to personal characteristics that make leadership to manifest itself both in the formal and informal leaders. We are talking about the innate qualities such as intelligence, flexibility of thinking, personal attraction, the understanding, openness to others, etc. Those who possess these qualities are considered charismatic person, who attract others to achieve common goals, to inspire confidence and dynamism. Many experts feel that the exercise of leadership depends largely on the ability of leaders to use different types of power to influence the behavior of subordinates (Zorlețan et alii, 1995; Stăncioiu&Militaru, 1998; Cornescu et alii, 2003). In the last two decades, new technologies have provided and continue to provide tools for the exercise more complex and diversified power and influence. From the site which became mandatory card of any organization that wants to be on the market to use of social networking that evolution was rapid and with major consequences on the evolution of leadership.

The modern notion of leadership cannot ignore the functioning of formal and informal groups and interaction inter- and intra-group. Once a group begins to communicate – one by one, transmitters and receivers – the influences occur gradually changing meanings and behaviors that will affect the whole group and activity. Once a group begins to communicate, it lives an experience which means sharing of influence, so the leadership.

C. Rusu, R. Mathis and P. Nica discuss about a "neo-manager" who "promotes professional competition, providing resources, ideas and motivations. He asks questions

that determine employees to seek solutions and take responsibility in decision making" (1997, p.432-433). The main quality of this new type of leader will be the orientation towards excellence. The hierarchy is less stratified and the leadership is focused on communication and feedback. Charlene Li, in *Open Leadership: How Social Technology Can Transform How You Lead* (2010), talks about "openness, transparency and authenticity" as the fundamental precepts of leadership. In this work, Charlene Li provides resources for leaders willing to use social media while maintaining control over the management of the organization. As the author said, the opening relies more on rigor and effort than on the control. Using social media, leaders transform their organizations so that they become more efficient and more powerful, while being profitable in an open market economy. It ensures communication and social media connectivity and leads to a shared communication (culture of sharing). The Romanian organizations do not generally apply these principles and practice based on management control.

Social Media and Open Organizational Communication in Romania

In this article we aimed to research the extent to which managers of Romanian companies use communication opportunities offered by new media and social media and what consequences appear on leadership style practices. The exploratory research is still in progress. In the first stage of the research, we applied a questionnaire in which we identified the leaders of Romanian organizations who use the new media and social

media as tools for management and internal communication. Of the total of 54 questionnaires, 8 respondents were from state institutions (schools, public television, hospitals, media agencies, research institutes, etc.). The remaining 46 respondents are from the private business organizations, such as private television, commercial banks, etc. The respondents were questioned online or face to face.

From the questionnaire responses, coupled with our observations and the results of previous studies made by my students from the Master of Corporate Communications, we can draw some important conclusions:

- The use of new media as a means of communication within the organization and as a means of transmitting leadership increases the group's sphere of influence which widens and becomes heterogeneous and do not comply with hierarchical levels and statutes.

- Also the use of new media increases transparency of management decisions.

- The new media increases top managers' leadership. Top manager gains through social media greater visibility which can be 'tangible': what he thinks, how he expresses himself, that attitude he shows, that opinion he has, etc.

- In contrast at the level of middle management, there is no such a problem: his message is addressed to a small group, which interacts and communicates directly.

- Social media, through free access of persons in the group, flattens hierarchical structures and creates a personalized relationship between management and employees.

- Under these conditions, the type recommended is that transformational leadership.

- Leadership that uses the new media is

a collective leadership. However, it should not replace control as management function.

- Leadership becomes fragile by opening in new media and exposure to critical opinions.

- Feedback from bottom to top can be critical and opinions are interrelated and influence each other and can cause currents of opinion for or against the management style practiced in the firm.

- It favored the emergence of informal leaders who influence individual messages and lead to the structuring of group views; also the use of social networking and the attraction of a large number of 'friends' can lead to the discovery of the structure leading to the person concerned.

- The inhibitions disappear in front of the hierarchy by the fact that it can mask identities and thereby become more honest opinions and more virulent

- These decrease inhibitions may occur due to lower average age of managers, but also - in many private companies - the employees.

- In Romania, managers do not take into account the views expressed by employees in social media.

- An interesting observation was the result of the Apa Nova organization. Its employees are also beneficiaries of the company. Expressing their opinions in social media influences company general opinion of the beneficiaries of the company. These employees send out a high degree of credibility (they are meant witness) of corporate image; to give a positive image of the organization, managers must increase the level of accountability and motivation of their employees.

- The leader's blog is less visible. The possible explanation is that the Romanian

companies have managers and leadership and are not concerned with the transmission of the vision and mission of the organization they lead.

- The image transmitted through social media organization should to be related with existing organizational culture type. A negative image transmitted from the organization can harm fragile company. This may however have a boomerang effect on employees: if their organization is in decline, their own situation may be endangered, employees are the ones who bear direct consequences.

- The image spread outside organization involves the opinions of the employees related with the company internal communication. The public relations departments send a positive global image of the organization, while social media is transmitted through personalized messages, individual testimonies of leaders and employees who are found in proximity relationship with the hierarchy.

- A positive feedback received from group/person on a social network increases self-esteem and confidence of the employees.

- An example of a negative reaction to the message group was a formal New Year greeting sent by a multinational CEO: only 20% of employees surveyed (50) have opened that email and only 5% read the message until the end. The explanations: the message was formal without being adapted to the group (survey conducted at the Master of Corporate Communications).

This study also included 13 questionnaires with open questions, addressed to managers of Apa Nova, Raiffeisen Bank and Siveco Romania. All respondents believe that the democratic leadership allows them to give and receive feedback and apply

supportive communication style. In one form or another, they agree that the use of new types of communication help to organize, control and streamline communication and information and increase reliability and customer satisfaction.

However, according to respondents, these new interactive media should not replace face to face communication that favors direct relationship with employees and customers. This is also one of the conclusions of Dominique Wolton, who found that the most important decisions pertaining to power is always done by word of mouth (D. Wolton, p 42). New media open up new opportunities to assert the "personality" of a leadership organization and open an important role is

shared communication with both employees and clients.

Conclusions

To conclude, leadership can not ignore the new media, this is an opportunity but also a tool of self and even a risk factor for organizations that do not properly manage their image and internal communication. Social networks cannot be controlled and subdued. Through their pressure, leadership must evolve to authentic values, decisional transparency and direct and personalized communication. In our opinion, the charismatic and visionary leader will be one that will be able to align the group in achieving its objectives and bring added value to the organization in an open and competitive economy.

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Evolution Trends Of The Leadership In The Romanian Academic Environment

~ Ph. D. Professor **Paul Marinescu** (*Faculty of Administration and Business, University of Bucharest, România*)

E-mail: paulmarinescu1@gmail.com

~ Ph. D. Professor **Sorin-George Toma** (*Faculty of Administration and Business, University of Bucharest, România*)

E-mail: tomagsorin62@yahoo.com

Abstract: *The purpose of this paper is to analyze the trends that mark the evolution of leadership in the Romanian academic environment from a systemic perspective to integrate the past, present and future. In our approach we start from an analysis of how the multiple transformations that took place within the Romanian society in its whole has influenced the academic environment, emphasizing especially the moments of rupture caused by the numerous reforms started and never completed and the problems of chronic underfunding faced by the system.*

Starting from the observation that globally there are many voices questioning the level of adaptation of the current educational system to the realities of the contemporary world, we shall briefly present a couple of views on how the European and the American education of the future might look and also the way in which the academic leadership should manage this process of change.

Since any vulnerability may represent in certain circumstances an opportunity, based on an existent analysis, as well as on some personal opinions we shall present the way in which the Romanian academic environment could develop. Believing that nowadays the exchange of experience and the know-how between different branches of the society are the key to obtaining a booster effect that will allow the occurrence of a synergy between them, we are proposing a vision through which the academic environment can take advantages, seizing on the experiences of the business environment, the effect of "leapfrogging" to eliminate the distance between the academic environment and similar systems in other countries with tradition.

Such an approach would be not a benchmarking process, but a process of identifying the challenges of the future and discovering through creative means the most adequate methods to support them. After all, if there is a resource of which we can say with certainty that it is abundant in Romania, that resource is creativity. The academic leadership could ensure the success of the process of making changes by the optimal guidance of this resource and by this action would ensure the progress of the educational system, thus regaining the rightful role as the engine of progress in the Romanian society.

Key words: leadership, academic environment, change, trends

1.Introduction

The numerous changes the Romanian society has passed through in the last period, starting with the transformation of the whole socio-economic system that took place in the 90's, continuing with the Euro-Atlantic accession process and more recently the that was not fully overcome, have generated huge costs that affected each sector. There is no need for a exhaustive analysis of this period to observe that many of the problems emerged could have been avoided or attenuated, thus reducing the devastating impact they had on some broad social strata.

Looking at the global situation we clearly see that the world is dominated by powerful conflicts and challenges that increase the uncertainties and the risks are huge. The financial crisis, the crisis of the Euro zone together with the crisis of confidence that it has caused among the population within the whole European Union, the revolutionary movements that might break the already precarious balance existent within some regions, represent just a few of the problems faced and struggled by humanity.

Therefore, in this context we do not find it surprising that voices accusing the failure of the current leadership both in Romanian society and at European and global level are becoming more numerous. Obviously, this approach, which shifts the responsibility solely on the leaders' shoulders is extremely

simplistic and does not take into account the many aspects such as the extremely high level of change that humanity knows due to the evolution of technology, the changes of paradigm taking place within the business environment, increasing concern for the environmental protection and social justice, the issues arising in relation to the sources of energy, the increasing numerous criticisms directed towards political models, etc.

But what is clear is that the need for a proper leadership suitable for these turbulent times is increased. Be it the political, economic, social, business or civil society, each environment faces such problems.

Under these conditions, the academic environment, criticised until recently by many for (almost) all evil on Earth, becomes today the place where increasingly more people turn for answers. In the situation where the intellectual capital is increasingly seen by many as a chance to resolve the problems that affect the modern society and can provide answers to the numerous challenges faced by humanity, the role of the academic environment becomes once again important, both by training future leaders and by providing solutions through research programs that occur under its umbrella.

In this seemingly complicated picture, the Romanian academic environment is challenged and must respond, thus being forced to provide solutions to the problems of the

national present and the challenges launched by the world in general, as well as the challenges of the future we can only anticipate. In this respect, Richard Riley's opinion, former Secretary of State for Education in the United States of America under the Clinton administration, that "We are currently preparing students for jobs that don't yet exist, using technologies that haven't been invented yet, in order to solve problems we don't even know are problems yet." seems more relevant today than ever.

In this context, leadership is becoming increasingly important in the Romanian academic environment both in terms of how it is communicated to students and the way it is applied within various universities.

In this paper we wish to outline the evolution trends of the leadership in the Romanian academic environment based on the one hand from an analysis of how they have evolved over time and on the other hand from the analysis of the challenges that this environment will face in the future. Given that any educational project needs a long period of time to show results, either positive or negative, due to the particularities of this system, we believe that any target set both at central and each university level must take into account a time frame large enough to be able to observe the effects and, perhaps more importantly, should be followed consistently throughout that period.

Due to the essential importance that such a project plays in the success of educational institutions, the national education system, and society as a whole, we consider that any approach for analysis and forecast is highly relevant, especially since the gap existent in comparison with the developed countries, offers in addition to many challenges,

opportunities as well. We believe that, as some countries had technological benefits through the leapfrogging effect, based on relevant analysis and forecasts, the Romanian education system can benefit from the same kind of effect provided it identifies properly the trends to where the education of the 21st century is heading and finds the best routes to get there as quickly as possible.

Our approach will be based both on studies and forecasts on the evolution of the European and global education system and forecasts on the evolution of the Romanian education system, on various studies and expert opinions, as well as on works published by authors and their educational practice.

Without claiming to revolutionize the view on the evolution of the academic leadership and through it, the evolution of the whole system, we believe that this paper provides a relevant and pertinent point of view, offering the possibility to serve as basis for wider discussions.

2.The evolution of leadership in the post-revolutionary Romanian academic environment

The authors of the work "White Paper for Quality and Leadership in Romanian Higher Education in 2015" consider the current moment as being part of the third cycle of reforms undergone by the post-revolutionary Romanian education. Although there are a number of challenges faced by the Romanian education with constancy worthy of better causes, among which we mention the constant underfunding and the often inconsistent nature of the reforms tried, we consider the delimitation provided by the authors of the aforementioned paper to be

extremely relevant for highlighting the challenges faced during this period by the academic leadership.

The first cycle marks the era of “reparative reforms” which marks the period when the Romanian academic environment has taken the first steps towards the process of adjusting to the new realities. It is obvious that this period was extremely difficult for leaders from the academia and, to be objective, even for those who were called to establish policies nationally in this. We believe that this cycle has been a time when the success of the measures taken to modernize various universities depended mostly on the individual skills of those called upon to implement them. Since the internal models were practically nonexistent, and the ability to successfully replicate the external models was severely limited by the numerous factors that covered various areas, from resistance to change of the people involved in the system (which was explainable after they were formed in an opposite system) to the problems of material and property nature, and not least, to the uncertainties which are becoming a constant generated by the inconsistency of the government policies; this period marked a very slow progress.

Another challenge faced by the leadership from the academic environment academics in this period was the profound change marked by the request for training programs. If some specializations that were highly popular before became undesirable overnight, the new labour market conditions have entailed the creation of new ones, which, in turn, has generated many problems that leaders had to respond to, from logistical issues to difficulties in finding people with the necessary skills to fill the positions needed.

Such aspects determined us to believe that this period was one in which the role of leadership in academia was as important as it was difficult and to consider that the study of the lessons from those years was extremely important to those who want to play a role in the future as leaders in the Romanian education, regardless of the targeted level.

The second reform cycle referred to “strengthening the autonomy, governance and quality”. We believe that this period marks the time when the objectives of the academic leadership have started to target the synchronization with the European academia, mainly at the same time with the commencement of the negotiations for the accession to the European Union. Although it was somewhat less turbulent than the previous period, we believe that this period was also marked by challenges at least as important as the previous one.

The process of harmonizing the practices within the academic system with those at the European level required a major effort by the academic leadership, starting from the observation that a very large number of new policies and procedures had to be designed, implemented and assessed in a very short period of time and that often some of the stakeholders manifested a strong resistance caused by either divergent interests, or poor understanding of the reasons for carrying them out.

In the new context, another problem faced by the leaders from the academic environment was represented by the increased competition coming from the universities from other European countries. At the same time with the European Union accession, the cost of some university programs in other member countries (which was previously a

significant barrier) decreased dramatically, such programs becoming more accessible also due to the simplification of access conditions (we are particularly referring to the bureaucratic aspect).

Given that for obvious reasons the first students (or potential students) who took advantage of these opportunities were the ones recommended for such a step by their results and capabilities, it is obvious that the Romanian academic system had a lot to lose in this new context, both on short and long term by reducing the recruitment base for future university teachers.

Of course, there is also "the glass half full", meaning that the European Union accession also allowed an increase in mobility of teachers, who thus had the chance to enrich their experience by observing different ways of organizing the educational process and by learning other academics in a practical way.

We believe that these cycles, however difficult and often painful as they seemed, were essential in the way that they set the grounds for what can now be a new cycle of academic environment reform. In our opinion, this new cycle should aim at continuing the benchmarking effort and also an effort to anticipate the new realities that humanity will face, forecasting the challenges the educational systems will face in this scenario, challenges which, as we shall demonstrate in the next chapter, have a global nature and can identify the methods and techniques by which such challenges can represent an opportunity.

3. The challenges of the global academic environment in the contemporary world

Until now, the 21st century is characterized by remarkable progress in all fields of technology, with a particular focus on the ICT area, and, there are many chances for such trends to not only persist, but even increase, so that fundamental changes they produce in nowadays people's lifestyle will become tomorrow's realities.

In this context, the academic system, which has by nature a very considerable inertia in adapting to new, must identify very quickly and adequately the new challenges that such system will face in order to be able to respond optimally, especially since this process is facing difficulties in defining and regulating on national levels.

We present below some of the changes that the world will likely face in the future and that we consider extremely important for the near future, convinced that the evolution of the global academic environment will depend upon our adjusting to such changes.

The development of technology brings along a change in the skills required on the labour market. Of course, the rate at which this change occurs depends primarily on the level of development of each country, and it is clear that this kind of change affects primarily the top areas that are present predominantly in the developed countries. Yet it is equally clear that it is only a matter of time before such changes will propagate in the currently developing countries. This change causes the labour market to capitalize more a series of relatively new skills; for instance, advanced problem-solving skills and advanced communication skills. In fact, this is perfectly understandable if one considers that two of the

effects of the development of technology are represented by the increasing the complexity of the problems faced by the decision makers within any field and an explosive increase of the social interactions caused by the new communication means. Under these conditions, an update of the objectives set by the academic educational programs is needed, and in this regard it is very important to have an increasingly active dialogue with the business environment. Also, the degree to which these kinds of changes are performed at the institutional and national level represents an extremely important element, the lack of a national strategy might be having adverse effects. In such a situation, the leadership skills of those who can facilitate this process gain a significant importance with a major impact on a large period of time. Due to the inertial nature of the academic systems, a mistake in this planning stage would require more time to be identified and an infinitely large period of time to be corrected.

Another important consequence of the development of technology and "the world of knowledge" brought by the last one is represented by the increasingly more importance creativity has within all the fields of activity. This observation in itself is neither surprising, nor argued, and however, the difficulties arise when one thinks of the way such skills can be taught and assessed as well. From this point of view, in our opinion, the academic environment plays a double role, the first one is to encourage the development of creativity among students through the integration of some teaching and assessment methods to stimulate and reward creativity, and the second is helping the lower systems to integrate such elements in their activity by providing guidance and exchange of experiences. In

our view, creativity presents a series of some very important features that differentiate it from other subjects of study. For instance, creativity cannot be taught the same way one would teach economy as there are only methods to stimulate creativity and not methods to transmit it; in this respect, we mention Edward de Bono's theories that regard the lateral thinking; creativity is difficult to assess and almost impossible to quantify; creativity does not have a unitary nature, it has various forms of expression depending on the individual and context, therefore we mention in this regard Howard Gardener's theory of multiple intelligences. All these make us believe that the way in which creativity is addressed in the academic context is of huge importance, thus the leaders from the academic environment are facing a serious challenge.

Given the fact that an increasingly number of occupations appear on the labour market which require multidisciplinary knowledge from various and sometimes unrelated fields, the education systems are facing another unexpected challenge. The dynamics in jobs transformation determines the employers to be increasingly less interested in formal education completed by potential employees, and to focus more and more on the skills they possess. Adding to this aspect the development of the ITC technologies, the academic system begins to meet a strong competition from alternative education programs. On the one hand, we consider the classical training and coaching programs with advantages such as short duration, flexibility of the schedule, as well as a focus on a specific area, all these enabling students to chose solutions that suit them best and, on the other hand, we consider the strong

development of distance education forms that offer training in very specific fields and have a creative and innovative approach because they took advantages of all the technological developments. The disadvantage of the latter, the fact that they usually do not issue diplomas, is heavily compensated by the extremely low costs for the student – costs consisting usually of internet connection – and, since employers do not consider diplomas to be essential anymore, this type of approach is appreciated by more and more students. Examples of such platforms include (but are not limited to) Coursera or Khan Academy, both offering a range of courses in various fields, also a very important aspect is that, since they are not connected to a formal system of education and its objective constraints (curricular area, field, etc.), they have the possibility to provide highly creative courses by binding together elements that belong to various domains, thus creating unexpected and challenging connections. Also, by working together with professors from different universities acknowledged, these platforms have started to eliminate one of the main reproach in the past, namely that the information provided might have been of questionable quality. In these circumstances, the role of the academic leadership increases in order to find new ways to enrich its offer so as to meet the needs of this type of “customers”, a process which is already taking place in some countries (such as the United States of America) where some of the top universities have started to develop online platforms and offer some free courses.

We wish to emphasize the challenge of globalization, even if there are hundreds of papers and even more papers will be written on this subject. Obviously, the globalization

theme is not a new one “higher education was always more internationally open than most sectors because of its immersion in knowledge, which never showed much respect for juridical boundaries.” Nevertheless, given the fact that this process is stimulated by new technologies and the continuously growing mobility that characterizes this period, there is a high risk that the less developed countries will face an acceleration of the process of “brain drain”. This can push the academic environment in those countries in a destructive spiral (they fail to maintain the best graduates in the system, which results in a decline in quality of education, which leads to decreased attractiveness, which leads to the difficulty of having valuable graduates, etc.), while the systems in advanced countries have only to benefit from this process. From this point of view, we believe that it is vital that the exact countries, whose academic systems are facing this danger, to undertake the most determined measures to adjust to new realities and the leadership within this environment is the most important one.

There are of course many challenges the academic environment will face in the future, some of them are well known and analyzed, some of them are a little less obvious and, for certain, some other challenges that could not even be imagined will emerge but, our aim within this chapter was to point out some of the directions that in our opinion will represent the concern of the academic leadership of the future, especially since, as we shall demonstrate further on, in certain contexts they can represent important opportunities for progress.

4. Trends in the European and American education system

The academic systems in the United States and the European Union represent for many benchmarks in terms of the quality of education, which is perfectly reasonable if we consider that only 19 of the best 100 universities in the world according to the "The Times Higher Education World University Rankings 2011-2012", do not belong to these areas.

However, the leadership within these two academic environments is facing a number of serious problems which proves that the challenges created by the need to adjust to new realities do not skip the developed countries either.

In the United States of America, the academic system is facing problems related to the low degree of completion of higher education by those who have started them, problems related to the continuously increasing level of debts that graduates have to reimburse once they graduate, as well as problems related to state funding of public colleges and universities. At the same time, Moody's rating agency has recently revised the forecast for 2013 for the private American universities from neutral to negative "marking a shift to negative from stable for even the sector's market leading diversified colleges and universities", which proves once again the severe effects caused by the crisis in this area.

For the European Union there are still many problems related to the creation of the European Higher Education Area, as there are still difficulties in harmonizing the national academic systems and challenges in achieving the objectives of "the students-based universities", as well as difficulties

related to internationalization, flexibility and quality assurance.

In addition to these challenges specific to each of those systems, in both cases there is growing concern regarding the training of the graduates and, in this respect, the conclusion of the European Council is relevant as it argues that "the graduates' qualifications do not always meet the needs existent on the labour market and the needs of the society. Public and private employers increasingly report mismatches and difficulties in finding the right people to meet the continuously changing needs of the knowledge-based economy." Another common concern of the leaders from these two academic systems is represented by the impressive level of the currently developing countries (especially China and India) which are developing their own academic systems by making huge investments in these fields. Given the fact that the academic environment plays an extremely important role in the development process in the knowledge era, it is clear that this kind of problems will concern the leadership within the academic environments in question.

5. Trends in the Romanian education (directions of development)

As we shown above, the leadership within the global academic environment will have to face a large number of challenges in the near future and the degree to which such leadership will succeed in this role will depend to a large extent the welfare of nations under the conditions in which the importance of intellectual capital will continue to grow exponentially.

In this context it is clear that the mission of leadership within the Romanian academic environment will be even more complex as it will have to face both the European and

global specific challenges. We intend to present below some of the directions that, in our opinion, will characterize this process.

The growing interest shown by the potential students to some interdisciplinary training programs will represent the initial step in the evolution of the Romanian education. In this context, the academic leadership will have to design programs that require collaboration between several departments within the same university or even from different universities. In the first phase, this will likely be reflected especially in the master programs, as they suit best such approaches. An example in this regard is represented by Business Consultancy master's programs within the Faculty of Administration and Business of the University of Bucharest which are the result of analysis made in collaboration with professors from other colleges (sociology, psychology, mathematics, foreign languages, etc.). Such an approach has the advantage of the multitude of viewpoints which are taken into consideration when designing the programs, a better adequacy to market requirements, as well as the possibility to minimize the necessary additional resources by using the material bases of several institutions

Another important aspect which is closely related to the first, is the collaboration with stakeholders. Given the nature of the business environment, it is very likely that many companies or institutions which are potential employers of graduates to have made predictions on a strategic level, about the possible development directions of these fields. Based on these and initiating and maintaining an active dialogue with the business environment, the leadership from the academia is able to get a clearer picture

of future training needs and can adjust its programs to such needs. If this will have a successful outcome, given the fact that the inter-community mobility is likely to increase, then we can even witness a reversal of directions of students flow. A project which aims to help create and maintain this type of dialogue is the Centre for Organizational Strategy and Leadership of the University of Bucharest (CSOL-UB), which brings together representatives from the academia, business environment and civil society.

The Romanian academic environment will face another challenge in the next period, namely the increased competition from other providers of educational programs. We have already discussed about the competition emerging from other European universities based the decreasing of financial and bureaucratic obstacles raised by such an option and it is obvious that this trend will continue. On the other hand, it is expected that, in the future, the quality of study programs offered by private universities in Romania to grow continuously, so it is likely to attract more potential students from public universities. It is also evident that as eLearning platforms will become more efficient and affordable, there will be competitors in this direction either by extending the educational offer of prestigious international universities, or by creating new structures. Nevertheless, in our opinion, all these things require a tireless effort from the academic leadership to find the best methods to attract the best.

As we argued in this paper, we are convinced that the future academic environment will have to be extremely concerned about stimulating, encouraging and developing creativity. It becomes clear every day that the progress in tomorrow's world depends

on innovation which, in return is inextricably linked to creativity because more and more routine tasks tend to be at least partially automated and, in the developed countries, the optimisation process are beginning to reach the maximum possible efficiency. Therefore, under these conditions, it is essential for leaders in the academic environment to be able to manage the process of change towards an approach of the educational process based on the imperative need to develop creativity, which, in a purely conservative environment, represents a major challenge. Such project was started within the University of Bucharest. The educational concept named SPHERE-AA is based on the observation that there are nine channels that facilitate the formation of multiple intelligences: linguistic, musical/rhythmic, naturalist, logical-mathematical, spatial and visual, bodily-kinaesthetic, intrapersonal, interpersonal, existential and each of them has certain characteristics regarding the optimal way of reception of information and intends to create methods to best stimulate this process.

6. Conclusions

One of the few advantages that currently developing countries have in comparison with the developed countries is that, on their way to modernization, they can adopt the most modern methods (whether we are referring to technology, procedures or ideas) without having to incur additional costs of change. In this respect, an illustrative example is the fact that in the Sub-Saharan Africa the development of telephony has exceeded the period of fixed landlines. Likewise we believe that by understanding the challenges that the future will bring we can do a similar leap.

We also strongly believe that a leading role in this process will be held by the academic environment.

Therefore, we hope that this paper can constitute a ground for analysis for those called to exercise leadership in the academic environment, thus succeeding to identify the best directions to use in leading us down this path.

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The Role Of Forensic Accountants In Fraud Detection And National Security In Nigeria

~ Ph. D. **Dickson Mukoro** (Department of Accounting, Covenant University, Ota, Nigeria)

E-mail: mukst2000@yahoo.com

~ Ph. D. **Ogijo Yamusa** (Department of Banking & Finance, Federal Polytechnic, Ilaro, Nigeria)

E-mail: ogijoyamusa2@mail.com

~ Ph. D. **Samuel Faboyede** (Department of Accounting, Covenant University, Canaanland, Ota, Nigeria)

E-mail: shollyte2001@yahoo.com

Abstract: This study aims at exploring the relevance of forensic accounting in curbing crime and corruption in public sector. The objective of the research work seeks to explore the role a forensic accountant can play in the fight against corruption by applying his investigative skills, providing litigation support service and documentation and reporting. The population used in the research was the Federal Inland Revenue Service (FIRS). The research design employed was the survey research. Data were majorly collected from primary sources. The hypothesis testing in this research work was done using regression analysis. The results of the empirical findings show that forensic accountants are relevant in investigating crime and corruption in the public sector. Forensic accountants play a role in litigation support services in the public sector, and forensic accountants are relevant in documentation and reporting. It was observed that the forensic accountants play a significant role in curbing crime and corrupt practices in any public sector since they provide a mechanism to hold people accountable, such that those who manage resources in a fiduciary capacity do not easily abuse that trust without detection. Amongst other proffered solutions, it was recom-

mended that accounting professionals should always act proactively such that the members of the profession in Nigeria are kept abreast of emerging technologies, especially in the area of forensic accounting. The legislature should also see to it that the executive grants full autonomy to the agents of government that are charged with enforcing accountability. Office of the Auditor-General of the Federation, the Economic and Financial Crimes Commission, Independent Corrupt Practices Commission, and Code of Conduct Bureau, should be fully independent entities free to do their jobs without undue meddling and interference.

Key words: FIRS, Forensic Accounting, Regression Analysis, Crimes, Corruption

Introduction

The trend and the volume are increasing on a daily basis and all levels of the society are involved. The rich, the poor, the young and the elderly, the male and the female all are neck deep in fraud and fraud related activities that say a lot about our moral and family situations. From the politicians to the bank directors/executives, from the legal officers to the law enforcement personnel, from the civil servants to the school teacher, from the trader in the market to the hawkers on the street, the tendency for fraud and fraud related crimes is endless.

For instance, if one may ask; what compels the senior level manager, the low level employee or the longtime middle manager to ultimately risk everything, convinced that their crimes will go undetected? The characters in fiction on frauds and financial crimes, as in the real world, are frequently motivated by financial need caused by avarice, gambling debts, business reversals, poor investments or trying to maintain a lifestyle well beyond their means

The first and most sophisticated way of carrying out the fraudulent activities in many organizations is through the accounting and financial records. It is a recognized fact that the management of Enron - the celebrated energy company in USA defrauded by her top management - used creative accounting

to make the company look good and powerful on paper than it really was using special purpose subsidiaries that have a single purpose and that did not need to be included in Enron's balance sheet to hide risky investment activities and financial losses. However, forensic accounting helped subsequently to determine that many of Enron's recorded assets and profits were inflated, and in some cases, completely fraudulent and non-existent. Some of the company's debts and losses were recorded in offshore entities, remaining absent from Enron's financial statements. (Folger, 2011)

In many quarters, forensic accounting is equated to financial audit but they are miles apart. Forensic accounting is usually described as the integration of accounting and auditing skills with investigative techniques and professional skepticism. Alan Zysman, a noted forensic accountant since 1987, states, "Forensic accounting provides an accounting analysis that is suitable to the court which will form the basis for discussion, debate and ultimately dispute resolution." (Hecht and Redmond, 2012). One area of similarity is the provision in the Statement of Auditing Standard (SAS 1) that requires an auditor to approach his assignment with 'professional skepticism' which requires auditors to adopt a questioning mind and a critical assessment of audit evidence in assessing audit risk of fraud. (Ojo, 2012)

Objective verification is the primary goal of forensic accounting. For this reason, many forensic accountants are asked to testify in court cases as expert witnesses for either the prosecution or the defense. It can be said therefore that forensic accounting is not limited to fraud detection but also assisting in litigations with the hope of recovering any losses, hence a forensic accountant assignment must be of such a quality that it can withstand scrutiny by attorneys, judges and juries.

On the other hand a forensic accountant may be asked to calculate economic damages that occurred as a result of a breach of contract or provide insight into a case based on a claim of professional negligence. In Nigeria for instance, businesses are faced with breach of contracts which may be reasons for many abandoned projects mainly the government sponsored, by contractors who might have collected more than fifty percent of the contract sum. The application of forensic accounting can bring such fake contractors to book by providing appropriate financial evidence that can aid legal actions against them. Also, forensic accounting is considered to be a mechanism for global war against money laundering, terrorism financing, as well as other fraudulent and social vices that have impeded the nation's march to development (Oguma, 2011)

Literature Review

According to Jafaru (2011), Forensic and investigative accounting should be seen as the application of financial skills and investigative mentality conducted within the context of the rules of evidence to resolve unresolved issues

Bologna and Lindquist (1995) as quoted by Chariri (2009) stated that as an investigator, a forensic accountant can be seen as those who are specialist in fraud detection, and particularly in documenting exactly the kind of evidence required for successful criminal prosecution; able to work in complex regulatory and litigation environments; and with reasonable accuracy, can reconstruct missing, destroyed, or deceptive accounting records.

Meanwhile, as economists, they are particularly effective at economic loss, damage, and social harm estimates; familiar with the assumptions, algorithms, and calculations in econometric models and opportunity cost scenarios; can measure and quantify such things as loss of goodwill and reputation.

Finally, as appraisal experts, forensic accountants should be able to reliably express informed opinion on matters of business value, based on generally accepted theory; effective at evaluating the historical and projected degrees of risk and return of any going concern as well as any and all financial transactions involving assets, property, taxes, and equities

Forensic Accounting, Crime and Corruption

To be successful as a forensic accounting professional, one must be detail oriented, persistent, ambitious, and highly organized. Forensic accounting also requires a great deal of creativity, since you must often explain complex financial concepts to an audience that lacks basic accounting knowledge. It is not surprising that the American agency, the Federal Bureau of Investigation (FBI) confirmed that 'one key element was the creation of a standardized, professional investigative

support position known as the forensic accountant in 2009'. The forensic accountant at FBI conducts the financial investigative portion of complex cases across a wide variety of Bureau programmes including investigating terrorists, spies, and criminals of all kinds who are involved in financial wrongdoings. The agency went ahead to list the responsibilities of forensic accountants to include:

- Conducting thorough forensic financial analysis of business and personal records and developing financial profiles of individuals or groups identified as participating in suspicious or illegal activity;
- Participating in gathering evidence and preparing search warrants/affidavits associated with financial analysis;
- Accompanying case agents on interviews of subjects and key witnesses in secure and non-confrontational settings;
- Identifying and tracing funding sources and interrelated transactions;
- Compiling findings and conclusions into financial investigative reports; and
- Meeting with prosecuting attorneys to discuss strategies and other litigation support functions and testifying when needed as fact or expert witnesses in judicial proceedings.

The agency concluded that 'today around 15 percent of agents employed by the bureau are forensic accountants' (FBI, 2012). In essence therefore forensic accounting can be used to investigate and curb all manner of financial crimes and terrorism sponsorship.

Corruption and Forensic Accounting

Most civilized societies are dependent upon people doing the right thing. Despite rewards, punishment, and deterrence, the resources required to fully enforce all the laws would be astronomical. Even deterrence is

costly to implement and does not guarantee an adequate level of compliance. The bottom line is that a person's normative values of right and wrong dictate his behavior and determine compliance or noncompliance with the law.

Corruption as a concept is usually difficult to define, because of its relativity but one can put it in a perspective when it is identified for the purpose of outlining ways and means of combating it.

According to Nye, (1967), corruption is a behavior which deviates from the normal duties of a public role because of private – regarding family, close private clique, pecuniary or status gain, or violates rules against the exercise of private-regarding influence. This includes such behavior as bribery (use of reward to prevent the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of inscriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private-regarding use)

Mukoro, et al (2011:235) quoting Edafehirhaye and Edafehirhaye (2008:59) defines corruption as tendency and propensity to do what is wrong, evil or harmful to one's neighbour in spite of the knowledge of what is good. It is an attempt of subverting the rule of the game using trick to take public fund and using them for one's personal interest

The dishonest and illegal behavior exhibited especially by people in authority for their personal gain is corruption. (Ayobami, 2011) According to the ICPC Act (section 2), corruption includes vices like bribery, fraud, and other related offences. Corruption is the abuse or misuse of power or position of trust for personal or group benefit (monetary or otherwise). The growing corruption

in Nigeria can be traced to people holding power at the federal, state, and local government levels. Corruption does not involve just people in government, but also to people in both private and public positions and even traditional rulers.

Abayomi (2011) opined that our colonial heritage has altered our values and perception of morality; and listed some of the causes of corruption as follows:

- Trade Restriction. This is Government-induced source of rent a seeking/corruption. The restriction on importation of foreign automobiles are examples of how government officials and politicians can make quick money via rent seeking/corruption.

- Government subsidies. When government allocates scarce resources to individuals and firms using legal criteria other than the ability or willingness to pay, corruption is likely to be the result. Corruption can thrive under industrial policies that allow poorly-targeted subsidies to be appropriated by firms for which they are not intended.

- Price controls. The purpose is to lower the price of some goods below market value. For social and political reason, these are also a source of corruption.

- Low wages in civil service. When public wages are low, public servants may be compelled to use their official positions to collect bribes as a way of making ends meet, particularly when the chances of being caught are low.

- Sociological factors. Multi-ethnic societies may be more likely to fall prey to corruption as a result of failure to manage ethnic conflict in a way that is fair to everyone.

In proffering solutions to the corruption cancer, Abayomi (2011) advised that

Nigerians should emphasise transparency, integrity, and accountability in all their private and public transactions.

But the situation in Nigeria now is far more serious for the above suggested solutions. In *Businessday* publication of May 9th, 2012, Agbaje wrote 'Everyone knows, or ought to know the features and consequences of cancer – it spreads very rapidly through the host, destroying cells, weakening the body and, in due course, killing its victim. A cure from an advanced form of cancer, such as Nigerian corruption has become, is a rarity, and in the few cases in which that happens, it requires decisive surgical and other scientific or medical intervention, and some large dose of divine grace. Where cancer is treated with levity, the patient is a living dead. God forbid that Nigeria is just enjoying its last stages of mobile morbidity! But if we don't engineer a quick and decisive onslaught on corruption, it will destroy Nigeria – sooner than later.

The pension probe is not the only parade of unmitigated graft and brigandage on display in these times. The oil subsidy probe also shows, as we have all suspected, that the subsidy, rather than a mechanism to smoothen oil prices for the benefit of the poor, had become oil industry bureaucrats' (together with their allies and contractors') source of massive enrichment. Though it seems clear enough that the House committee's limited knowledge of public finance, banking, international trade and shipping, and oil and gas transactions (as well perhaps as a little exuberance) meant figures may have been somewhat exaggerated, but it is still apparent that significant impropriety took place within the oil subsidy regime, particularly during the Yar'Adua and Jonathan regimes. It is

a mystery that the lesson our people learnt from these is that subsidy must stay! (Agbaje, 2012)

Nigeria's anti-corruption agency has made feeble attempts to clean up Nigerian politics. Since 2005, it has charged 19 former state governors with corruption. But none has gone to jail despite the charges. Recently, a former state governor, quarreled with the president and was sacked. The EFCC then said he had embezzled millions of dollars and promptly declared him a fugitive. Corruption, it seems, is only a problem when you fall from grace.

The spate of financial crime and corruption is gangantum, the weak auditing and reporting style and inadequate knowledge of forensic accounting practice and the consequences on the people and the economy of Nigeria prompted this study. The objectives therefore is to ascertain the relevance of forensic accounting in curbing financial crime and corruption in the public sector by specifically examining the relevance of forensic accountants investigating crime and corruption in the public sector, as well as determining the roles and relevance of forensic accountants in litigations support services, documentation and reporting.

According to Izedonmi, (2000) a hypothesis is a hunch or an educated guess, a logical speculation based on available information relative to a problem, or a set of problems under investigation. We therefore developed the following hypotheses (stated in the null form) for this study –

H1: The forensic accountant is not relevant in investigating crime and corruption in the public sector

H2: The forensic accountant does not play a role in litigation support services in the public sector

H3: The forensic accountant is not relevant in documentation and reporting

Research Methods

The exploratory research design was used in this study. The population is made up of the Federal Inland Revenue Service (FIRS) and we applied the non-probability sampling technique, specifically, the judgmental methods of sampling in selecting a sample size of federal Inland Revenue Service in Lagos State, being the hub of Nigerian businesses with a large spread of offices of the Federal Inland Revenue Service

Both primary and secondary data collection methods were adopted. The questionnaires were designed to generate concise and precise answers from the respondents using close-ended questions. The response to the questionnaires were processed using electronic statistical package (SPSS) using regression analysis as a parameter to determine the effects on the variables under study.

A total of 100 questionnaires were issued to the staff of the Federal Inland Revenue Service, Lagos. 25 each were given to their branch offices (ITO) in Ikeja, Yaba, Apapa and Obalende. Of the 100 administered, 78 were returned, (78% retrieval rate) which is a reasonable level upon which research can be based and valid conclusion drawn.

Hypothesis Testing

Hypothesis 1

H1: The forensic accountant is not relevant in investigating crime and corruption in the public sector

Table 1.0 Coefficients(a)

Model	Unstandardized	Coefficients	Standardized	t	Sig
	B	Std Error	Beta	B	Std Error
1 (Constant)	5.576	.954		5.847	.000
The forensic accountant searches for evidence of criminal conduct or assist in the determination of or rebuttal of claimed damages	.021	.118	.019	.174	.863
Forensic accounting provides assistance with the protection and recovery of assets	.051	.143	.040	.361	.719
Investigative accounting provides coordination of other experts including private investigations, forensic document examiner, consulting engineers	.281	.110	-.284	-2.541	.013

Interpretation

The result of the regression analysis showed how much of the variance in the dependent variable is explained by the model. The R square value is 0.41. expressed by a percentage, this means that the model

explains 41% of the variance in the dependent variable. The statistical significance of 0.002 means that the null hypothesis should be rejected. Based on the result obtained from the table, it can be concluded that forensic accountants are relevant in investigating crime and corruption in the public sector.

Hypothesis 2

H2: The forensic accountant does not play a role in litigation support services in the public sector

Table 1.1 Coefficients(a)

Model	Unstandardized	Coefficients	Standardized	t	Sig
	B	Std Error	Beta	B	Std Error
1 (Constant)	3.220	.874		3.684	.000
Forensic accountant provides expert witness in litigation support service	.093	.111	.096	.833	.407
Forensic accountants assist with the examination for discovering, including the formulation of the act regarding the financials	.157	.125	.145	1.254	.214
Forensic accountants obtain document necessary to support or refute a claim	.054	.105	.071	.614	.541

Interpretation

The R square value is 0.38 expressed in percentages means that the model explained 38% of the variance crime and corruption with a level of significance of less than 5%.

Thus the null hypothesis should be rejected while the alternate should be accepted. Based on the results, it can be concluded that forensic accountants play a role in litigation support services in the public sector.

Hypothesis 3

H3: The forensic accountant is not relevant in documentation and reporting

Table 1.2 Coefficients(a)

Model	Unstandardized	Coefficients	Standardized	t	Sig
	B	Std Error	Beta	B	Std Error
1 (Constant)	3.626	.651		5.568	.000
The forensic auditor leaves audit trail in carrying out his investigation.	.215	.122	.199	1.759	.083
The forensic accountants expert's report is designed to support the client and rebut his opponent if the facts, issues, answers and authorities will lead to these conclusions.	.031	.085	-.042	-.370	.712

Interpretation

The test of the hypothesis showed an R square value of 38% variance and with a level of significance of 3.07, as such we rejected the null hypothesis. The result of the test informed our conclusion that the forensic accountants are relevant in documentation and reporting.

Conclusion and Recommendations

Forensic accounting and the forensic accountants play significant roles in the curbing of crimes and corruption in the public sector. The following findings were made from this study:

- The relevance of forensic accounting is growing worldwide as rising crimes, corruption, malfunctioning of regulators,

security scams and many up-coming issues of this kind all are openly indicating the increasing demand for forensic accountants.

- The causes of corruption in Nigeria are mostly as a result of obsession with materialism, compulsion for a shortcut to affluence, glorification and approbation of ill-gotten wealth by the general public. These reasons, among others, account for the persistence of corruption in Nigeria

- The forensic accountant plays an important role in litigation support services.

- The forensic accountant, in fighting crimes and corruption, has a better advantage within his distinct functions or roles performed compared to the regular auditor. If Nigeria desires to be 'deranked' as the most corrupt nation by Transparency International, she must rush to embrace this emerging trend in the accounting profession

so that crimes and corruption can be combated adequately both in the private sector and most especially the public sector of the nation.

- This is the age of knowledge economy and the accountancy professional bodies should increase their effort in providing functional and cutting edge education to their members and develop curriculum that would incorporate forensic accounting with a view to make them globally competitive.

- Educational institutions should lead the way while the legislative arm of government should enact legislations that will not

make all anti-graft, financial crimes and corruption agencies to not only be autonomous, but effective and efficient in performing their duties. It is not when a corrupt government official has lost face with powers that be that he should face investigation and trials.

Finally, it is no doubt this study could not have covered all areas of forensic accounting. It is therefore suggested that other researchers expand to the private sector and even increase the population to be covered. In an economy such as the Nigerian economy, forensic accounting is needed as it goes deeper to uncover fraud and hidden records.

APPENDIX

Table 1 Descriptive Statistics

Question	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Bsc/HND	23	29.5	29.5	29.5
Msc	34	43.6	43.6	73.1
Post Grad. Dip	11	14.1	14.1	97.2
Ph. D	10	12.8	12.8	100.0
0-5yrs Work Experience	12	15.4	15.4	15.4
6-10yrs Work Experience	29	37.2	37.2	52.0
11-15 yrs Work Experience	26	33.3	33.3	85.9
Above 15yrs W. Experience	11	14.1	14.1	100.0
Top Mgmt Staff	26	33.3	33.3	33.3
Middle Mgmt. Staff	32	41.0	41.0	74.4
Lower Mgmt Staff	11	14.1	14.1	88.5
Others	9	11.5	11.5	100
Q6 Forensic accountant review factual situation and provides suggestions regarding possible course of action				
Disagree	5	6.4	6.4	6.4
Undecided	11	14.1	14.1	20.5
Agree	26	33.3	33.3	53.8
Strongly Agree	36	46.2	46.2	100

Total	78	100	100	
Q7 F.A. searches for evidence of criminal conduct or assist the determination of or rebuttal of claimed damages				
Disagree	3	3.3	3.8	3.8
Undecided	10	12.8	12.8	16.7
Agree	29	37.2	37.2	53.8
Strongly Agree	36	46.2	46.2	100
Total	78	100	100	
Q8 Forensic Accounting provides assistance with the protection and recovery of assets				
Disagree	4	5.1	5.1	5.1
Undecided	12	15.4	15.4	20.5
Agree	24	30.8	30.8	51.3
Strongly Agree	38	48.7	48.7	100.0
Total	78	100.0	100.0	
Q9 Forensic accounting provides coordination of other expert including, private investigations, forensic document examiner, consulting engineers				
Disagree	0	0	0	0
Undecided	4	5.1	5.1	5.1
Agree	27	34.6	34.6	55.1
Strongly Agree	35	44.9	44.9	100
Total	78	100.0	100.0	
Q10 Forensic accountant provide expert witness in litigation support services				
Disagree	4	5.1	5.1	5.1
Undecided	12	15.4	15.4	20.5
Agree	24	30.8	30.8	51.3
Strongly Agree	38	48.7	48.7	100
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 2.3 Forensic accountants review the relevant documentation to form an initial assessment of the case in an identified area of loss

Q11 Forensic accountants review the relevant documentation to form an initial assessment of the case in an identified area of loss	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	9	11.5	11.5	11.5
Undecided	14	17.9	17.9	29.5
.Agree	26	33.3	33.3	62.8
Strongly Agree	29	37.2	37.2	100
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 2.4 Forensic accountants assist with the examination for discovering including the formation of the act regarding the financial`

Q12. Forensic accountants assist with the examination for discovering including the formation of the act regarding the financial	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	2	2.6	2.6	2.6
Undecided	3	3.8	3.8	6.4
.Agree	28	35.9	35.9	42.3
Strongly Agree	45	57.7	57.7	100.0
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 2.5 Forensic accountants attend the examination for discovery to review the testimony, assist with the understanding the financial issues and to formulate additional questions to be asked

Q13 Forensic accountants attend the examination for discovery to review the testimony, assist with the understanding the financial issues and to formulate additional questions to be asked	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	5	6.4	6.4	6.4
Undecided	26	33.3	33.3	39.7
.Agree	30	38.5	38.5	78.2
Strongly Agree	17	21.8	21.8	100.0
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 2.6 Forensic accountants obtain documents necessary to support or refute a claim

Q14 Forensic accountants obtain documents necessary to support or refute a claim	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	6	7.7	7.7	7.7
Disagree	4	5.1	5.1	12.8
Undecided	16	20.5	20.5	33.3
Agree	26	33.3	33.3	66.7
Strongly Agree	26	33.3	33.3	100.0
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 2.7 The forensic accountant provides relevant parties with report to judge the expert's opinion and the basis for these opinions

Q15 The forensic accountant provides relevant parties with report to judge the expert's opinion and the basis for these opinions	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	3.8	3.8	3.8
Disagree	4	5.1	5.1	9.0
Undecided	14	17.9	17.9	26.9
Agree	31	39.7	39.7	66.7
Strongly Agree	26	33.3	33.3	100.0
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 2.8 The forensic auditor leaves audit trail in carrying out his investigation

Q16 The forensic auditor leaves audit trail in carrying out his investigation	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	2.6	2.6	2.6
Disagree	3	3.8	3.8	6.4
Undecided	17	21.8	21.8	28.2
Agree	33	42.3	42.3	70.5
Strongly Agree	23	29.5	29.5	100.0
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 2.9 The forensic accountant's report is designed to support the client and rebut his opponent if the facts, issues, answers and authorities will lead to these conclusions

Q17 The forensic accountant's report is designed to support the client and rebut his opponent if the facts, issues, answers and authorities will lead to these conclusions	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree				
Disagree	4	5.1	5.1	5.1
Undecided	13	16.7	16.7	21.8
Agree	29	37.2	37.2	59.0
Strongly Agree	32	41.0	41.0	100.0
Total	78	100.0	100.0	

Source: Field Survey 2012

Table 3.1 Forensic accountants review factual situation and provide suggestions regarding possible courses of action.

	N	Minimum	Maximum	Mean	STD Deviation
Forensic accountants review factual situation and provide suggestions regarding possible courses of action.	78	2	5	4.19	.913
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.2 Forensic accountant searches for evidences of criminal conduct or assist in the determination of or rebuttal of claimed damages.

	N	Minimum	Maximum	Mean	STD Deviation
Forensic accountant searches for evidences of criminal conduct or assist in the determination of or rebuttal of claimed damages.	78	2	5	4.26	.829
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.3 Forensic accounting provides assistance with the protection and recovery of assets

	N	Minimum	Maximum	Mean	STD Deviation
Forensic accounting provides assistance with the protection and recovery of assets	78	2	5	4.23	.896
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.4 Investigate accounting provides co-ordination of other experts including: private investigations, forensic document examiner, consulting engineers

	N	Minimum	Maximum	Mean	STD Deviation
Investigate accounting provides co-ordination of other experts including: private investigations, forensic document examiner, consulting engineers	78	2	5	4.24	.776
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.5 Forensic accountants provide expert witness in litigation support services

	N	Minimum	Maximum	Mean	STD Deviation
Forensic accountants provide expert witness in litigation support services	78	2	5	4.40	.690
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.6. Forensic accountants review the relevant documentation to form an initial assessment of the case in an identified area of loss.

	N	Minimum	Maximum	Mean	STD Deviation
Forensic accountants review the relevant documentation to form an initial assessment of the case in an identified area of loss	78	2	5	3.96	1.012
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.7 Forensic accountants assist with the examination for discovering, including the formulation of the act regarding the financial evidence

	N	Minimum	Maximum	Mean	STD Deviatio
Forensic accountants assist with the examination for discovering, including the formulation of the act regarding the financial evidence	78	2	5	4.49	.698
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.8 Forensic accountants attend the examination for discovery to review the testimony, assist with understanding the financial issues and to formulate additional questions to be asked

	N	Minimum	Maximum	Mean	STD Deviatio
Forensic accountants attend the examination for discovery to review the testimony, assist with understanding the financial issues and to formulate additional questions to be asked	78	2	5	3.79	.871
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.9 Forensic accountant obtain document necessary to support or refute a claim

	N	Minimum	Maximum	Mean	STD Deviatio
Forensic accountant obtain document necessary to support or refute a claim	78	1	5	3.79	1.188
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.10 The forensic accountant provides relevant parties with report to judge the expert's opinion and the basis for these opinions

	N	Minimum	Maximum	Mean	STD Deviatio
The forensic accountant provides relevant parties with report to judge the expert's opinion and the basis for these opinions	78	1	5	3.94	1.036
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.11 The forensic auditor leaves trail in carrying out his investigation

	N	Minimum	Maximum	Mean	STD Deviatio
The forensic auditor leaves trail in carrying out his investigation	78	1	5	3.92	.950
Valid N (listwise)	78				

Source: Field Survey 2012

Table 3.12 The forensic accountant's expert's report is designed to support the client and rebut his opponent if the facts, issues, answers and authorities will lead to these conclusions.

	N	Minimum	Maximum	Mean	STD Deviatio
The forensic accountant's expert's report is designed to support the client and rebut his opponent if the facts, issues, answers and authorities will lead to these conclusions	78	2	5	4.14	.879
Valid N (listwise)	78				

Source: Field Survey 2012

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Determinants Of Dividend Policy: A Study Of Selected Listed Firms In Nigeria

~ Ph.D. **Uwuigbe Olubukunola Ranti** (Department of Accounting, School of Business, College of Development Studies, Covenant University, Ogun State, Nigeria)

E-mail: bukola.uwuigbe@covenantuniversity.edu.ng

Abstract: This study investigated the determinants of dividends policy in the Nigerian stock exchange market. To achieve the objectives of this study, a total of 50 listed firms in the Nigerian stock exchange market were selected and analyzed for the study using the judgmental sampling technique. Also, the corporate annual reports for the period 2006-2011 were used for the study. The paper was basically modeled to examine the effects of financial performance of firms, firm size, financial leverage and board independence on the dividend payout decisions of listed firms operating in the Nigerian stock exchange market using the regression analysis method. The study in its findings observed that there is a significant positive relationship between firms' financial performance, size of firms and board independence on the dividend payouts decisions of listed firms in Nigeria.

Key words: Nigeria; Dividend Payout; Financial Leverage; Financial Performance; Board Independence Annual Report

1.Introduction

Firms' decisions relating to dividend policy have been a subject of debate in the financial literatures. Series of theoretical models and explanations describing the factors that managers of organisations should

consider when making dividend policy decisions have been developed by academics and researchers. Dividend policy, in the context of this study, relates to firm's dividend payout policy that managers follow in deciding the pattern and size of cash distribution to shareholders over time. Following the work

of Lintner (1956) and Miller and Modigliani (1961), dividend policy has remained one of the most controversial issues in corporate finance. Over the years, series of academic research has been carried out on firms' dividend policy. This has led to a number of competing theoretical explanations for dividend policy. However, according to Black (1976:5) the concept has remained a puzzle in that "the harder we look at the concept of dividend policy the more it seems like an ending puzzle, with pieces that just do not fit together". Some of the questions that remain unanswered include: Does dividend policy affect value? What are the factors that determine dividend policy? Is dividend policy determined dependently or independently?

Prior academic literatures have attempted to provide answers to these questions and many more but mystery still shrouds the dividend policy decision of firms. Lintner (1956) opined that firms in the developed markets target their dividend payout ratio with the help of current earnings and past dividends. Therefore, in order to reach such target, various modifications are made in the dividend policy of a firm and thus firms should have stable dividend policies. Miller and Modigliani (1961) on the other hand are of the opinion that dividend policy is irrelevant in measuring the current worth of shares considering the irrational postulations of market perfections, zero transaction costs, perfect certainty and indifferent behaviour of investors.

However, despite the emergence of several decades of academic research mostly from developed markets, no agreement or consensus has emerged about the rival theoretical approaches to dividend policy. Series of market and firm characteristics have been

suggested as potentially significant in determining firm's dividend payout decisions. Nevertheless, attempt to examine these contending features and process them has in turn spawned a vast empirical literature majority of which are from developed economies. Interestingly, as a central motivation for this study, additional insight into the dividend policy debate can be gained by an examination of an emerging market or economy, which is currently to the best knowledge of the researcher, is limited. To this end therefore, this study will attempt to fill the gap in literature by examining the determinants of firms' dividend payouts in Nigeria.

To gain more insight into this paper, the paper has been structured as follows. Following the introductory section is the review of relevant literature and hypotheses development. The next section then presents the variables definitions, econometric model and the preliminary empirical evidence. Finally, the last section summarizes the main findings and conclusion of the study.

Scope of Study

This study basically attempts to examine some of the features that determine the behaviour of firms' dividend payouts ratio in Nigeria. To accomplish this objective, the annual reports for the period 2006 -2011 were analyzed. In addition, the study considered a total of 50 listed firms in the Nigerian stock exchange market. The choice of the firms' arises based on the frequency in which dividends are paid to shareholders and the availability of ownership structure data for the period under consideration.

2. Literature Review and Hypothesis Development

The term dividend policy can be described as the policy a company uses to decide how much it will pay to shareholders in dividends. The dividend policy a firm adopts has implications for different stakeholders such as managers, lenders, and investors. It is one of the most debated topics and a core theory of corporate finance which still keeps its prominent place. Debate about what drive companies to pay dividends has continued over the years. The earliest research was undertaken by Lintner (1956:97) on American companies in the mid of 1950s. Findings from the study show that dividend decisions made by companies are based on the current profitability and in part on the dividends of the previous year. However, since then, there have been a plethora of on-going debate on dividend policy and the results are mixed.

Fama and Babiak (1968) analysing the Lintner model on the dividend policy maintained that firms will try to increase the dividend only when the dividends can be sustained in future. Black (1976) finds no convincing explanation of why companies pay dividends to their shareholders.

However, in a related study, Booth and Cleary (2001) in their study concluded that a firm's dividend policy is affected by profitability, size, debt, risk, tangibility and growth.

Pruitt and Gitman (1991) in their study observed that risk is also a strong determining factor of firm's dividend policy. They opined that a firm that has relatively stable earnings is often able to predict approximately what its future earning will be. According to them, such a firm is more likely to pay a higher percentage of its earnings than firm

with fluctuating earnings. In other studies, Rozeff (1982), Lloyd et. al., (1985) and Colins et. al., (1996), a statistically significant negative relationship was observed to exist between beta and dividend payout. These findings further suggest that firms having higher level of market risk will payout dividends at lower rate.

Olantundun (2000) examined the determinants of dividends in Nigeria using the Lintner-Brittain model for the full sample of observations from 1984-1994. Findings from the study indicate that there are no significant interactions between the conventional Lintner / Brittain model and dividend decisions of Nigerian firms. They concluded that the dividend behaviour of Nigerian firms depends on the firm's size, growth prospects and the level of gearing.

In a comparative study of Australia and Japanese firms, Ho (2003) opined that out of all the regressed variables of profitability, size, liquidity, leverage, risk, asset mix and growth, the dividend policies are affected positively by size in Australia and liquidity in Japan and negatively by risk in Japan only. The study also observed that industry effect was also significant in both Australia and Japan which indicates the importance of the industry in which a firm competes. Similarly, Kumar (2003) in a study of the possible association between ownership structure, corporate governance and firm's dividend payout policy; Kumar observed that a positive association exists between dividends and earnings trend. While debt-to-equity was found to be negatively associated, past investment opportunities were positively associated with dividend payout policy in India.

Kania and Bacon (2005) examined the impact of profitability, growth, risk, liquidity

and expansion on the dividend decision/policy of a corporation by analyzing the financial data of over 10,000 publicly traded firms. The study concluded that the dividend payout ratio is significantly affected by the profitability, growth, risk and liquidity.

In Iran, Etemadi and Chalalki (2005) examined the association between management performance and the cash dividend of listed firms in Tehran stock exchange. The results show that there is a significant positive relationship between management performances and cash dividends. Similarly, Jahankhahi and Ghorbani (2005) attempted to find out the determining factors of dividend policy in Tehran stock exchange market. Findings from their study show that firm's dividend policy follows the random walk model.

Amidu and Abor (2006) examined the determinants of dividend pay ratio on the platform of financial statements of accepted companies in African exchange within a 6-year period. The results of this research indicate a significant positive association between dividend pay ratio and earning, cash flow and tax and also a significant negative association between dividend pay ratio and risk, institutional ownership, development and market value to the book value.

Malkawi (2007) studied the determinants of corporate dividend policy in Jordan for the period 1989-2000. The study found out that size, age and profitability of the firms where major determining factors of corporate dividend Policy in Jordan. The study further provided a strong support for the agency costs hypothesis and is broadly consistent with the pecking order assumptions. Also, Al-Twajry (2007) confirmed that current dividends are affected by the past and future earnings. Also, dividends were associated

with net earnings but less strongly. Neither the age of the paying dividend company nor its home sector had an impact on the amount paid on each share (DPS). However, size was found to have a significant effect on the DPS as compared to either the current, past or future net earnings.

Anil and Kapoor (2008) in their paper examined the determinants of dividend payout ratio of the Indian Information Technology sector. For the pooled data for seven years, they observed that cash flows, corporate tax, sales growth and market-to-book value ratio do not explain the dividend payment pattern that existed in the information technology industry. However, liquidity and beta (year-to-year variability in earnings) were found to be noteworthy determinants. Similarly, Abdelsalam et. al., (2008) investigated the dividend policy of 50 listed firms in Egypt for the period 2003-2005. Findings from the study show that a significant positive association existed between institutional ownership and firms' efficiency.

Nevertheless, despite the series of prior empirical researches that have been undertaken, it is observed that most of these studies have emerged majorly from developed economies. However, in order to shed more light on the determinants of firms' dividend policy, this study will attempt to re-examine some of the determinants of dividend payout of listed firms in Nigeria.

Development Of Hypotheses

In order determine some of the factors that influence the dividend behaviour of firms in Nigeria, the following hypotheses stated in the null form were tested in this study:

H1: There is no association between the financial performance of firms and dividend payout of listed firms in Nigeria.

H2: There is no significant association between firm size and the dividend payout of listed firms in Nigeria.

H3: There is no significant association between debt ratio and the dividend payout of listed firms in Nigeria.

H4: There is no significant association between board independence and the dividend payout of listed firms in Nigeria

3. Research Methodology

To achieve the objectives of this study, the annual reports for the period 2006-2011 were examined. This is due to the fact that annual reports are readily accessible. However, using the judgmental sampling technique; a total of 50 listed firms operating in the Nigerian stock exchange were selected. This represents 21.5% of the total population. This is consistent with the propositions of Krejcie & Morgan (1970) where a minimum of 5% of a defined population is considered as an appropriate sample size in making generalization. The choice of the sampled firms was based on the availability of annual reports, size and most importantly their ability to pay dividend during the period under consideration. Nevertheless, in order to re-examine the research hypotheses stated in this study, the ordinary least square (OLS) data estimation method was used.

Model Specification:

In line with the postulations as stated in the hypotheses, the following model is used to re-examine the association between independent and the dependent variables of the listed firms in Nigeria.

$$DPO_{it} = f(ROE_{it}, FSIZE_{it}, FL_{it}, BI_{it}, e_{it}) \quad (1)$$

This can be written in explicit form as:

$$DPO_{it} = \beta_0 + \beta_1 ROE_{it} + \beta_3 FSIZE_{it} + \beta_4 FL_{it} + BI_{it} + e_{it} \quad (2)$$

Where:

DPO_{it} = Dividend Payout ratio is measured as the dividend per equity share divided by earnings per share

ROE_{it} = Return on Equity for firm i at time t (in years). Used as a proxy for performance and is measured as net profit after tax divided by shareholders equity.

$FSIZE_{it}$ = Firms size is measured by the natural logarithm of the book value of the firms Total Assets.

FL_{it} = Financial leverage is proxied as the debt to equity ratio. It measures the percentage of debt over equity.

BI_{it} = Board independence relates to the total non-executive directors over total number of directors

e = Stochastic or disturbance term.

t = Time dimension of the Variables

β_0 = Constant or Intercept.

β_1-4 = Coefficients to be estimated or the Coefficients of slope parameters.

The expected signs of the coefficients (a priori expectations) are such that $\beta_1, \beta_2, \beta_4 > 0$ while on the other hand $\beta_3 < 0$.

4. Discussion of Findings

Table 1: Descriptive Statistics of Variables

Variables	Observations	Mean	Std. Dev	Min.	Max
DPO	50	4570417	2922138	.1111	994987
ROE	50	3357537	2746883	-.378712	.954602
FSIZE	50	4.404154	6.275886	.11	19.5245
FL	50	9212481	.694288	.0013	6.6802
BI	50	.59326	.1891958	.14	.973

Source: field survey (2012)

Table 2: Pearson Correlations Coefficients for Sampled firms

	DPO	ROE	FSIZE	FL	BI
DPO	1.0000				
ROE	0.3776	1.0000			
	0.0069				
FSIZE	0.7709	0.1822	1.0000		
	0.0000	0.2053			
FL	-0.3121	-0.2666	-1589	1.0000	
	0.0273	0.0612	0.2703		
BI	0.4752	-0.2139	0.4611	0.0025	1.0000
	0.0005	0.1358	0.0008	0.9862	

Source: field survey (2012)

Table 3: Anova

Source	SS	df	MS
Model	3.03318145	4	.758295362
Residual	1.15087438	45	0.25574986
Total	4.18405583	49	.085388894

Source: field survey (2012)

Table 4: Regression Result

DPO	Coefficients	Std. Err.	t	P > t	[95% Cof.	Interval
ROE	.3143026	.0924754	3.40	0.001	.1280475	.5005577
FSIZE	.0263581	.0043589	6.05	0.000	.0175788	.0351374
FL	-.0248522	.0408065	-1.76	0.084	-.0532238	.0035195
BI	.4289556	.1447921	2.96	0.005	.1373294	.7205818
_CONS	.0038412	.0966071	0.04	0.968	-.1907354	.1984178

No. of Obs.	50					
F (4, 45)	29.55					
Prob > F	0.0000					
R-squared	0.7249					
Adj R-squared	0.7005					
Root MSE	0.15992					

Table 5: Variance Inflation Factor

Variables	VIF	1/VIF
BI	1.44	0.695515
FSIZE	1.43	0.697449
ROE	1.24	0.808884
FL	1.09	0.916303
Mean VIF	1.30	

Results from our descriptive statistics as shown in table (1) present a mean dividend payout (DPO) of about .4570417 for the selected firms under consideration. This represents an averaged percentage distribution of about 45% for the period. On the other hand; return on equity, firm size, financial leverage and board independence maintains an averaged mean distribution value of about .3357537, 4.404154, .921248 and .59326 respectively for the sampled listed firms in the Nigerian stock exchange market. Further, empirical findings from the Pearson correlation analysis on the relationship between dividend payout and the financial performance of firms show that there is a positive association between the performance of firms (proxied by ROE) and the dividend payout of listed firms in Nigeria, and it is significant at 1% probability level with a correlation coefficient (r) of about 0.3776.

Also, the Pearson correlation analysis result shows that there is a positive association between the size of firms (FSIZE) and

the dividend payout of the listed firms in Nigeria and it is also significant at 1% probability level with a correlation coefficient (r) of about 0.7709. Similarly, findings from table (2) further indicate that there is a significant positive association between board independence (BI) and the dividend payout of listed firms. This is evident with a correlation coefficient of about (r) 0.4752 and it is significant at 1% level. However, findings on the association between the financial leverage (proxied by FL) and the dividend payout show that a negative association does exist between the financial leverage of firms (proxied by FL) and the dividend payout of listed firms in Nigeria.

Furthermore, the test for multicollinearity was carried out before analysing the regression model. According to Field (2000), this test is necessary because multicollinearity can affect the parameters of a regression model. Adeyemi and Fagbemi (2010) suggested that a tolerance value less than 0.1 indicates a serious multi-collinearity

problem between the independent variables. Nevertheless, since all values are more than 0.10, there is no issue of multi-colinearity between the independent variables. Also, Myers (1990) suggested that a variance inflation factor (VIF) value greater than 10 calls for concern, however, for this study, the VIF values are less than 10.

Consequently, findings from the regression analysis result for the selected firms as depicted in table (4) indicates that from the model, the R^2 which is often referred to as the coefficient of determination of the variables is 0.7249. The R-Squared which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 72% of the variability the share prices of firms. This means that the model explains about 72% of the systematic variation in the dependent variable. That is, about 18% of the variations in dividend payout policies of the sampled firms are accounted for by other factors not captured by the model. This result is complimented by the adjusted R^2 (adjusted R-squared) of about 0.7005%, which in essence is the proportion of total variance that is explained by the model.

Similarly, findings from the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in table (3), presents a p-value that is less than 0.05 (p-value < 0.05); this invariably suggests clearly that simultaneously the explanatory variable (i.e. firms performance, firms size, financial leverage and board independence) are significantly associated with the dependent variable (dividend payout). That is, they strongly determine the behaviour of firms' dividend payout policies.

However, further empirical findings as provided in table (4) show that there is a

significant positive relationship between the financial performance of firms and dividend payout of firms listed in Nigeria. This is evident with the t-statistics value of 3.40 and a $P > |t|$ (0.001). This outcome basically implies that with all other variable held constant, an increase or a change in the financial performance of firms, say by one percent will on the average bring about a .3143026 percent increase in the dividend payout policies of listed firms operating in Nigeria. That is an increase in the financial performance of firms will also lead to a positive improvement in firms dividend payout ratio. In essences, we can deduce from this result that the financial performance of firms have a significant positive impact on the dividend policy decisions of listed firms in Nigeria. Interestingly, this is in line with the propositions of Baker and Powell (2000), Al-Najjar and Hussainey (2009), and Kowalewski (2007). The firm with high profits has the potential to pay dividends more than less profitable firms. However, this result does not agree with the findings of Kania and Bacon (2005) and Amidu and Abor (2006) where they maintained the fact that profitability is significant and negatively associated with dividend payout. That is firms will prefer investing in their assets rather than rather than paying dividends to shareholders.

Similarly, empirical findings provided in table (4) show that there is a significant positive relationship between the firms' size of firms and the dividend payout decisions of listed firms. This is also evident in the t-statistics value of (6.05 and the $P > |t| = 0.000$). This outcome basically implies that in line with previous studies, larger size firms' pays out more dividends as compared to smaller size firms since larger firms typically have

easier and better access to the capital market to raise funds with lower cost and fewer constraints compared to a small firm. This in a nutshell suggests that the dependence on internal funding decreases as firm size increases. Therefore, all things being equal, large firms are more likely to afford paying higher dividends to shareholders. This outcome nevertheless corroborates the opinions of Al-Najjar and Hussainey (2009), Ho (2003), Aivazian et al. (2003), Kumar (2003) and Malkawi (2007) where they opined that firm size was a strong determining factor in firms' dividend payout decisions since larger firms has more and diversified resources to pay dividends.

Furthermore, empirical findings from the regression analysis on the relationship between financial leverage (expressed in terms of debt-equity ratio) and the dividend payout of listed firms in Nigeria indicate that there is a significant inverse relationship between firms' financial leverage and the dividend payouts decisions of listed firms. This is however evident in the t-statistics value of (-1.76 and $P > |t| = 0.084$). This implies that with the influence of other variable held constant, as firms financial leverage position changes; say by one percent, on average, the dividend payout ratio of listed firms' also changes by -.0248522 percent in the opposite direction. This outcome means that there is a significant inverse relationship between firms' financial leverage position (proxied by debt-equity ratio) and the dividend policy decisions of listed firms in Nigeria. Accordingly, as the debt content in the capital structure of a firm decreases, its dividend payout ratio rises and vice versa. Therefore, riskier and more financially indebted firms will always prefer to pay lower dividends.

This result nevertheless, is in line with the views of Rozeff (1982), Kowalewski (2007), Al-Malkawi (2007) and Al-Kuwari (2009) where they opined that a significant negative association does exist between firms' financial leverage and the dividend payout decisions of firms; since firms with high financial leverage tend to have low payout ratios in order to reduce the transaction costs associated with the external financing. However, this result does not agree with the findings provided in Kania and Bacon (2005).

Finally, in addition to the aforementioned findings, table (4) also provides the result on the relationship between board independence and the dividend payouts decisions of listed firms. Regression analysis result shows that there is a significant positive relationship between the board independence (proxied by total non-executive directors over total number of directors) and the dividend policy decisions of listed firms in Nigeria. This is nonetheless evident in the t-statistics value of (2.96 and $P > |t| = 0.005$). This regression result basically implies that the greater the number of independent directors present in the board, the higher they will be willing to pay more dividend since independent directors are monitoring investor interest by participating in the board's decisions. This outcome is consistent with the findings of Belden (2005), Kowalewski et al. (2007) and Jiraporn et al. (2008) where they maintained the fact that outside directors on the company board tend to reduce the agency cost in the firm and also they basically tend to represent the shareholders effectively and ensure their rights in the company. As a result, the more outside members that are on the board, the more dividends the company was willing to pay.

Conclusion

This study basically examined the determinants of dividend policy in Nigeria. To achieve the objectives of this study, the Nigerian stock exchange fact book and the corporate annual reports for the period 2006-2010 were analyzed. The study nevertheless came up with the following findings that are of salient value to investors and scholars.

Based on the hypotheses tested, the study observed that there was a significant positive association between the financial performance of firms and dividend payout of firms listed in Nigeria. This outcome nevertheless was in line with the propositions of Baker and Powell (2000), Al-Najjar and Hussainey (2009), and Kowalewski (2007). Also, in line with the views of Al-Najjar and Hussainey (2009), Ho (2003), Aivazian et al. (2003), Kumar (2003) and Malkawi (2007), the study observed that firm size was also a strong determinant of firms' dividend payout decisions; since larger firms typically

have easier and better access to the capital market to raise funds with lower cost and fewer constraints compared to a small firm.

Similarly, the study also revealed that there is a significant positive relationship between the board independence (proxied by total non-executive directors over total number of directors) and the dividend policy decisions of listed firms in Nigeria. However, contrary to the findings provided in hypotheses one, two and four; findings from the third hypothesis revealed that there is a significant negative relationship between firms' financial leverage and the dividend payouts decisions of listed firms operating in Nigeria. Therefore, as the debt content in the capital structure of a firm decreases, its dividend payout ratio rises and vice versa. To this end, riskier and more financially indebted firms will always prefer to pay lower dividends. More so, firms with high financial leverage tend to have low dividend payout ratios in order to reduce the transaction costs associated with the external financing.

APPENDIX: List of Sampled Firms with Averaged Values for 2006-2011

S/N	FIRMS	DPO	ROE	FSIZE	FL	BI
1	7up Bottling Company Plc	.499398	.309971	1.893000	.062900	.6700
2	Flourmill of Nigeria Plc	.165005	.143451	.127600	.013400	.6900
3	Horneywell Flour Mills Plc	.112000	.141421	.110000	5.037700	.7100
4	National Salt Company (Nigeria) Plc	.994987	.590388	9.421000	.021200	.6700
5	Nestle Nigeria Plc	.864548	.275300	18.52300	.016100	.7500
6	Nigerian Breweries Plc	.149856	.097483	.212000	.551000	.7300
7	Cadbury Nigeria Plc	.366950	.026222	1.222000	.410400	.5200
8	Premier Breweries Plc	.158892	.229242	.121000	.001900	.5500
9	Nigeria Bottling Company Plc	.233006	.341408	1.133000	.080200	.5800
10	International Breweries Plc	.370835	.831726	.220000	.054600	.5400
11	Guinness Nigeria Plc	.712523	.646619	4.545600	.112100	.6200

12	Presco Plc	.120000	-.113417	.210000	5.714500	.5700
13	Okomu Oil Palm Plc	.112000	-.378712	.231000	4.112300	.6800
14	Okitipupa Oil Palm Plc	.757440	.954602	2.340000	.001400	.6900
15	Livestock Feeds Plc	.111100	-.006157	.123100	.001300	.6900
16	FTN Cocoa Processors Plc	.317429	.435806	.941000	.058500	.6100
17	Ellah Lakes Plc	.213000	-.036778	.986000	6.680600	.6000
18	Nigerian Wire Industries Plc	.198063	.233465	.810000	.012100	.6100
19	Nigerian Ropes Plc	.812242	.053232	14.20000	.002500	.8300
20	Lafarge Cement Wapco Nigeria Plc	.372134	.010917	.610000	.002000	.7100
21	Cement Company of Northern Nigeria Plc	.210000	-.088579	.153400	4.187200	.6900
22	Dangote Cement Plc	.289763	.121646	1.134000	1.176700	.6000
23	Ashaka Cement Plc	.877219	.563508	9.498000	.032300	.6000
24	Premier Paints Plc	.764286	.498577	9.530000	.002300	.4500
25	African Paints (Nigeria) Plc	.966585	.282288	3.455000	.039500	.6600
26	Berger Paints Plc	.573653	.266971	.130000	.638400	.7300
27	Cap Plc	.278165	.229905	1.300000	.181600	.6300
28	DN Meryer Plc	.158892	.572925	.124000	.232400	.5300
29	IPWA Plc	.330059	.234140	.220000	.156600	.5700
30	Nigerian German Chemicals Plc	.198063	.039465	.213000	.062300	.5100
31	Paints & Coatings Manufacturers Nigeria Plc	.812242	.455323	19.52450	.023000	.8300
32	PS Mandrides & Company Plc	.317429	.436345	.342000	.320000	.3300
33	Beverages (West Africa) Plc	.945875	.534565	5.370000	.012300	.9500
34	Costain (West Africa) Plc	.856484	.212306	9.420000	.012300	.7700
35	Arbico Plc	.167857	.345558	.240000	.240000	.1400
36	Unilever Nigeria Plc	.333306	.234544	.160000	.160000	.3700
37	Grommac Industries plc	.145269	.256722	.450000	.450000	.1500
38	Access Bank Plc	.264859	.456777	.230000	.230000	.2500
39	AfriBank Nigeria Plc	.358235	.567559	.210000	.210000	.2600
40	Bank PHB Plc	.770227	.299766	6.534500	.023000	.7500
41	Diamond Bank Plc	.333423	.451662	.110000	.110000	.3900
42	Ecobank Nigeria Plc	.778212	.563508	19.33000	.101300	.7900
43	Fidelity Bank Plc	.864566	.456767	18.45000	3.450000	.6700
44	First Bank of Nigeria Plc	.887655	.565488	14.55000	2.550000	.9730
45	First City Monument Bank Plc	.267853	.569715	.120000	2.120000	.6800
46	W.A Glass Industries	.274568	.945899	.130000	3.130000	.2800

47	Japaul Oil And Maritime Services Plc	.254456	.845242	.220000	3.220000	.2100
48	Incar Nigeria Plc	.424565	.234140	12.32000	.011200	.7500
49	R.T. Briscoe Plc	.694563	.394231	15.21000	.010200	.5200
50	DN Tyre and Rubber Plc	.812346	.454532	13.55000	.023100	.6100

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Conceptualizing in Special Sciences

~Ph.D. **Bogdan Boghitoi** (Faculty of Philosophy, University of Bucharest)

E-mail: bogdan.boghitoi@gmail.com

Abstract: *the paper examines a few methods for drawing categories that can be employed in special sciences. By examining some of the core phenomena that laid the basis of the most prominent approaches to typing in special sciences, it shows that we must accept a novel approach to delineating scientific kinds. Its peculiarity is that makes the latter parts of an array of structures, rather than possessing a fixed one. This can provide with a useful principal line of approach the leaders attempting to organize complex and evolving phenomena.*

Key words: concepts, special sciences, epistemology, evolution, functional, organization

One of the unfulfilled ideals of the modern mind is that of “unity of science”. It is, at the core, a reductive ideal (Oppenheim and Putnam 1958). A key part part of its reductive approach consists, most often, in finding matches between the kinds one employs to theorize about certain processes and unique types of entities on a lower level in a mereological scale. This is widely assumed

to provide reductions of the theory on the upper level to that on the lower one, and ultimately to the most basic, namely that of physics. Nevertheless this ideal, according to which every type of entity has to be shown to be ultimately equated with a definite type of microstructure, has been vehemently challenged. One source was the functional approach, originating in the philosophy of

mind. The origins of functionalism lay in the assimilation of our psychological states with the functioning of a Turing machine. The same way a Turing machine is characterized by a “machine table”, which describes the transitions between an input, internal states and output, a physical system will have an internal functional structure, which describes steady causal relations between the sensory stimulations, internal states and the behavioral output.(Putnam 1967). Mental properties are nothing more than places typically held in causal chains. What individuates the mental states is their causal relations with the input and output. (see Lewis 1972).

One rather immediate consequence of the functionalist outlook is the multiple realizability. The causal structure involved can be realized by a host of realization bases, not amenable to a unique description in the language of the theories dealing with the inferior levels. Such functional descriptions of phenomena imply nothing with regard to microstructural properties of what underlies this web of causal relations. From this standpoint, a theory about the mind means tracking causes at this upper level, without specifying anything what the lower level phenomena implementing it are supposed to be. Any assembly of entities that can enter into the patterns of causation specified by the functional description would do.

Although functionalism has started as a stance on the theories about mind and behavior, philosophers have been quick to realize that the same issues at the core of this approach also face other special sciences. There are situations where our only chance to make science is to track this upper level causal chains, between items that are typed so that they would be capable to enter into

stable causal relation, but without being capable to effectively indicate any fixed microstructural pendants. As Fodor remarks (Fodor 1974), there are scientifically interesting general statements that can be made about items whose physical description has nothing to do with each other. Whatever they have in common according to this lower level descriptions has nothing to do with the truth of the upper level generalizations. One example to this point could be economic general statements, such as those concerned with monetary exchange (e.g. Gersham’s law). Nevertheless money can have different physical make-ups, like coins of different metals and sizes, banknotes, a certain electrical charge in the memory of a computer (in the case of electronic money), they can be wampoons and so on. Such examples strongly suggest that any description of the physical realization of money must be wildly disjunctive. Nevertheless when it comes to monetary exchange, whatever the physical structure of money, we are bound to attend to the upper functional level because there are here interesting generalizations that otherwise would be missed.

Of course, there is also a backlash. According to Kim microstructure is crucial for having genuine natural kinds because the macrophysical properties are determined by microstructure. Take for instance jade, which is not a true mineral kind. “Jade” designates actually two different substances, with unlike molecular structures, namely jadeite and nephrite, although its surface properties might be similar, and we might employ both substances for similar purposes, which makes us to employ the naïve taxonomy we use in our daily lives. Nevertheless being jade cannot be a scientific predicate, as any

putative law containing it has problems with projectability. We simply won't have any guarantee that any new instance of jade will behave in the way we anticipate it would do, as we would expect by inductive reasoning based on the properties of a given pool of jade items we already investigated. It might for instance, simply turn out that all the samples of jade examined so far by scientists in order to determine how it behaves in certain circumstances – for instance how it reacts to a certain substance – might be actually nephrite, and we have no way to extrapolate the results to a new instance of jade which is made out of jadeite. What guarantees the similarity in behavior is the microstructure of the instances. Were jade to have a unitary microstructure, we would be entitled to predict from the instances we already examined the behavior any future jade piece will have. Entities having similar microstructure behave similarly. Thus it is necessary to belong to a given natural kind to share the same microstructure, which in turn, as Kim quite elegantly shows allows a smooth microstructural reduction. (Kim 1992)

We won't try a direct refutation of one or the other of the arguments produced by one or another of the two antagonistic approaches in order to establish its indispensability when it comes to determining what is to count as a natural kind. The dispute between the two camps already generated an abundant literature, to which we won't attempt to add. What we intend is propose a third way of typing. It preserves the multiple realization, while being irreducible to both previous approaches. In this respect, we will try to get as much help as we can from a case study in the very field that kick-started functionalism. Namely, we will try

to examine what would work as an effective procedure for categorizing the modalities, therefore some of cognitive processes. What this analysis will put forward is a method of categorization that is neither functional nor microstructural. This pleads for a multitude of approaches when it comes to defining classes in special sciences, turning special sciences into a patchwork with local rules rather than an unified landscape, where one method would assert its hegemony. Regardless of the value of the functional approach, the microstructural individuation of scientific kind and even the functional approach to be supplemented by another approach, that relies on the evolution of a certain structure (be it described in terms applying to its macrophysical or microphysical makeup), not on its intrinsic characteristics.

Thus, what we would like to do is review the criteria traditionally employed for individuating the sense modalities. They are a mix of functional and microstructural approaches, which unfortunately don't succeed to establish a viable criterion for what is to be a certain sense. The modern discussion on the issue of the modality individuation was practically initiated by Grice (Grice 1962), who identifies 4 criteria by which senses could be distinguished. To these four criteria, which acquired both friends and foes, the literature on the subject added a few more, that we need to discuss also. As a result, we can identify seven criteria that can provide support in our attempt to have clear cut scientific kinds.

1. One way to decide what counts as a certain modality is to rely on what we become aware by the means of them. For instance sight makes us perceive whiteness and or roundness, while hearing makes us perceive sounds of a certain pitch, loudness

or with certain tone qualities¹. This is at the root a commonsense functionalist approach to individuating the modalities. The core intuition is that we “hear” or “see” such external properties of things, which impress our senses and this sensing of specific qualities is what is to be a certain modality. But although many times folk psychology might get our mental states right and inspire valid approaches in science, coming up with clear cut formulae inspired by it, isn’t always easy. In occurrence, the present attempt to get criteria for typing doesn’t seem to work. On one hand, certain advances in this field of research, in conjunction with rather well studied phenomena, show that none of the proper contents of sight is necessary. First, it is not necessary to see colors in order to have vision – total achromatopsia does not prevent us from attributing sight. Also, there is the case described by Zeki (Zeki et al. 1999), of a patient whose visual experience was limited to colors only. He was insensitive to shapes, spatial position and, generally speaking, none of the other contents populating our vision. These two pathologies encompass practically the whole range of visual experiences of men, so none of the things vision makes us aware seems to be required. On the other hand becoming aware that a certain thing has a definite color or shape can be done by the means of other senses (for instance because we hear someone telling us that this is the case). Therefore this approach cannot provide us with sufficient criteria for a certain modality.

¹ The proprieties involved should be clearly distinguished from those of the subjective experiences and of the physical phenomena, making possible a certain type of sensory experience, that will be discussed below.

2. senses can be told apart by the special introspective character of the experience they sustain. Regardless of what we learn through them, the experience of seeing is qualitatively different from the experience of hearing. The sheer difference of what when we subjectively experience when we see or hear makes us capable to tell them apart. This criterion, of a definite philosophical origin, makes use of the qualia that it functionalizes. They act as triggers for a certain internal process that makes us aware of the different types of perceiving.

But as Keeley notices (Keeley. 2002. pp. 23-25) such a criterion has difficulties dealing with the vomeronasal sense. The peculiarity of vomeronasal sense is that detects pheromones but it does not produce any accompanying qualia. Although the evidence for such a system is piling up, the existence of a vomeronasal system in humans is controversial, as Keeley dully notices. Nevertheless, the argument can be completed, so that it could cope with these prospects.. What we should notice above all is that the problem is conceptual. We can very well conceive a sense that feeds data into cognitive subsystems that are inaccessible to the conscious parts of our psyche, thus failing to generate any qualia. After all, much of the data the nervous system processes remains unconscious. A scientist needs to operate with such a concept of sense, which does not require individuation by qualia, in order even to formulate its hypotheses. And do we know that in animals where such a system is functional it does produce qualia? To my knowledge no scientist has approached such a problem, let alone making qualia a necessary criterion for asserting that a certain species possess a specific sense. Therefore, the attribution of

modalities does not seem to depend on presuming specific qualia.

3. Another criterion that has been advanced relies features of the physical events which activate them. It ultimately substitutes the typing of stimuli in terms of the macroscopic properties (color, shape and so on) with their microphysical basis, as described in the language of physics. This is the criterion endorsed by Heil (Heil 1983). According to Heil modalities are to be distinguished (insofar as possible) by reference to the kinds of "physical stimulation" enabling the creature to extract information from the environment (Heil 1983, p.8). For instance seeing extracts information from light, hearing from certain types of pressure waves and so on. Heil admits that senses cannot be sharply distinguished. Nevertheless, if one attempts to use such a criterion to draw sharp demarcations, he will face serious problems, especially with constructing a set of physical events that is necessary for individuating senses. For instance nocioperception, that is perception of pain, is activated by a vast variety of physical events, none of them necessary for feeling pain. Contact with the substances liberated by the stings of the nettle or electric shock produce pain in humans but for other other species it might be innocuous, or irritating substances might fail altogether to activate pain detectors, which are activated instead by other events. Actually, for each type of physical event producing pain in humans, we can imagine a species that are insensitive to it, while still possessing nocioperception, so none of them is necessary.

4. The fourth (and the last) Gricean criterion is the internal mechanisms of the senses, or as Keely puts it, the character of the putative sense organs and their modes of

connection with the brain.(Keeley 2002:13). We should look at the anatomy of the sensory organs and of the nervous system. Thus, we need to find a certain organ responding to certain types of physical stimuli, certain determinate nerves and a certain organ, like the brain, where these neurons lead to. This is an obviously microstructural criterion. Anyway, the it will have to deal with he anatomical diversity of the sense organs emphasized by Pacherie (Pacherie 1997: 19). We can't take as reference the peculiar anatomy of human sense organs, as the compound eyes of insects are very different in their anatomy. We shall come back on this criterion as on one hand, I shall attempt to show, as it is not entirely devoid of any value. On the other hand we have to face the fact that Pacherie points at one of its genuine weaknesses.

5. There is also the criterion of "dedication". (Keeley 2002, p. 17), that is "the evolutionary or developmental importance of the putative sense to an organism ". We should not attribute a certain sensory modality unless the sensed proprieties are part of the environmental variables to which the organism is evolutionarily attuned through past natural selection. For instance we should not posit an electric sense just because we can sense electric discharge from a battery we put on our tongue. Criterion (5) attempts to select as sense just what is biologically important for the organism. The problem is that any physical stimulation that the organism can detect can become important for it. Just because an organism can respond to a class of stimuli does not mean they are important for him.

The problem is that from an evolutionary standpoint it is impossible to trace demarcation lines between what is important and what is not. Being shaped by natural selection

for performing a certain function can't help us here, nor, as we shall see, trying to make this criterion a bit milder. As it happens, the biological function an organ performs shifts. Exaptation is quite a common phenomenon in the living world. It makes structures that evolved to serve a certain biological function to be subsequently recruited for serving another. Sometimes the environmental conditions change, so that the function does not get to serve anymore the purpose it was selected for, but continues to serve its exapted function. So what is now a sense for something, might have appeared for entirely different reasons. Take for instance a species marine animals S, which evolved a tongue whose purpose is to pick the chemical trail left by prey A. As it happens the peculiar structure of the tongue enables it to pick the electric discharges. Sometimes in its evolutionary history prey A disappears and prey B enters the scene. The muscle discharges of prey B can be picked by S, which can thus hunt it effectively. Shouldn't we credit S or with an electrical sense? We probably would, but that would mean the demise of this criterion. Thus, any physical event an organism can detect can become a stimulus with a certain evolutionary import, given the right circumstances.

One might reformulate the criterion more liberally, by dropping the condition that it should have evolved specially for that purpose. Thus biological import might be taken to refer to anything that has consequence with regard to survival. The electricity detection capabilities might be affecting S's survival positively or negatively (for instance if eating B leads to poisoning, in the long run). But if prey B disappears, and as a consequence such a detection capability loses

its importance, should we say that the animal has lost one of its senses? What if we purposefully introduce B into S's environment? Should we then say that we endowed S with a novel sense? But the strangest consequence is this: imagine that some of the members of S learn to use the electricity detection capabilities of their tongues in order to hunt B, while some don't². Thus electrical detection is important for some of the members of S while for others is irrelevant. Should we say that some of the members of that species has an extra sense while others lack, moreover in the conditions where there is no anatomical difference between them?

6. Another criterion proposed by Keeley is the ability to discriminate behaviorally between stimuli that differ only in terms of a particular physical energy type " (Keely 2002, p. 15). It is peculiar application of a method routinely employed scientists and philosophers embracing the functionalist creed in order to infer that someone has a certain property. Nevertheless, it is made to yield, amongst the criteria advanced by Keeley for determining modalities, probably the weakest. We have no idea how this can apply to people who suffer from total paralysis. Should we hold that they are deprived of hearing or sight just because there is no behavior they can issue? Also it is hard to see what these energy levels could mean when it comes to senses like taste. What taste detects is differences in molecular composition of various substances, rather than the differences in kinetic energy of the molecules (which is detected by thermal receptors).

² This might be imagined as a result of a regular naturally occurring reinforcement process, whereby some individuals are by mere chance rewarded a sufficient number of times, at the right moments, to acquire the new behavior.

7. There is another idea that has been pressed too into work, at least tentatively, as a criterion for individuating the senses, which tries to exploit Noë and O'Regan's enactive treatment of perception. It is this time a functional approach, which nevertheless replicates on this upper echelon a problem we previously encountered with regard to a microstructural criterion. According to it, for each sense there corresponds a type of exploration of the world that is underpinned by of specific "sensorimotor contingencies", that is laws governing the sensory changes produced by determinate motor actions (Noë and O'Regan, 2001, p. 943). For instance to see is to be capable to master vision-related rules of sensorimotor contingency. It is unclear how much this idea was intended to be turned into a full-blown criterion by Noë and O'Regan, but some others have taken it to function as such (Auvray and Myin 2009, p.1046). The trouble is that in spite of the role sensorimotor contingencies may have in the way we sense the world, they cannot provide necessary conditions for circumscribing modalities. For a start, in order to decide that whether a certain organism having photoreceptors see or not, we will rather need to know which these specific contingencies are. Saying that they are vision-related is clearly circular. In order to escape circularity, we need a way to independently pick them up, which is really a tall order. We quickly find ourselves mired in basically the same difficulties Pacherie showed must be faced by anyone trying to exploit the anatomy of the sensory organs. The reason lies too in the diversity of mechanisms we must expect in the living world. Thus, we might envisage the possibility that these sensorimotor contingencies, associated to a certain modality,

might vary from species to species. For instance finding that cats have wildly different sensorimotor contingencies compared to humans, won't preclude biologists or animal psychologist attributing them vision. Moreover, genetic or developmental accidents might modify these mechanisms even further, possibly without any principled limit. The viability of the criterion depends on effectively proposing an independent set of sufficient and, more important for us, necessary conditions for any possible sensorimotor contingency linked to a specific modality, which nobody has attempted.

We have tracked so far a few analyses that, beyond rather merely methodological proposal of the two camps we mentioned in the beginning of this paper, have effectively tried to come up with criteria for individuating sensory modalities. Although none had a doctrinal ax to grind, they could be easily pigeonholed in one or another of the two grand approaches. They all failed, but their demise leaves us with a heritage. We can learn from their shortcomings, and build viable criterion for individuating sensory modalities. Ultimately, this way of individuating the senses will help us better appreciate the patterns of conceptualization in special sciences, attesting to typing practices that which cut across the functional – microstructural divide.

We propose to look once again at the criteria four and seven. Both relied on the inner mechanisms, one of the level of the anatomy and the other at the level of the "software" it implements. Both failed because they had as a consequence an unpalatable chauvinism, which takes a certain mechanism.

For one thing, biological kinds, be they cognitive or otherwise, require a certain

degree of flexibility with regard to the peculiar makeup of mechanisms they designate, even within one and the same species. For instance a certain mutation might introduce modifications in the standard way a certain physiological process is carried out. For instance a certain mutation, through the physiological changes it induces, might induce color blindness, yet we won't consider the color blind persons as being deprived of vision. Also disease can modify the way the way that a certain biological process unfolds. Yet we won't for that matter place it under another biological category. For instance digestion affected by an ailment will still be considered digestion, albeit pathological digestion.

The case of a mutation introducing variants is even more instructive. The nonstandard way of carrying out the task might grant the owner of such an organism an evolutionary advantage. For this reason it can spread in the population where it arose. The group characterized by that mutation can even differentiate itself to the point as to starting a new species. This is after all, *inter alia*, the way speciation is presented by evolutionary theory. Such remarks are capable to put us on the right track with regard to a criterion for modalities. Take a certain structure which we know characterizes the way at some point in time the cognition of a given species normally works – in occurrence a certain sensory modality. Some modifications of this structure will still have to instantiate that kind, although the way it works, spelled out in the language of the upper or lower level theory doesn't conform to a standard pattern.

We don't pretend that all such modifications of mechanisms preserve the sensory modality. Certain changes will definitely

impair vision. Nevertheless, I think we can draw quite a neat line here. The modifications that suppress sight or hearing will suppress any delivery of the information of the sort the previous structure delivered to the other structures of the brain. For instance there are instances such as those of blindsight. In blindsight cases subjects that are cortically blind, and for that matter are not consciously aware of certain events that we usually become aware of by visual means, are capable to issue certain responses to visual stimuli. The lack of cortical awareness is most certainly due to damage in the primary visual cortex, which cuts the flow of information towards other brain areas. Nevertheless seemingly paradoxically, scientists are still capable to credit such patients with sight. There are several theories about the neural mechanism that enable such subjects to unconsciously see events outside them (see Weiskrantz 1990, Kalat 2009, pp. 169-170, Cowey 2010 etc) . Whatever the truth, sight can be attributed exactly to the measure to which parts of the normal information are delivered, by the means of cortical structures that are still intact, further into other subsystems such as control of the eye movement or any other parts of our neural architecture that control the responses the subject is still capable to issue. If we are to scrutinize to the scientific practice, we will observe that sight is attributed to the extent that such information is made available downstream to other structures whose role is to take over this information, and denied to the extent that the contrary happens.

Given these limitations, we have here a recursive procedure by the means of which to determine what is to be allowed to exemplify a certain modality. It is not having a

specifiable structure. The way sight or hearing work can be modified in many ways. Having sight or any other modality is rather belonging to a certain continuum of modifications, as effected initially by evolution by natural selection, which created the ur-mechanisms for each modality and continued to tinker with them, but also by many other processes that impact sensory cognition.³

More generally and one step closer to our ultimate goal, this approach to sensory modality individuation documents a certain way scientists proceed in carving the kinds they use. It is neither functional nor microstructural. This continuum is ensured by a process of change that occurs both on the level of "hardware" as in that of "software". Damage to certain pathways or a genetic accident change can impact the way our neural structures work, which in its turn may impact the functional level. Also, certain odd developmental circumstances can result in nonstandard routines involved in information gathering. This rule of drawing does not make reference to any of the levels involved. Moreover, it isn't reducible to any of the other two approaches, as it doesn't employ a specifiable structure, describable in the language of the lower level theory or in that of the upper level one, because any such specification would imply the chauvinism we were talking about above, and that was emphasized by Pacherie.

³This continuum might be shaped by selective pressures "that attune" our senses to environmental significant events (as criterion 5 requests) or not. Evolution is not the only force impacting peculiar instance of a certain sort of biological processes. As we have seen, the changes can be induced by various processes such as maladies that disturb the regular physiological mechanisms.

This isn't just something that is specific to cognition. The same rules can account to other scientific practices, such as those in economics. Take for instance money. When they were invented money were pieces of stamped by an authority so that it would guarantee the content of the token. But as Fodor emphasized, money can't be typed by pointing at the microstructure. At first, money were made in electrum (a natural alloy of gold and silver), then in gold, in silver, copper, paper or as, electronic money, their realization base is whatever material is employed for storing information about people's accounts⁴. What Fodor failed to see is that money participate in a variety of exchange patterns. But the pattern of economic interaction and exchange can be endlessly modified to. The limit is only our whim, as we can legislate at will so that to change one or another of the patterns of economic interaction in our society. Therefore we won't be able to pick up an uniquely describable pattern of interaction where money play a role, so that we could individuate money irrevocably. Nevertheless we won't be deprived of such an economic kind, as we can define it with reference to a certain evolutionary process, to which various forms of money participate.

This way of carving kinds is not antagonistic to microstructural typing, nor to employing functional relations to the same end. One can legitimately define functional categories. For instance one can speak about modern human speech production or primate vision, by identifying the patterns into which such types of processes enter in the

⁴Although the history can be traced even further back, to some premonetary items used in exchange (for a comprehensive history of money see Davies 2002)

case of each current species. Thus, it might be discovered that modern linguistic faculty might employ certain defining algorithms in order to compose syntactically complex utterances, that can be spelled out functionally. Modern speech might have no forerunner in a simpler form of verbal behavior hominids were capable of. The modes of communication employed by our ancestors might have lacked those algorithms, which are essential for language. In this scenario, there would have been an explosion of language that occurred with the emergence of the *Homo sapiens*, that would allow only functional typing of the linguistic processing, making the language faculty a local phenomenon peculiar to our species (and which might never evolve any further). The only theoretical endeavor scientists can engage into would be deciphering these algorithms bursting onto the scene of evolution. We can even hold that such a functional upper-level architecture described by the algorithm that produce speech reduces to a neural architecture that is idiosyncratic to the *homo sapiens*. But the opposite scenario is also possible. It might equally turn out that our ancestors did possess a simpler form language, based on a more rudimentary system of transformations, that engendered a different verbal behavior and which is underpinned by less developed neural structures. This simpler functional structure is the one that evolved into our current language faculty (which we might describe functionally at the psychological level or microstructurally, on the neural level), and in this case having a proper concept imposes to take the route we are pointing at. Moreover our stance makes us capable to specify local functional structures, describing how a certain cognitive process works in one precise population at a given time, as well as with a microstructural account of what makes its members tick. This situation illustrates how

the functional and the microstructural typing as well as the approach we are trying to make visible can coexist and pressed into the line of fire to provide us with the conceptual ammunition needed to tackle the need for principled ways to organize our knowledge.

Our approach does not of course claim to refute the reproaches made by the micro-functionalistic camp to the idea of functional theory. This is an entirely different and quite a vast issue. Nevertheless it undermines its hegemonic and reductionist pretenses. It shows that we can have a kind which underpinned by a heterogeneous group microstructures, but which are held together, under the umbrella of the same kind, by sharing the same history of change.

This phenomenon is not only of epistemological import. It is extremely important for the leadership in times of change. The morals for the manager is that s/he should not always find essential structures that animate organizations or economic practices persisting over time. Sometimes the phenomena in the realm of special sciences, from biology to economy, have to deal with concepts spanning over an array that could potentially end up including members with no structural commonalties. Nevertheless, our paper provides him or her with an outlook that can help him or her tackle the change principally, encouraging setting analysis units at the level of these variegated continuum.

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Hertzian Dynamic Models In Ludwig Wittgenstein's Theory Of Logic¹

~Ph.D. **Andreea Eșanu** (Faculty of Philosophy, University of Bucharest, Romania)

E-mail: aesanu2@yahoo.com

Abstract: During the last century the social sciences grew from the stage of speculative system building to a more mature development in which empirical data are sought for the significance they can have for systematic theories. A lot of work in this field concerns itself with determining the methodological and conceptual prerequisites for a mature science of human reasoning and behavior. Modeling human reasoning and human behavior, although currently focused on social and economic phenomena like organizations, organizational knowledge, leadership, cooperation etc., are historically dependent upon modeling natural phenomena in physical science, precisely because physical science tackles successfully the issue of building upon empirical data. This paper pursues an apparently small, but nonetheless significant, historical claim concerning the "relative position of human reasoning and mechanics" a claim made possible by the development of late 19th century's epistemology of science (mainly Heinrich Hertz's) and theoretical philosophy (Ludwig Wittgenstein). The main idea of the paper is that Ludwig Wittgenstein's concept of "logical representation", seen as a landmark for what human reasoning is about, is an intricate analogue to the Hertzian "dynamic models" from the Principles of Mechanics. This analogy is analyzed and explained with regard to the problem of the "logic of color".

Key words: dynamic models; human reasoning; Hertzian mechanics; Wittgenstein' logic of color, representation.

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1. Introduction

Almost every specialist in social sciences (and especially in economics) is familiar with game-theory, a very strong logico-mathematical tool used to model human behavior: e.g. cooperative behavior, organizations' dynamics, the emergence of social groups and group norms, the emergence and features of leadership based on cooperative/ defective behavior etc. This tool is also effective in studying human reasoning and cognitive biases from an evolutionary perspective and that is why it fits well in the analysis of group phenomena especially when the dynamics of such groups becomes significant for economics or for sociology. But the tradition of using logical or mathematical modeling, in order to capture human reasoning and human action in various practical contexts that undergo aggregation and change, spreads from a much older root. In fact, logico-mathematical modeling is historically and conceptually connected with the activity of modeling natural phenomena in physical science. This practice is made explicit, for instance, in the development of the late 19th century's epistemology of science (H. Hertz, L. Boltzmann), and it relies on the concept of "dynamic models" from classical mechanics and on several philosophical developments regarding the concept of human reasoning as an activity of manipulating and integrating "representations" (L. Wittgenstein).

The conceptual interplay between "representations", "models" and "dynamics" appears in the writings of several important nineteenth century scientists and epistemologists of science such as Heinrich Hertz, Hermann von Helmholtz and Ludwig Boltzmann. Hermann von Helmholtz, for instance, is the author of a theory of perceptions

as projections on abstract n -dimensional manifolds that allow for perceptual reasoning as dynamic transformations on these manifolds, while Ludwig Boltzmann is credited with the idea that the language of science is an integrating image (Bild) of physical reality. Starting from here a large number of commentators and interpreters (P. Baker, P.M.S. Hacker, N.Griffin, E. Stenius, E. Anscombe etc.) of Ludwig Wittgenstein's early philosophical writings have suggested different hypotheses regarding the signification of "images" (Bilder) in his philosophical work *Tractatus logico-philosophicus*. One interpretation (Visser, 1999) associates early Wittgenstein's account of propositions as images with von Helmholtz's phenomenological analysis of perception. Thus, the proposition as an "image" (Bild) of reality is the expression of a *Vorstellung* (or inner representation) and it is composed of elementary sense-data. By contrast, other interpretations (Hyder, 2002; Hamilton, 2002), relate Wittgenstein's thesis that propositions are images with a physicalist perspective on representation. According to such points of view, propositional images are expressions of material representations of reality (*Darstellungen*) that form independently from the mind and are composed of real objects (like physical atoms). It is significant to note that the distinction between these two kinds of representations – inner (*Vorstellungen*) and material representations (*Darstellungen*) – was used by Ludwig Boltzmann to distinguish science from phenomenological epistemology. In his view, material representations of reality were generated by the laws of physics and they satisfied certain conditions of validity that inner representations could not satisfy.

If we take a close look at *Tractatus logico-philosophicus*, it is quite obvious that Ludwig Wittgenstein is not referring to physical atoms, nor to elementary sense-data (meant to build up a subjective experience of reality) when speaking about *Bilder*, but to a generic notion of atom involved in human reasoning. My thesis is that it might be insightful to pay attention to Heinrich Hertz's theory of dynamic models if we want to fully understand Wittgenstein's idea that the linguistic entities (i.e. propositions) involved in human reasoning are "images" (*Bilder*) made of logical atoms.

In his *Mechanics*, the physicist Heinrich Hertz talks about a geometrical representation of nature. His point of view is, in some respects, perplexing. Hertz refers to his models both in terms of "mental images" (*Scheinbilder*) and of "physical representations" (*Darstellungen*) of nature by means of physical laws. However, his choices of words and concepts may lead the researcher astray. It is a fact that in the late nineteenth century physics and epistemology of science there was no unanimous consensus regarding to what a model of nature really is. This may explain some of Hertz's ambiguities, but also blur some of his theoretical intentions. That is why I shall bring into focus a more specific and technical distinction that could give a clearer meaning to Hertz's conception of models. What I have in mind is the distinction between the "scenario" of a dynamic model (a concept that would explain Hertz's notion of *Scheinbild*) and the "parameterized representation" of a physical phenomenon within a dynamic model that would correspond to Hertz's notion of *Darstellung*.

The most important feature of a dynamic model is that it follows the temporal

evolution of a phenomenon (like motion, for instance) by extracting physical consequences from an initial state – described, in principle, by a bunch of partial information. A dynamic model allows us to derive correctly future states of a physical system even though we do not have a complete representation of the initial state of that system. A good example would be the differential representation of motion – where masses and forces that act upon material points are neglected. However, the partial information needed has to be organized in a relevant manner in order to allow for the extraction of desired consequences (for instance, time and position must be considered independently). This incomplete, but organized, information is what it is called the "scenario" of a model. It is interesting to see that in his introduction to the *Principles of Mechanics*, Heinrich Hertz is using a very similar concept, *Scheinbilder*:

"We form for ourselves images [*innere Scheinbilder*] or symbols of external objects; and the form which we give them is such that necessary consequents of the images in thought are always images of the necessary consequents in nature of the things pictured." (Hertz, 2001, 1).

A "scenario" is also abstract – it structures information into relevant entities, properties and relations. For instance, in the differential representation of motion we have abstract material points characterized by independent abstract properties like spatial and temporal position (in a motion space). So Heinrich Hertz seems to refer to some abstract information about a state of a system, relevant to the extraction of necessary physical consequences (or reliable predictions). But in order to make reliable predictions, a

model needs, along with an adequate organization of initial information, some equations of condition that allow for a perspicuous calculation of observable quantities such as displacement. It is worthwhile to stress that in Hertz's dynamic models mass is introduced in the motion space not as an independent variable, but as a parameter built in the equations of condition. This suggests that Heinrich Hertz had in mind a peculiar representation of motion and a different organization of motion "scenarios" from the standard cinematic representation. Indeed, he seems to propose a "parameterized representation" of displacement or a *Darstellung*, through equations of condition with build-in parameters. This peculiar approach to models (*Modelle*) gives a significant and technical load to the notion of *Darstellung* that is not present, for instance, in Boltzmann's account, and yet, as we are about to see in the following sections, of great relevance to Ludwig Wittgenstein's atomism from *Tractatus logico-philosophicus*.

2. Dynamic models

Wittgenstein's references to Hertz's dynamic models in the *Tractatus* are rather scarce. In fact, the only explicit reference is to be found at 4.04:

"In a proposition there must be exactly as many distinguishable parts as in the situation that it represents. The two must possess the same logical (mathematical) multiplicity. (Compare Hertz's *Mechanics* on dynamical models.)"

This passage brings into focus two related issues: first, the connection between propositional "parts" or elements and logical multiplicity (*Mannigfaltigkeit*), and second, the correlation between logical multiplicity

and models. It is relevant to stress that in the secondary literature there are loads of studies that concentrate on the first issue, while to the second the references are rather few (Barker, 1980; Grasshoff, 1998; Tougas, 1997; Lammpert 2000). Usually, the concept of logical multiplicity (*Mannigfaltigkeit*) is considered a terminological influence from Hertz, with no substantial connection to the theory of dynamic models presented in his *Principles of Mechanics*. In the following, I shall argue that Wittgenstein's concept of *Mannigfaltigkeit* bears indeed a substantial connection to the theory of dynamic models from Hertzian mechanics, and that this connection is important in order to give a proper account of early Wittgenstein's atomism.

But first let us see what logical multiplicity (*Mannigfaltigkeit*) means. I shall keep certain remarks quite brief because it is impossible to give an extensive account in such a short paper. As some interpreters have already pointed out, Hertz's concept of *Mannigfaltigkeit* is an important influence from Riemannian geometry, absorbed through von Helmholtz's theory of perception (Hyder, 2002):

"Riemann calls a system of differences in which the individual element can be determined by n measurements, a n -fold manifold, or a manifold of n dimensions. Thus the space that we know and in which we live is a three-fold extended manifold, a plane a two-fold, and a line a one-fold manifold, as is indeed time. The system of colors also constitutes a three-fold manifold, in that each color can be represented... as a mixture of three elementary colors, of each of which a definite quantum is to be chosen... we could just as well describe the domain of simple tones as a manifold of two dimensions, if we are to

take them to be differentiated only by pitch and volume.”¹

According to von Helmholtz all our empirical knowledge is organized in complexes of elementary data, called manifolds. Colors, sounds, time etc. are such manifolds. The basic idea borrowed from Riemann's geometry is that any quantity can be defined as a point in a space of n -dimensional measurements. Of course, in order to get an adequate measurement of the desired quantities, it is necessary to determine the right multiplicity of the magnitude space, i.e. the correct number of dimensions. In this respect, von Helmholtz uses a phenomenological device – i.e. how colors, sounds, time etc. form in human perception. Thus, he observes that colors can be analyzed 3-dimensionally as mixtures of three elementary colors; sounds can be analyzed 2-dimensionally by measuring pitch and intensity; time is a 1-dimensional object of our inner perception etc. So multiplicity is determined phenomenologically and this seems to be one of the key aspects of Herman von Helmholtz's epistemology. His manifolds are perceptual manifolds. Interestingly, they seem to offer a good account of Ludwig Boltzmann's concept of *Vorstellung*. As we have seen in the first part, a *Vorstellung* is a sort of internal model of reality. Perceptual manifolds are in von Helmholtz's epistemology internal models of reality – with adequate multiplicity.

Keeping these observations in mind, we could see by analogy what the author of the *Tractatus* meant by his concept of logical multiplicity. Let us start with a simple example, a sentence like: “This stick is 1.5 meters long”. We may ask ourselves now what does it mean for a stick to be 1.5 meters

long? It seems that in order to be able to talk about length we need a system of measurements for length, such as a yardstick, i.e., a 1-dimensional manifold. Without the one-fold of length, the sentence “This stick is 1.5 meters long” would not have any meaning. Likewise, any sentence bears with it a system of logical “measurements”: we know, for instance, when a sentence refers to an object, to a property, a relation etc. We may spot easily such differences as between “John is in the yard” and “Yellow is brighter than gray”, although the mechanism of such differences is by far more intricate than in the case of length. To such differences was intended to answer, for instance, Bertrand Russell's theory of types. However, never convinced by Russell's theory, Ludwig Wittgenstein chose in the *Tractatus* a different solution, i.e. to deal away with predicative and relational concepts and present the system of logical differences in a quite original manner: the projection (*Abbildung*) of sentences like “John is in the yard” and “Yellow is brighter than gray” on an aggregate of logical manifolds (called logical space).

The logical measurements (that give the logical multiplicity of a situation like John's presence in the yard) are introduced in language along with each sentence like lengths are introduced along with each quantity-expression: “1 meter”, “2 meters” etc., and therefore each sentence is associated with a manifold model, called by the author of the *Tractatus*, *Darstellung*. Later in *Philosophical Remarks*, Ludwig Wittgenstein recalls this approach of associating sentences and situations with the idea of logical manifolds:

“When I built language up by using a coordinate system for representing a state of affairs in space, I introduced into language an

¹ (Hyder, 2002, 26).

element which it doesn't normally use. This device is surely permissible. And it shows the connection between language and reality. The written sign without the coordinate system is senseless."²

But, in order for this approach to work, it is necessary to express correctly the multiplicity of the situation (i.e. its correct number of dimensions). As mentioned before, Hermann von Helmholtz used a phenomenological device: how qualities decompose in perception. Although Wittgenstein often refers (especially in "Some Remarks on Logical Form" and in Philosophical Remarks) to a color and a sound space and even to the visual field as a substitution for physical space when presenting his examples, he does not seem to have in mind a Helmholtzian phenomenological reduction, but only some pertinent analogies. His statement concerning multiplicity (*Mannigfaltigkeit*) is referring to propositional and factual "parts" that can be depicted via a projection on coordinate systems corresponding to logical properties. A clearer image of this perspective can be found in Bertrand Russell's lecture on logical atomism from 1924 (three years after the publication of *Tractatus logico-philosophicus*):

"When some set of supposed entities has neat logical properties, it turns out, in a great many instances, that the supposed entities can be replaced by purely logical structures without altering in any detail any of the body of propositions in question."³

These logical structures may be in fact the manifolds that Ludwig Wittgenstein had in mind in the *Tractatus*. I shall try to develop this idea next.

In his *Principles of Mechanics* Heinrich Hertz defines a dynamic model in the following manner. A material system (or a system of material points) is a dynamic model of another material system if and only if the two systems have:

- a) the same number of coordinates of position;
- b) the same equations of condition;
- c) the same magnitude of displacement.

It should be pointed out that condition (b) is by far the most interesting. If the first is referring to the projection (*Abbildung*) of a physical system on a coordinate space, and the third refers to the conservation of displacement, the second one stipulates the existence of the same equations of condition in both systems. The question is: why could they be different? Let us think of some examples. Let us suppose that we want to model the trajectory of a physical system with two material points that move through space. According to Hertz the model would be characterized by:

- a) some spatial coordinates;
- b) assuming that the system contains "hidden masses", we will have to express the path of the two points by referring to their hidden masses in such a manner that their (geometrical) path in the configuration space will conform to the spatial displacement of the system described without the hidden masses;
- c) a magnitude for displacement.

We could make this example even more intuitive focusing on condition (b). Let us think of the physical system formed by the Earth and the Moon. As we all know the planets of our solar system are situated at considerable distances from one another and that is why they can be represented in classical

² PR, 46,79.

³ (Landini, 2003,108).

mechanics as material points (without mass) revolving around the Sun. For instance, the distance between the planet Mars and the Earth is big enough to neglect the gravitational attraction exerted and therefore we can represent them as material points in motion. However, the physical system formed by the Earth and the Moon cannot be described likewise because the two bodies are close enough as to exert observable gravitational effects one upon the other. This means that their masses are relevant to their motion. Yet, Hertz wants to reduce forces from classical mechanics and express gravitational effects in terms of free systems (like the Earth-Mars system from our example) with some hidden masses that would constrain internally the system's motion. In order to do that, he needs to introduce in his mechanics some new elements:

"It is always permissible to regard a system of material points as being composed of an infinite number of material particles." (H. Hertz, 2002, 46)

But what makes this formal trick permissible? Simply said, it is the equations of condition stating that the spatial displacement of the Earth-Moon, for instance, is equal to the geometrical path of a system with an infinite number of material particles in a configuration space. It is obvious that Hertz is referring here to the same kind of permissibility as is Ludwig Wittgenstein in *Philosophical Remarks*. Each physical body with mass can be regarded as an n -dimensional point in a geometrical manifold called the configuration space⁴ as long as the spatial

⁴ "... it [mass] can be thought of as divided into arbitrarily many equal mass-particles, each of which indestructible and able to serve as a characteristic in order to definitely and unambiguously coordinate one point in space with another point in space at another time." (Hertz 1953, 300).

displacement and the geometrical path of the body are equal, or more philosophically put:

"... if we regard the condition of the model as the representation [my emphasis] of the condition of the system, then the consequents of this representation (...) are also the representation of the consequents which must proceed from the original object..." (Hertz, 2002, 177).

So such a formal trick is permissible only if it leads to correct predictions, and the key to making correct predictions lays, among other things, in finding the right equations of condition for the model, such as expressing displacement in terms of geometrical paths.

Here it seems that multiplicity (the number of coordinates of motion) is not established by phenomenological analysis as in von Helmholtz's epistemology, but more likely through some sort of a priori analysis of matter, focused on the conditions of mechanical representation of physical bodies. This point of view has been expressed by several authors interested in the epistemology that underlies Hertz's system of mechanics, and was also emphasized by Ludwig Boltzmann. Often cited is the following fragment from the *Principles of Mechanics*:

"The agreement between mind and nature may by (...) likened to the agreement between two systems which are models of one another, and we can even count for this agreement by assuming that the mind is capable of making actual dynamical models of things, and working with them" (Hertz, 2002, 177).

The "hidden masses" in Hertzian mechanics are in fact elementary positions in the configuration space (an n -dimensional manifold) to which a model associates semantically some generic material characteristics

and they are important in order to define a structure in Hertzian mechanics – the degrees of freedom of a physical system.

Let us go back to our example about the two physical systems discussed earlier: Earth-Mars and Earth-Moon. Stipulating that each system consists of n material particles moving in a three-dimensional Euclidian space, the Earth-Mars (moving without constraints) would be projected on a $3n$ configuration space, while the Earth-Moon, moving with constraints, would be projected on a $3n-k$ dimensional space. This means that the second system will have less degrees of freedom, given the fact that certain connections between particles are rigid (i.e. those corresponding to gravitational attraction). So, the multiplicity of a model for a physical system is not given by the number of units of matter that describe the system simpliciter, but by its structure, i.e. the degrees of freedom that the system possesses. Thus, even if in our initial “situation” we had observable effects of gravitational attraction, in the geometric *Darstellung* of the system, gravitational attraction is dealt away or eliminated by stipulating certain configurations of elementary material particles in an abstract space.

3. “Images” and “representations”

In the basic semantic view of how a proposition means something, propositions are considered “images” (*Bilder*) of facts in the following sense: there is a 1:1 correspondence between the elements of propositions and the elements of facts. It seems that Wittgenstein presents a clear model-theoretical approach to meaning in the *Tractatus* (Hacker, 1981). However, this interpretation hides a few traps. The author of the *Tractatus*

assumes the existence of a primitive 1:1 semantic relation between propositional elements and elements of the world, but this relation is not interpreted extensionally in set-theoretic terms. Logical multiplicity expresses not a 1:1 correspondence between set-theoretic extensions and names, predicates etc., but the degrees of freedom or the structure that facts share with propositions in logical space with no reference whatsoever to extensions and types. The 1:1 correspondence refers to an isomorphism of models with generalized coordinates.

As we have seen in the previous section, the basic idea behind dynamic modeling is that multiplicity should express the number of freedoms that a system possesses in a state-space. To build a dynamic “scenario” is to make certain assumptions regarding how to organize the relevant information using coordinates, equations of conditions and n -dimensional vectors organized in such manifolds. Actually, this is the main function of a theory of representation (*Darstellung*) in Hertzian mechanics. Only after these aspects are settled, a dynamic model (understood as number of equations that define the temporal evolution of the system) could express the evolution of such n -dimensional vectors in respect to time.

In order to see the analogy between semantic analysis and dynamic modeling in *Tractatus*, I suggest going back again to our example with the two specific physical systems: Earth-Mars and Earth-Moon. The first one is a free system with 6 degrees of freedom. The second one is not a free system, it has only three degrees of freedom (because of the gravitational attraction that forms a rigid connection in the configuration space between Earth and Moon, and so the two

material bodies move like a single point). However, the Earth-Moon can be treated like a free system with three degrees of freedom. So although it consists of two material particles, the system is mechanically equivalent to a single point and its displacement is analyzed as a three-dimensional vector. The same situation holds, as the author of the *Tractatus* points out, for propositions. We can have propositions like (P) "The sky is blue and the grass is green" and propositions like (P') "The sky is blue and the sky is green". In the first case our proposition has four degrees of freedom. In the second case, the proposition has fewer degrees of freedom because of color exclusion, and so the analysis of (P) as: " $p \& q$ " is not a correct analysis (TLP 6.3751).

In order to get an elementary analysis we need to find an adequate *Darstellung* of (P'), and for this we need to take into consideration what Wittgenstein calls "the logical structure of color" (TLP 6.3751) or, keeping in mind the analogy with Hertzian mechanics, the "rigid connections" of colors. Thus, we need to deepen our analysis and dig for the structure of atomic/elementary propositions. This step into the analysis of atomic/elementary propositions is similar to the step taken by some logicians from first-order propositional logic to first-order predicate logic. However, the author of the *Tractatus* does not analyze properties (like color, for instance) as predicates, but prefers a Hertzian, eliminative approach in respect to them – a strategy undertook also by Bertrand Russell in his 1924 lecture on logical atomism (see section 1) It seems that atomic/elementary propositions as semantic "scenarios" of the world may be structured as n-dimensional manifolds by defining the degrees of freedom

of elementary propositions in logical space, without making reference to logical types.

In another paper⁵ I presented the formal details of a structural analysis of elementary propositions as n-dimensional manifolds. I argued that elementary propositions cannot be considered "images" (*Bilder*, *Modelle*) of states of affairs and vice versa unless we define a "parameterized representation" (*Darstellung*) in logical space of both elementary propositions and states of affairs.

Here, however, I choose to focus only on some general aspects of such a structural analysis, in order to get a more accurate reading of Ludwig Wittgenstein's *Bilder* and *Darstellungen* from *Tractatus logico-philosophicus*. By appropriating the method of generalized coordinates from classical mechanics, the elementary "parts" of a proposition (or, in short, the elementary propositions) can be defined formally as "dimensions" in an abstract n-dimensional space called a manifold. This explains why Wittgenstein takes elementary propositions to be logically independent. Nevertheless, elementary "parts" – just like Hertz's material points – have internal structure. Otherwise they could not be considered isomorphic to states of affairs.

In some particular cases, like (P), elementary "parts" resemble the material points in the Earth-Mars example – i.e. they are free. In other cases, like (P'), elementary "parts" resemble the material points in the Earth-Moon example – i.e. they hide combinatorial constraints. It is impossible to treat the elementary "parts" of (P') as independent

⁵ "The logical independence of elementary propositions in *Tractatus logico-philosophicus*" (in Romanian) *Analele Universității București. Filosofie* (2006): 153-164.

dimensions in propositional analysis. For a correct analysis of (P') it is necessary to dig out its complicated internal structure and establish the constraints.

Following the Hertzian analysis of material points into mass particles we may describe briefly the structural analysis with constraints in the following terms:

i) Formally, each proposition p can be analyzed into manifolds of the form M_n , where M is the topological base (i.e. the T-F base given that each proposition is either true or false), and n is the number of freedoms defined on M . A proposition p with n atomic/independent parts is a $2n$ manifold. A proposition with $n-k$ atomic/independent parts is a $2n-k$ manifold. This can be expressed more perspicuously in the following manner:

a) given a proposition p with a T-F base (M) and n elementary parts, the corresponding manifold for n dimensions with 0 constraints would be M_n .

b) given a proposition p with a T-F base (M) and n elementary parts, the corresponding manifold for n dimensions with k constraints would be M_{n-k}

ii) Then, for each freedom r defined on M , we assume a corresponding elementary state of the world or a T/F value; and for each M_r we assume a corresponding matrix of elementary states of the world or a matrix of T/F values.

In this manner, any logical representation M_n of a proposition is a n -dimensional manifold with 0 or $0 < k$ constraints. In other words, the manifold of a complex proposition is dependent upon the T/F combinations of elementary propositions. However, the only explanation for the fact that in some cases we have constraints upon the T/F combinations of elementary propositions is that elementary propositions have internal structure.

Two observations:

a) M is not a set; it is a topological basis for representing (darstellen) elementary states/ propositions in logical space.

b) n expresses the freedoms of a proposition/fact in logical space, determined by the constraints k applied on the base M .

To illustrate these formal aspects I will now return to the discussion from the first part of this section. Thus, following a simple analysis of color predicates, the example I chose above, we see that logical structure of color makes certain combinations of truth-values rigid. That is why the logical form of (P') may be in fact something more complicated than " $p \& q$ "⁶. The logical form of (P') is more likely, as Wittgenstein suggests (TLP 6.3751), " $p \& \sim p$ ":

p	$\sim p$	$p \& \sim p$
1	0	0
0	1	0

(D)

(P') is a proposition excluded by the logic of color. According to our analysis, (P') may be described a 2-dimensional manifold of truth-values (therefore by two degrees of freedom). This is because the second "part" of (P') represents a dimension dependent upon the first "part". Thus, instead of having four degrees of freedom, (P') has only two.

Unlike (P'), (P) can be described by a 4-dimensional manifold of truth-values (1;1) (0;1), (1;0), (0,0), because all combinations are

⁶ "Only when we analyze phenomena logically shall we know what form elementary propositions have. (...) The logical structure of elementary propositions need not have the slightest similarity with the logical structure of propositions. Just think of the equations of physics – how tremendously complex their structure is. Elementary propositions too, will have this degree of complexity" (WVC, 42).

permitted by the logic of color.

p	q	p&q
1	1	1
0	1	0
1	0	0
0	0	0

(D1)

(D) and (D1) are Bilder of propositions (P) and (P') in logical space. Their form is dependent upon giving the adequate Darstellung for (P) and (P'), i.e., upon finding the right number of freedoms (or the parameter r) of the situations described by (P) and (P'). In the case of a free model (with no constraints), $r = n$ (the maximum number of possible T/F combinations for conjunction). In the case of a model with rigid connections or constraints, we should have $r < n$.

However, it is not really clear whether in the Tractatus Wittgenstein accepted that elementary states have indeed structure – although he refers to “configurations of objects” (TLP, 2.01, 2.0272) as an analysis for elementary states of the world, quite similarly to the manner in which Hertz refers to “configurations of mass particles” as an analysis for material points with mass. As we have seen in the previous section, mass particles do not measure mass, but they only express the dependence of the path of material points in the configuration space upon mass. Mutatis mutandis, the Tractarian objects are not objects per se, but rather they express the dependence of states of affairs, and consequently of propositions, upon their internal structure, i.e. upon what these states actually are: colors, sounds, time etc. Each spatial, temporal or color configuration leaves a space of $0 \leq r \leq n$ dimensions or degrees of freedom for combinations. For instance, no fact can be at the same time two different

colors or two different sounds, but it can be at the same time a position and a color, a color and a sound etc. The parameter r expresses such dependencies in logical space in terms of freedoms and constraints on base manifolds (M), without analyzing physical properties (TLP, 2.0231)

From this perspective that assigns structure to elementary propositions and states, we can also get a better grasping of Wittgenstein's own critique of logical analysis, presented in “Some Remarks on Logical Form” (1929). There, he starts from the observation that a correct logical formalization of (P') is not “p&~p” because (P') does not express a contradiction, as he believed in the Tractatus, but only a false statement. “The sky is green” is not equivalent to denying “The sky is blue”. In fact, it is possible to have a situation in which the sky is neither blue, nor green, but a sort of dark gray. And for this we need a different logical analysis of color and, more generally, a different way to express dependencies of states/propositions upon their content. The main reason why the type of analysis from the Tractatus fails is that it cannot formalize properly propositions like (P'). While (P) has four degrees of freedom, (P') has only three. Most of the argument from RLF runs in the direction of showing that: (i) the second “part” of (P') cannot be analyzed as a rigid dimension, i.e. as dependent upon the first dimension of (P') as in “p&~p”: we cannot obtain “The sky is green” by applying negation to “The sky is blue” because between the two colors there is a difference of degree that cannot be caught by the logical formalism of negation. However: (ii) the two colors are not entirely independent, and (P') cannot be formalized as “p&q”, so the analysis from the Tractatus must fail in some respect.

Wittgenstein had in mind certain basic postulates regulating the behavior of argument-places for color when he discussed "the logic of color". Thus, even if we cannot obtain straightforwardly "The sky is green" from denying "The sky is blue", we can generate a contradiction in the following manner. Let a be an object and '...' indicate other argument-places which may be form indicators of the object (spatiotemporal position, etc.) and c its color. The postulate would be:

(CP) If $Pa...c...$ then for every x which is a color (i.e. fills the argument-place of a color) distinct from c , then $\sim Pa...x...$

Let "The sky is blue" be $Pa...b...$ Now, by (WC), if $Pa...b...$ then for every color x distinct from b , $\sim Pa...x...$ Now, suppose that the sky is blue and green: $Pa...b... \& Pa...g...$ Two applications of simplification, a modus ponens, an introduction of conjunction are all it takes to obtain the contradiction. What Wittgenstein was trying to say in "Some Remarks on Logical Form" was that $Pa...b...$ and $Pa...g...$ are contraries: they cannot be both true but they can be both false. This is a clear consequence of (CP).

But would not this imply that all propositions with a difference in their composition contradict each other in this sense? Not necessarily. For example, take $Px_1, ..., x_n$ and $Px_1, ..., x_m$ to mean "This very person in this very spatiotemporal position and with this very color and so on is sitting on the couch" and "This very person in this very spatiotemporal position and with this very color and so on is watching TV", respectively. There is only a contradiction when there is a difference in the argument-place fillers when these constitute part of the form of the object.

The problem with this analysis at the propositional level is that there is no finite

means to express (CP) in full generality, i.e. for the form of any object, although it can be done for particular cases. The analysis from the *Tractatus* fails because Wittgenstein's assumption that the relation between the propositional and the object levels is straightforward fails. The main problem is that Wittgenstein never specified what should be the number of argument places of a proposition in general; it is what is missing to give an appropriate use of Hertz's idea and calculate freedom more accurately.

4. Final remarks

Understanding how the human mind reasons and how reasoning influences behavior represents very important topics in the field of the social sciences today (like economics) not only from a theoretical perspective, but also from a practical one. Such understanding could be useful in order to assess and solve, for instance, leadership issues, i.e. by determining the breadth and limits of cooperative behavior inside organizations, or by explaining how collective behavior emerges from individual behaviors in different social groups etc. In this paper I focused on a historical aspect concerning an important step in the development of modeling human reasoning: the suggestion from late 19th century's epistemology of science to associate the modeling of physical phenomena with logical modeling, in order to figure out what human reasoning is really about. As we can easily see from this study, the endeavor was troublesome and prone to severe difficulties, even when seeking to analyze reasoning about simple things such as the color of objects. Nevertheless, this scientific approach to representation and inference managed to

raise a larger interest for logical modeling and it led over time to one of the most effective tools that we currently have in modeling both human reasoning and behavior: i.e.

game-theory, a very sophisticated abstract tool that Ludwig Wittgenstein's early attempts could not really anticipate.

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Non-Governmental Organization Leadership And Development. A Review Of The Literature

~ Ph.D. Candidate **Dragoș – Cătălin Apostu** (National School of Political Studies and Public Administration, Romania)

E-mail: dapostu@gmail.com

Abstract: Leaders of the Non-Governmental Organisations (NGOs) often face extraordinary challenges – both at a personal and organisational level. These challenges are demanding, and distinct from those faced by governments or the for-profit sector.

NGO leaders are often isolated and unsupported. There is talk of a leadership deficit, because of the shortage of talented leaders and the growth of the non-profit sector generally. As a result there is some urgency in attempts to develop a new generation of leaders, and to provide relevant support to existing and future leaders. Leadership development programmes designed for NGO leaders must as a consequence incorporate best practice and current experience rather than rehashing tired, traditional approaches to leadership training.

This paper examines the role of leaders and leadership in NGOs. It draws on the analysis of recent research into the characteristics of NGO leaders, and explores the challenges of designing leadership development programmes appropriate to the needs of NGOs. This paper identifies the elements of successful leadership development, and assesses the skills or competencies that need be developed.

Key words: NGO, skills and competencies, leadership, capacity building, leadership development programmes, change and transformation

Introduction

Non-Governmental Organisation (NGO) leaders often face extraordinary challenges – both at a personal and organisational level. They work long hours with limited resources in uncertain and volatile political and economic circumstances to help the most marginalised and disadvantaged members of their communities. The complex managerial challenges they face have been documented in a small, but growing, body of research (Smillie, 1995; Fowler, 1997; Eade, 2000; Lewis, 2001; Smillie & Hailey, 2001; Edwards & Fowler, 2002; Hailey & James, 2004; James et al., 2005). Reviewing this literature one can but conclude that these challenges are demanding, and distinct from those faced by governments or the for-profit sector.

NGO leaders are often isolated and unsupported. There is talk of a leadership deficit, because of the shortage of talented leaders and the growth of the non-profit sector generally. As a result there is some urgency in attempts to develop a new generation of leaders, and to provide relevant support to existing and future leaders. Leadership development programmes designed for NGO leaders must as a consequence incorporate best practice and current experience rather than rehashing tired, traditional approaches to leadership training.

Perspectives on Leadership

Definitions

There are a wide range of definitions of the concept of leadership and the role of a leader. Dictionary definitions identify a leader as one that provides guidance by going in front, or causes others to go with

them. Leadership is defined as the capacity to lead. In a recent review of leadership theory Northouse (2004) identified four common themes that run through much of leadership theory: 1) leadership is a process; 2) leadership involves influence; 3) leadership occurs in a group context; 4) leadership involves the attainment of goals. Based on this analysis leadership was defined as “a process whereby an individual influences a group or individuals to achieve a common goal”. But it is clear that no one definition encapsulates all the facets of leadership. Consequently we must accept there will be a range of different interpretations and perceptions of leadership and what leaders do.

Another way of trying to identify the different elements of leadership is to create a typology of different kinds of leadership. This typology is derived from the research reviewed in this paper, and outlines four different types of NGO leader: 1) Paternalistic; 2) Activist; 3) Managerialist; and 4) Catalytic.

1. Paternalistic leaders typically demonstrate a patriarchal or matriarchal style of leadership. Their approach is often built on established personal or kinship relationships. They can inspire great loyalty, and have strong, close, possibly even a familial relationship with staff and volunteers. But to outsiders they can appear autocratic, reliant on hierarchical ways of working or top-down organisational structures, and overly-dependent on traditional relationship which may not be sustainable in the long run.

2. Activist leaders are actively engaged in advocacy and lobbying work. They are highly motivated, often charismatic, and typically focused on a single issue. They have the ability to channel the anger or concerns of local communities and solidarity groups to

achieve political imperatives. In practice they energise and inspire “followers” with clearly articulated messages – sometimes at the expense of dealing with more mundane managerial or organisational issues.

3. Managerialist leaders are rated for their managerial and administrative abilities. They typically demonstrate an instrumental ability to manage organisations, and can effectively establish reliable systems and appropriate structures, as well as manage a diverse workforce with established roles and responsibilities. While they may not be comfortable with change or coping with diverse partners and external stakeholders, they demonstrate a “professional” approach to development, have a track record in raising funds, meeting deadlines and undertaking commissions as a “contractor”.

4. Catalytic leaders typically act as strategic catalysts within the NGO context, and have the ability to promote and implement change. They demonstrate a wider worldview, and the capacity to take a longer-term strategic view while balancing tough decisions about strategic priorities with organisational values and identity. Their success as change agents depends on their ability to delegate work to talented colleagues, so freeing time to engage actively with external stakeholders and partners, build coalitions and strategic alliances, and be involved in a variety of networks.

The value of such a typology is that it goes beyond simple definitions and gives an insight into the variety of different leadership styles around. The typology highlights the complexity of trying to identify the characteristics of successful leaders – if only because, in their own ways, each of these different leadership types is successful in

the particular context in which it operates. However, as will be explored later, the “catalytic” leadership type is more likely to generate longer-term, sustainable, strategic growth than the others.

Leadership Traits, Styles and Competencies

Our attitude to, and understanding of, leadership has developed and evolved over time. Early thinking about leadership has been influenced by the belief that leadership was innate and that some individuals were born with certain traits that made them effective leaders. This led to much interest in the personality and charisma of what came to be known as “heroic leaders”. Researchers assumed that it would be possible to identify and isolate a definitive list of leadership traits (Stogdill, 1974). This ambition has never really been fulfilled. But a review of the research on leadership traits suggests that leaders score higher in such areas as ability (intelligence, relevant knowledge, verbal facility), sociability (participation, co-operativeness, popularity), and motivation (initiative and persistence).

However, this emphasis on leadership traits was open to the criticism that it underplayed or overlooked the influence of external factors. For example, there was concern that the focus on the individual was at the cost of an understanding of the impact of distinct organisational cultures on the way different leadership styles evolved and developed. In the 1970s researchers therefore began to focus their attentions on what leaders did in practice and how organisations shaped different leadership styles, rather than attempting to identify or measure

leaders' underlying characteristics or traits. In particular, researchers were interested in the way leaders adapted their public persona and leadership style to suit the situation they found themselves in or the people with whom they were involved (Hersey & Blanchard, 1988; Mintzberg, 1998).

In the 1980s there was renewed interest in those leaders who actively promoted organisational change. Arguably such transformational leaders enabled ordinary people to achieve extraordinary results (Peters & Waterman, 1982; Bass, 1985). In some ways this was a return to the trait-based analysis of the "heroic leader" with its focus on a leader's ability to communicate and inspire, or act as a catalyst for change. Interestingly in the late 1990s there was a reaction against this approach, partly because only a few of such transformational leaders achieved sustainable success and partly because as organisations became flatter, more decentralised, and less bureaucratic their leaders needed a new skill-set based around networking, negotiation, delegation and team building. This reaction is reflected in recent research that endorses the value of "quieter", humbler, less charismatic leaders who are keen to be seen to be part of a broader management team and actively encourage others to succeed (Bennis & Nanus, 2004). In a similar vein Mintzberg (2006), drawing on his work with local leaders in enterprise development agencies in West Africa, argues that the future lies with "fostering" a new generation of leaders who can practise what he refers to as "engaging management". Such leaders have the ability to engage with or inspire others through their thoughtfulness and humility.

Whatever the ebb and flow of researchers' interest in leadership there seems to be

an ongoing fascination with efforts to identify the key characteristics and core competencies of successful leaders. In particular, interest has focused on the role and importance of individual competencies. Such competencies are seen as distinct from general skills in that they are considered to be the underlying characteristics found in any individual that lead to, or are causally related to, effective or superior performance. This interest has led to what is now referred to as the "competency approach" to leadership.

The development of the competency approach is partly the result of the growing interest among organisations as to how to attract talent and how best to identify and recruit a new generation of leaders. It is also partly driven by the needs of those involved in designing and running leadership development programmes who want to identify the skills, competencies and capabilities that they should be trying to encourage and develop. The interest in this approach reflects a desire to identify and harness the leadership competencies and management skills that lead to effective performance. This has resulted in organisations, and human resource specialists in particular, placing great emphasis on measuring, monitoring, appraising and comparing core competencies. As a consequence they have created a range of typologies or frameworks which identify the mix of skills and competencies needed.¹

However, this emphasis on measurement and ranking may be at the cost of

¹ Examples of such typologies or frameworks can be found on the following websites:

- CEML Framework of Management and Leadership Abilities www.managementandleadership-council.org
- Investors in People Leadership and Management Model www.investorsinpeople.co.uk

valuing less tangible leadership behaviours such as intuition or good judgement (Bolden & Gosling, 2006)

While these competency-based typologies commonly paint a picture of leaders as multi-talented individuals, there is some concern that they under-play the negative aspects of strong leadership and over-idealise the role and character of strong leaders. The impact of “bad” or incompetent leaders must not be ignored or overlooked. The downside of strong leaders is that they can exploit their power for their own benefit or agenda. Their central role leads to a degree of dependency among their staff that in turn may lead to their disempowerment and de-skilling. Such strong leaders have been characterised as out of touch with reality, inflexible, ego-centric, and isolated. This in turn can lead to poor judgement, abuse of power, confusion between personal and organisational interests, and corrupt and unethical behaviour (Kellerman, 2004).

Such poor performance or unethical behaviour can threaten the viability, credibility and sustainability of any organisation. In the context of the non-profit sector these concerns highlight the importance of identifying appropriate leadership competencies that reflect the values of the sector and the needs of individual staff and volunteers. They also suggest that one should be cautious about becoming over-reliant on mechanistic competency frameworks – in particular those that don’t incorporate intangible personal competencies such as how personal judgement is applied, and how personal relationships with teams, colleagues and “followers” develop.

Followers and Teams

Despite this concentration on the character and competencies of successful leaders, many researchers and commentators argue that you cannot understand the dynamic role of a leader unless you see it in the context of their relationship with their “followers” (colleagues, subordinates, or team members). Such “followers” can play a crucial role in reinforcing the power of individual leaders, influencing their behaviour, and helping construct internal systems and structures that act to enhance the status of those they see playing a leadership role (Howell and Shamir, 2005). The success of most leaders is determined in part by the resources, energy, expertise and knowledge that such “followers” can muster. Leaders can attempt to control or manipulate them through fear or coercion, but more often than not, they have to work with their “followers” or colleagues in an egalitarian and co-operative manner.

Appreciation of the influential role of such “followers” is critical in informing our understanding of the socialisation process that shapes the leadership style adopted.

This relational or team-based approach to leadership is supported by the concept of “distributed leadership”, in which there is a shared sense of purpose and ownership of issues at all levels of the organisation. This concept suggests that leadership is a collective task based on shared decision-making and delegated authority. Leadership is therefore a social process in which everyone is engaged. As such leadership development should be seen as an investment in building human capital and developing the “collective capacity” of organisation members to “interact and work together in a meaningful way” (Day, 2001). As will be explored in the following

sections this emphasis on leadership as a collective process, rather than something that is specific to one individual, means that leadership development is as much about how best to manage teams and delegate authority, as it is about building networks and maintaining good personal relationships. It should be seen as an investment in building the social capital of an organisation.

These different theories and concepts of leadership provide insights into the different facets of individual leaders and the dynamics of leadership. We can only conclude that leadership is a complex phenomenon. It is also something we need to understand and develop because of its crucial role in mobilising resources and motivating people. This is particularly true for many civil society organisations (including NGOs and community-based organisations). For too long capacity builders have neglected the key role that local NGO leaders play in the development process, and overlooked the complex and collective dynamics of leadership within many NGOs. They appear to have underestimated the influence of the particular culture and context in which many NGO leaders operate, and as a result many capacity building initiatives designed to support a new generation of NGO leaders have been inappropriate and irrelevant.

NGO Leaders: Context and Culture

This section focuses on the evolving role of NGO leaders and the way the environment in which they work impacts on this role. It draws on research from a variety of sources, and sees leadership in the particular cultures and contexts in which NGOs operate. What is clear from this research is

that not only do individual leaders play a central role in shaping the destiny of many NGOs, but that their role and effectiveness is in part determined by the environment in which they work (Kelleher & McLaren, 1996, Fowler, 1997, Smillie & Hailey, 2001, Hailey & James, 2004, James et al. 2005).

There are also worries about the lack of leadership talent to be found within the context of the non-profit sector as a whole. This “leadership deficit” will become a matter of urgency as the sector expands over the next twenty years. It is estimated that in the US alone over half a million new senior managers will have to be developed for leadership positions in the period 2007–2016. What is also apparent is that many of these jobs will be filled by individuals recruited from outside the sector who will have had limited experience of running non-profits at a senior level. Currently it is estimated that only 40 per cent of senior management positions in US non-profits are filled by internal appointments, and that the remainder are recruited externally (Tierney, 2006).

In the 1990s the International Forum on Capacity Building, which was an international coalition of NGOs concerned with building the organisational and managerial capacity of the sector as a whole, consistently voiced its concerns at the quality and availability of appropriate leadership. It argued strongly for increased investment to develop a new generation of NGO leaders (1998 and 2001). CIVICUS, an international alliance of civil society organisations, similarly identified the lack of NGO leadership talent as a matter of particular concern. It suggested that this was partly a consequence of the rapid turnover of senior staff and the difficulty in replacing them, and that NGOs needed to

do more to recruit and retain effective leaders (CIVICUS, 2002).

Unfortunately much of our understanding of the way leaders work and what motivates them is based on research into the role and character of leaders in the business, political or military sectors. Furthermore, much of this research is based on studies in the developed industrialised countries of the North, with a particular focus on the individualistic, low power distance cultures of North America or Europe (Kotter, 1996, Adair, 2002, Bennis & Nanus, 2004). Relatively little research has been undertaken on leadership in the non-profit or public sector, and what research there is has mainly been based on the experience of US non-profits and has focused on the work of Boards rather than individual leaders. Allison (2002) reviewed the number of books concerned with non-profit management carried by Amazon.com, and estimated that only about 10 per cent were concerned with non-profit leadership – virtually all of which were based on the US experience and were concerned with Board and Governance issues.

Much of the current leadership research is therefore not relevant to the different social, cultural and political environments in which NGO leaders work (Hailey & James, 2004). While NGO-specific research and writing on leadership may be in short supply, it does exist and is growing. Some of the conclusions of this work are analysed below.

Responding to Culture and Context

Clearly leadership styles are contingent on the context in which they are applied. But they also depend on the ability of the individual's diagnostic skills and judgement to

know what style to adopt and when to adapt their style to suit the circumstances. This influence of culture and context on leadership styles is highlighted in the recent research into NGO leadership in South Asia (see for example Smillie & Hailey, 2001) or sub-Saharan Africa (see for example Fowler et al., 2002; James, 2005a). The conclusions are supported by the findings of researchers analysing the characteristics of leadership styles of African managers generally. Mintzberg (2006) refers to what he calls their "engaging" management style, while Jackson (2004a) highlights the importance of a "humanist" style in the African cultural context.

Any understanding of the role and performance of NGO leaders must incorporate the environment in which they work. Recent research into NGO leaders in Kenya, Malawi and Uganda highlights the way in which they operate simultaneously in three different worlds – the global aid world, the urban context in which they live and work, and the rural village setting where many of their extended family still live (James, 2005a). This research reveals how NGO leaders have to adapt to new leadership roles, the stresses arising from pressure of work, and the demands of organisational crises – commonly around financial shortfalls, internal conflicts or tensions between the staff and the Board. Kaplan (2002) concludes that the unrealistic and artificial demands placed by aid donors adds to the pressure faced by local NGO leaders. The donor's emphasis on tight project schedules, over-hasty timeframes and quick results is both unrealistic, developmental bad-practice, and has a negative impact on the credibility and confidence of NGO leaders. Such demands have a detrimental effect on the ability of many NGO leaders to

pursue long-term goals or develop a degree of financial sustainability.

There is an ongoing debate as to the influence of culture on management strategies and leadership styles (Jackson, 2004a). Contradictory evidence suggests that on the one hand, the more participative and collective leadership style that many NGOs espouse is shaped by the collectivist nature of society found in much of the developing world; on the other hand, the more autocratic approach adopted by individual NGO leaders is the product of the high power distance dimensions common to these cultures. However benign this role may be, it detracts from their ability to make hard decisions or play a more “professional” managerial role (James et al., 2005). In turn this places individual leaders under great personal pressure. They have to meet the expectations and financial demands of family members, and manage the “power distance” relations between themselves as managers and their staff. It has also been suggested that the paternalistic nature of many NGO leaders is a natural consequence of the high levels of commitment and shared sense of ownership common to many NGOs (Fowler, 1997).

The paternalistic nature of some leadership in the NGO sector is a matter of some concern. There are many anecdotal stories about the detrimental impact of paternalistic founder leaders, “charismatic autocrats” or “the guru syndrome”. On the one hand such leaders demonstrate drive and commitment, and a remarkable ability to mobilise people and resources; on the other hand they are criticised for dominating organisations, being unaccountable, and failing to adapt to changing circumstances. Chambers (1997) suggests that many NGO leaders achieve

things through their “guts, vision and commitment”, but the way they use (or abuse) power is a “disability” that jeopardises organisational effectiveness. He argues such charismatic leaders are “vulnerable to acquiescence, deference, flattery and placation”. They are not easily contradicted or corrected. As a result they actively suffocate promising initiatives that may threaten their power base, relationships or position of patronage.

Despite these concerns most of the recent research into NGO leadership emphasises the significance of good leadership. An effective leader can transform an organisation by providing direction, inspiring staff, mobilising new resources while still maintaining a clear organisational identity, and promoting shared values.

Working Relationships and Participation

As has already been noted leadership behaviour is directly influenced by leaders’ definitions of themselves in relation to their colleagues and work teams. As such leadership is not so much about individuals as it is about relationships. It is a dynamic process of mutual influence between leaders and followers. A noteworthy finding of the recent research among NGO leaders has been the way in which leaders have embraced a more participatory leadership style. Traditionally dominant leaders are increasingly sharing decision-making with their staff and encouraging a more participatory culture in their organisations (James et al., 2005).

One of the paradoxical issues that research has uncovered concerns the way in which successful NGO leaders manage the tensions inherent in being a strong

individual lead while still appearing to be highly participative and collegial in the way they manage. Many NGOs espouse collective decision-making and participatory management, yet have clear hierarchies and accept strong leadership. To some, the concepts of leadership and participation seem incompatible. Yet what has emerged is that strong leadership and participatory management can be complementary and compatible.

What is also striking from any review of this research is the different roles that such leaders have to play whatever the culture or context. Their success is determined by their ability to work in a participative manner, be comfortable with sharing their leadership role, and work in a collective style. As a result many NGO leaders have a chameleon-like ability to play different roles and adopt different leadership styles. Yet they are also capable of undertaking the most basic management tasks, as well as balancing the demands of different stakeholders in ways that do not compromise their individual identity and values. These “development leaders” display an extraordinary set of skills and competencies because of the complexity of the contexts in which they have to operate and the challenges they have to face.

NGO Leadership: Evolving Roles and Characteristics

This section focuses on the key characteristics and competencies shared by NGO leaders.

Competencies and Characteristics

Typical of the competencies commonly associated with leadership are the ability of a leader to communicate vision or strategy,

inspire teams, motivate individuals, and identify opportunities and initiate transformation. Recent research in the UK sponsored by ACEVO, which represents and supports the leaders of non-profit organisations in Britain, suggests that they exhibited an unusually broad range of competencies compared to leaders in the public and private sectors (Bolton & Abdy, 2003). They need a rare balance of inward-looking (management) and outward-looking (influencing) skills, with exceptional communication and networking skills, as well as resilience and emotional attachment.

This finding reflects the belief that effective leaders display high levels of “emotional intelligence”, and their performance is determined by their emotional maturity and ability to mobilise their emotional intelligence (Goleman, 2000). Emotional intelligence describes one’s innate ability to feel, use, understand and learn from your own emotions and those of others and of groups. Those with high levels of emotional intelligence have an ability to motivate both themselves and others. Many effective leaders demonstrate high levels of self-awareness, are capable of self-management, are socially aware and are well able to manage a diverse range of relationships. Emotional intelligence represents the intangible aspects of leadership that are all so important.

Many international NGOs have created assessment tools that try to capture both hard skills and some of these softer, more intangible, attributes. For example, the International Federation of the Red Cross introduced an “Effective Leadership Inventory” of over seventy questions both to elicit and to reinforce the leadership qualities the Federation believes its leaders will need to demonstrate in

order to ensure the continued success of the organisation. Similarly, the Save the Children Alliance has established a set of Leadership Standards that apply to all levels of the organisation, independent of function or country. The list of standards is self-measurable, and has been designed to encourage learning and self-improvement. It is based on the individual leader's ability to envision (create and communicate individual strategy), enable (identify and apply appropriate tools, processes, and people), empower (develop effective teams), and energise (communicate and inspire through personal leadership).

As was identified earlier, there is also a small but growing body of research whose findings give practical insights into the character and capabilities of NGO leaders in both Asia and Africa. For example, research in South Asia highlighted the distinct character and leadership style common to the leaders of large NGOs in Bangladesh, India and Pakistan (Smiley and Hailey, 2001). This research emphasised the crucial role of individual leaders in the development and growth of these organisations. The leaders studied had a highly personalised and distinctive leadership style. They appeared pragmatic, rational and aspirational. They also demonstrated a striking ability to balance competing demands on their time and energy with their own values and ambitions. They appeared both managerial and value-driven. They had clear and ambitious development aspirations, as well as an ability to understand and work with what resources they had and the volatile environment in which they found themselves.

Such "development leaders" could be characterised as being value-driven, knowledge-based, and responsive. In practice this meant that they had:

- **a clear vision and a firm personal value-set.** This gave them a strong sense of commitment to helping the rural poor that they were able to share with, and use to inspire, others;
- **a willingness to learn and experiment.** This meant they were comfortable applying new technologies or developing innovative organisational forms, and keen to draw on science or other sources of applied or professional knowledge;
- **a curiosity and ability to scan the external environment.** As a consequence they were able to track changes, analyse trends, and identify ways to respond to changing circumstances;
- **strong communication and interpersonal skills.** These enabled them to motivate staff and engage with a cross-section of society in a proactive and positive manner;
- **the ability to balance competing demands** on their time and manage the pressures from a range of different stakeholders.

NGO Leadership and Change

As has already been noted, strong leadership is most needed in times of change when organisations are experiencing rapid growth or operating in a volatile environment. NGO leaders demonstrate a chameleon-like ability to balance competing demands and a diversity of roles according to the circumstances and the individuals involved; for example, balancing their personal vision with the practical needs of local communities, as well as the demands of donors or the vested interests of local politicians.

But it should also be noted that many NGO leaders have built their reputation by effecting change in very traditional, static,

even paralysed, communities. In other words they are the source of change, and the cause of instability. Such “catalytic” leaders (see the typology in Section 2) are change agents who promote innovation and mobilise new resources. This is well-exemplified in Uphoff and Esmans (1998) review of “successful” rural development programmes, which highlighted the catalytic role of key individuals in leadership positions. These individuals played a crucial role in initiating change and guiding innovation; a role made somewhat easier because they were “outsiders” themselves, coming as they did from outside the rural community studied, and as a result better able to promote new thinking or argue for change. Uphoff and Esman describe this group of unusually able and motivated individuals as “development entrepreneurs” or “social innovators”.

The capacity to play different roles and balance competing demands, as well as develop strategies that enable them to cope with the exigencies of complex and difficult external environments appears to be one of the hallmarks of many successful NGO leaders. Interestingly this echoes the findings of the ACEVO survey of non-profit leaders in the UK, who demonstrated an unusually broad range of competencies to handle the demands of competing stakeholders and organisational change.

One consequence of this interest in the role of individual leaders in promoting change is that there is greater awareness of the need for these individuals to become more self-aware and change their own behaviour and attitudes if genuine change is to take place. In other words leaders have to change themselves, not just try to change the organisations. As Nelson Mandela famously

commented “you can never change society if you have not changed yourself”.

Research in both the private and non-profit sectors reinforces the point that such personal change is crucial. For example, Quinn (2000: 116) notes that “the bottom line is that they (leaders) cannot change the organisation unless they change themselves”. Edwards and Fowler (2002: 42) writing about developments in civil society note that “it is rarely possible to generate substantial change in human behaviour simply by altering the rules and institutions that govern our lives. The missing ingredient is personal change which acts as a well spring of change in other areas”. While James (2003) also noted the way behavioural changes are preceded by highly personal internal changes in his research among local NGO leaders in Malawi. The crucial question is how to ensure such personal change occurs? This challenge seems to lie at the heart of the work of those designing and running leadership development programmes.

The Challenge of Leadership Development

This section focuses on some of the issues which need to be considered by those involved in developing a new generation of leaders. There is now much greater recognition of the importance of personal change, individual empowerment, experiential learning, and face to face support. Leadership Development Programmes (LDPs) have evolved over time from formal, structured, one-off training courses to more process-based, experiential programmes with an emphasis on personal development and self-directed learning. This shift reflects

frustration with the limited impact of traditional one-off training courses with little real follow-up, and a greater appreciation that more holistic, self-learning programmes spread over time are better able to develop personal confidence and new leadership competencies.

The varied challenges which NGOs are up against have focused attention on how to develop a new generation of NGO leaders. In practical terms this is reflected in the increased investment in LDPs. For example, Save the Children Fund is in the process of identifying core leadership competencies for its senior staff, and is currently developing in-house leadership development courses. Similarly the Organisation Development Department of the International Federation of the Red Cross has introduced a series of leadership development workshops for the senior staff and Board members of different Red Cross societies. CARE, and a consortium of US-based NGOs, are developing a virtual NGO university (LINGO – Learning for International NGOs) whose initial programmes will focus on NGO leadership development. These are not just one-off initiatives but part of a growing awareness of the importance of developing the role and skills of NGO leaders (Lewis 2001; Smillie & Hailey 2001, Hailey & James 2004, James 2005a).

Empowerment and Transformation

The primary purpose of any NGO-based LDP is to develop a new generation of NGO leaders. All the indicators are that not enough talented natural leaders are either attracted to, or remain in, the sector. Recent research suggests that one of the

biggest challenges facing the non-profit sector is the dearth of leaders – a problem that is only going to get worse as the sector expands (Tierney, 2006). The task of any LDP is to both mobilise existing talent but also to develop and motivate new leaders – in part by helping ordinary managers or administrators to become effective leaders. So LDPs prepare people to play roles beyond their normal experience or frame of reference. One measure of the success of any LDP is to what degree it helps transform personal behaviour and change attitudes.

Such personal transformation is dependent on greater self-awareness and willingness to engage in new ways of working or thinking. Raising awareness and promoting personal change is therefore a crucial component of any successful LDP. Unfortunately too many NGO capacity building programmes have overlooked this obvious fact. They have focused too much on organisational and institutional issues rather than trying to promote changes to the attitude and behaviour of individual leaders. One implication of the current interest in emotional intelligence, as well as team-based or collective leadership, is the need to develop competencies that promote collaboration and networking, but also which ensure real personal change.

This focus on individualised self-development raises the question as to whether leadership behaviours and competencies can actually be developed through some form of taught training course. Or do we just accept that leadership is an innate characteristic that some individuals are lucky enough to be born with and which can merely be refined – like the natural balance that a gymnast has or the sense of perspective that a great artist enjoys. The consensus today is that while

some leadership qualities can be developed, there are some personal characteristics that are less amenable to change through a leadership development process (drive, perseverance, emotional resilience, etc). Thus we need to accept that LDPs cannot develop the 'complete leader', but they can go a long way in developing key leadership skills and behaviours.

Some of these skills cannot be taught in the traditional sense of the word, but can be developed through promoting greater self-awareness and generating some insight into the impact of personal behaviour or leadership style on others. Experience suggests that such insights can best be developed through some process that builds on participants' own experience, and provides feedback through mentoring and coaching sessions, 360-degree appraisals, learning sets, or team building exercises. 360 degree is an increasingly popular feedback mechanism, as it enables individuals to gauge the attitudes and perceptions of their colleagues (superiors, peers and subordinates) as to their management style and behaviour in a systematic and facilitated manner. It acts as a reality check based on external sources, but for it to be effective it needs to be administered by trained facilitators. If badly administered it is not worth doing, because it alienates participants, creates artificial tensions between work colleagues, and casts doubt on the efficacy of other appraisal or feedback mechanisms. But if done well it can be of immense value in raising self-awareness and acting as a catalyst for personal change.

Practical Experience and Strategic Reality

One of the challenges for those involved in such capacity building work is how to

design interventions that will develop NGO leaders who can thrive in, and not just cope with, the complex environment in which most NGOs operate. There is also greater appreciation of the role that leaders play in organisational change. As a result those in leadership positions have to gain insights into both the context in which they operate as well as the organisational challenges facing local NGOs. LDPs need to develop an understanding of these strategic challenges, and help participants become more strategic in their thinking and entrepreneurial in their actions. The current interest in social entrepreneurship has highlighted this dimension of leadership development work. Successful LDPs ought therefore to be rooted in the practical experience and strategic reality of those running CBOs and NGOs, but also incorporate the findings of recent research in this area.

Methods and Approaches

Leadership development therefore isn't about a single training event, it is about a process that incorporates a range of activities including:

- coaching and mentoring;
- self-assessment questionnaires;
- psychometric testing (such as Myers Briggs or 16PF);
- journaling and narrative description;
- photographs and video diaring;
- cases and simulation exercises;
- specialist workshops and seminars;
- learning sets and peer group support;
- internships, attachments, secondments and observation exercises.

This mix of inputs and approaches not only provides participants with specific skills

and experiential learning, but also insights and feedback that help promote greater self-awareness and self-confidence in their role as leaders. Of the activities identified it is apparent that coaching and mentoring play an increasingly important role in leadership development – to the extent that it is commonly expected that most individuals in leadership positions should have the support of some kind of coach or mentor.

International experience suggests that there is a move to support such developmental processes with new web-based e-learning opportunities. Such e-learning initiatives are attractive because of their flexibility and low cost to deliver internationally. But there are commonly high attrition rates with web-based programmes. The success of such distance-learning initiatives depends on regular feedback and intermittent face to face contact, as well as access to the wider ‘communities of practice’. It seems that because of the innovative nature of many e-learning initiatives, participants need to work at their own speed, and slowly build their confidence in the process and the technology involved. It is not a process that can be forced or imposed.

In conclusion, the current thinking suggests that leadership development should be seen as an emergent, experiential and bespoke process. LDPs should be seen as providing a safe space to explore new issues, receive feedback and reflect on personal performance and behaviour. Because of the emphasis on experiential learning, many successful programmes incorporate a planned programme of secondments, attachments and job rotation. As such they should not be seen in the same light as traditional training courses, but more as a mix of methodologies that help generate self-awareness, build

confidence, analyse options and explore ways of implementing alternative solutions.

Conclusions

All the evidence suggests that the leadership of NGOs is an issue of some importance. Such leaders can shape the destiny of not just the organisation itself, but also the communities with which they work. Effective NGO leaders do have a pro-poor agenda, and can impact the lives of the most vulnerable and disadvantaged. Unfortunately there is some concern about a growing “leadership deficit”, and where the next generation of leaders will come from and how they will be developed or trained.

Leadership Development: A Personal Challenge

Experience tells us that NGO leaders don’t want or need traditional skill-based training programmes with fixed and finite structures. Instead they want flexible, personalised, process-based programmes that are geared to their own needs; programmes that are concerned with the strategic and operational issues they have to cope with on a daily basis. As a result there has been a move away from generic, skill-based traditional approaches to leadership training to more bespoke, process-based programmes designed to develop the untapped potential of individual leaders.

One consequence of this shift to a more personalised, process-based approach is that many different methods and techniques are employed, including coaching and mentoring, personal reflection, diarying, learning sets and peer group support. Thus the design of LDPs is increasingly based around a

modular mix of inputs, with greater emphasis on experiential learning, personal learning or “learning from within”.

This reflects the realisation that leadership development cannot be reduced to a checklist of characteristics or competencies to be worked on and ticked off. LDPs build confidence, offer alternative solutions, and help individuals deal with issues of personal concern. As a result they incorporate techniques and group processes to help overcome common psychological barriers such as low self-esteem, lack of selfconfidence, fear of failure, and stress.

Another aspect that is often overlooked is the role of LDPs in attempting to alter unacceptable behaviour or attitudes. As has already been noted there are issues about the dark side of leadership behaviour. This is not just about the abuse of power for personal benefit, but also about the way autocratic behaviour displayed by some NGO leaders becomes ‘addictive’ and disempowering (James, 2005b). Such negative behaviour, which may have a highly detrimental effect on small organisations, can be addressed through self-awareness and consciousnessraising as well as ongoing mentoring or coaching. It also implies that LDP programmes should not merely be available to established leaders but also to a new generation of potential leaders early in their careers, before inappropriate behaviour has become the norm, or autocratic habits have taken hold and solidified into addiction.

There is also a more sophisticated understanding of the range of social skills and leadership competencies that such programmes should be developing. This has been reinforced by an appreciation of the importance of emotional intelligence as a core

competency. Research in the different dimensions of emotional intelligence has emphasised the centrality of the way we manage ourselves and our relationships, and brought out the role of a few fundamental capabilities (self-awareness, selfmanagement, social awareness and social skills) as crucial determinants of effective

leadership (Goleman, 2000). There is therefore much greater appreciation that leadership development is a complex, dynamic and highly personal process. Leadership skills develop and evolve to suit the context and culture in which they operate. They cannot be simplistically transferred.

Leadership Development: A Capacity Building Priority?

This paper has identified some of the challenges that NGO leaders face, and concludes that they need a set of attributes above and beyond those commonly found. In particular they need integrity, personal strength, political acumen and managerial ability to balance the competing pressures they face as well as the judgement and insight to know what leadership style or strategies best suit the circumstances. They also need to maintain their personal values and deep-rooted contacts with the community within which they work. As a result they will develop a remarkable ability to adopt different management styles while remaining true to their values and aspirations, and where appropriate work in a participative and consensual manner.

The future of many NGOs depends on their ability to recruit and retain effective leaders who are self-starters, can inspire others, and have the ability to effect real change.

Such 'catalytic' leaders (see typology in Section 2) have the ability to take a longer-term strategic view while balancing tough decisions as to strategic priorities with organisational values and identity. Their success as change agents depends on their ability to delegate work to talented colleagues so freeing time to build coalitions, develop strategic alliances, and work as 'boundary spanners' across organisational divides. Above all they are effective and committed networkers who can lever up resources and enhance status and impact by actively engaging with external stakeholders and working with a range of partners.

It is also clear from any review of the research that leadership and management in

the NGO sector is different from leadership in other sectors. NGOs are vulnerable to the exigencies of donors, the political sensitivities of governments, and the needs and imperatives of the local community. Development NGOs are susceptible to the unpredictable demands of an uncertain development environment. The question for the future is how will such organisations find or develop a new generation of managers or leaders who can meet these challenges. Thus, leadership development needs to become a priority issue on the NGO agenda – an issue of central importance for all those concerned with capacity building.

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Public And Private Leadership And Performance Management

~ PhD Student **Christine (Mihaescu) Demeter** (Management Faculty, Academy of Economic Studies, Romania)

E-mail: demeter.chris@gmail.com

~ PhD Student **Ana-Claudia Țapardel** (Management Faculty, Academy of Economic Studies, Romania)

E-mail: tanaclaudia@yahoo.com

Abstract: The aim of this article is to make a comparing between the private and public leadership. We analyze (1) whether there are differences between public and private sector leadership based on some variables related to job complexity of a manager (including the managerial behaviour, job autonomy, and job clarity), decision-making vs policymaking process and the stakeholders vs political influence, and (2) to assess the degree of their effects on the managerial competences and performance management. Our study is conducted from the Romanian perspective on public organizations.

As the methodology used, in order to identify the perception on political influence in Romanian public administration we conducted a survey among civil servants at central and local level. Our research is based on the empirical analysis of the relevant literature in public administration, leadership and organizational performance.

Key words: leadership, managerial competences, performance management, public administration, private organizations.

JEL: L3, L33

1.Introduction

In the public administration and public management literature, a large number of studies make references to private

organizations and private management in order to establish whether there are differences between public and private sector managers. There are not so many studies related

to leadership differences between public and private organizations (Anderson 2010). In particular, the public leadership adopted by the public managers is presented in related literature as public managerial abilities and skills (Fernandez 2005).

The phenomenon of public leadership is more related to New Public Management (Pollitt and Bouckhaert 2004), in the context on public administration reforms, which promote introducing managerial skills and abilities of management from private companies into public organizations. The fact that leadership is different in public administration than this is in private companies had been already demonstrated (Anderson 2010). Moreover, the literature argues that there are different styles of leadership depending on the specific structure of organizations, based on the organization-context, even there are private or public. These identified differences make the effects of influence to be different, from this point of view, because managers are operating under different and very specific constraints.

Our research objectives are: (1) to identify what are these differences between the private and public leadership styles sectors, and (2) to assess the degree of their effects on the managerial competences and performance management. Therefore, we agreed on some internal and external factors that, from the literature perspective, we consider as having great influence on leadership adopted either by private or public organizations. The factors we considered for our analysis are: related to job complexity of a manager (including the managerial behavior, style, job autonomy, and job clarity), decision-making (vs policymaking) process and the stakeholders (vs political) influence.

From this perspective, we consider as an ending point of this analysis the desirable managerial competences and performance management that private and public organizations are trying to achieve.

Managerial Competences

Most private and public managers, who are responsible for management development and learning, accept that competencies comprise a mixture of three essential elements: (1) the skills and abilities practiced in daily actions; (2), knowledge, expertise and experience in making the decisions and (3) the personal qualities, attitudes and values they espouse.

These three elements that promote the managerial competences could easily be described as understanding how a manager should or would acts (skills), based on what it needed to know (knowledge) and what attitude to adopt in order to make a decision, or to implement a policy.

These three combined elements give the behaviours of the manager. There are not, so far, differences between public and private manager. The components are similar for both sectors.

Besides these, the public manager has a political role in his organization. He is not representing only the organization he worked for, but the whole society or target group, to whom the public services are provided. The public managers are, mostly, political figures, elected or appointed for a determined period of time. They are leading the public organizations. Politicians make a distinctive contribution by rising controversial issues, promoting projects and setting directions, generating resources, even making compromises – mobilizing citizens – they are

making the things move. This is the leadership definition for the public managers.

Performance management

The managerial competences are very much related to the performance of the organization, both private and public. The performance is about achieving the establish objectives and desired results. The performance of private organizations is related to their profits, while the managerial performance of public administration is about providing services and running projects with limited resources and efficiently spending of the public money.

There are internal and external factors that influence both the managerial competences and the performance management of private as well as public organizations, as we are describing in the following sections.

2. Managerial complexity

The managerial complexity is related to the context by which the managers are conducting their activities. From this perspective the managerial style depends by different organizational context related to employees, power and task structure. Thus, the job complex is related to clarity, complexity, and autonomy of a job that influences managerial performance.

On the other hand, the job complexity is influenced by several factors related to: nature of the task they need to be solved, the organization of work and cooperation system within and outside the organization, existing systems and technologies, organizational structure, as a whole and the organizational culture.

Taking into account all the above mentioned factors, the job complexity and context could create opportunities and barriers

for different leadership model.

The private leadership is more concentrated on the results and profit, on the efficiency of the well done job, while the public leadership is concentrated on distributing powers between different levels of governance. Different styles of leadership characterize the two sectors: participative leadership for private organization which encourage the support and collaboration, even implication of the employees, and directive leadership for the public administration that incorporates rules, control and indications.

From the job description point of view, public managers have more job complexity than private managers (Hansen and Villadsen 2010). The reasons are: public administration is more bureaucratic than private companies (Boyne 2002). The goals of public administration are more open to environmental influence, are more complex and less stable and they have to face a lot of external constraints, such as the political factor.

As referring to job autonomy, the public managers have less autonomy than the private managers. The more political influence leads the public administration management the less autonomy public managers have. The reason of this affirmation is based on the fact that political factor is external and "above" the public institutions. The managers have weak authority and power if they are in relations with their superiors (as well considered an external political factor of influence) and even on their subordinates due to institutional and regulatory constraints. The legislation is very conservative for the public institutions in terms of defining their roles, the management style, procedures and structures. This not let so much space for defining performance and establishing performance measuring procedures.

3. Decision making process vs policymaking

The decision making process, in the public and private sectors, is very much influenced by the institution's management functions and its organizational structure. The management is a dynamic process, by which organizations are directed, controlled, and held accountable, consisting of various elements and activities. The process is about the selection of a course of action among several alternative scenarios. The difference that appears between private and public organization is related to decision making and policy making, as long as the main objective of public administration is to implement public policies that address to the whole society or to a specific defined target group.

The decision making process in public institution is hierarchical decision-making process in a traditional institution.

The general picture of a public institution' structure is pretty similar. The head of the public institution, which is the highest position (mainly political one), who is representing the institution' mission, objectives and approve the whole processed and activities is the president, state secretary, minister etc. The next position is mainly a highest executive position who will most likely receive a certain segment of the workload to be completing and to coordinate the activities and the projects run by the institution.

This responsibility will then be passed from this position down the hierarchy so that each aspect of the administration is being covered correctly.

The decision making process looks more participative and is based on the general consensus in the private organization than in public administration.

4. Stakeholders vs Political influence on performance

We already have presented the influences stakeholders could have on the management and on the leadership of a private company, as well as the political factor is a very influential one on the public administration. The impact of these two factors is reflected on the performance of the organization.

Referring to the public administration, Edmund C. Stazyk and Holly T. Goerdell (2011) have demonstrated the relationship between ambiguity of the managerial goals, hierarchical authority, political support and organizational effectiveness/performance. The main conclusion of their research is that high organizational performance is linked to low political performance, low authority and less bureaucracy.

In order to demonstrate the great impact that political influence has on Romanian public administration we conducted a survey among civil servants from the central and local level of Romania public Administration. The survey was conducted in January and February 2013, and we gather about 300 respondents to questions.

In our survey we wanted: to assess the actual system of performance management of Romanian public administration, to identify the influence of the external factors on the policymaking process and on the public management efficiency and to identify the membership of civil servants at different associative structures or organizations.

Regarding the actual system of performance management, we can remark that civil servants considered that their institutions have in percent of 28 % an acceptable level of performance, 17% evaluated a low level of performance and only 14 % considered that

the Romanian public institutions have a high level of performance.

In order to identify the influence of the external factors on the policymaking process and on the public management efficiency of the Romanian public institutions, we identified a very strong political influence: 40% high, 16% acceptable and only 10 % of the civil servants appreciated a low level of political influence. Other external factors with a major impact are: the economic and social factors – 45 % high level of influence; the legal framework and the actual legislation – 50 % high level of influence and responsibilities and government policies undertaken at national, European and international level (the relation with European Union, International Monetary Fund and World Bank) – 40 % high level of influence.

Regarding the membership of civil servants at different associative structures or organizations we can see the only 11 % recognized or declared that they are member of a political party. Most of them declared their membership to a professional association or to a trade union.

But we can note that a huge percent of civil servants, between 35 – 40%, didn't answer to some of the survey questions and the reasons can be numerous and interpretable.

Conclusions

In this article we presented the differences between private and public managers that lead to different leadership styles

and behaviours. We argued that the differences are because of different internal and external factors that influence and impact the managerial competences and the performance management of an organizational. The managerial job is very complex, ambiguous, with less autonomy and with a strong political influence on the policy making process in the public organizations that conducts to a directive leadership style. On the other hand, private organizations are developing a more participatory style based on the fact that the jobs are more clearly defined, more autonomous, flexible and the decision making process is a not so highly influenced by the stakeholders. The results of the survey showed that the political factor has a huge impact on the on the policymaking process and on the public management efficiency of the Romanian public institutions and that the actual performance management system in the Romanian public administration is not a very satisfactory one and is necessary to develop and implement new management instruments in the public sector, instruments which may come from the private leadership experience.

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Confronting the Consequences of a Permanent Changing Environment

~ Ph.D. Student **Raluca Ioana Vosloban** (Marketing, Academy of Economic Studies, Bucharest, Romania)

E-mail: raluca_ioanad5@yahoo.com

~ Ph.D. Student **Monica Vrabuuta** (Marketing, Academy of Economic Studies, Bucharest, Romania)

E-mail: monica.vrabuuta@gmail.com

~ Ph.D. Student **Roxana Elena Aldea** (Marketing, Academy of Economic Studies, Bucharest, Romania)

E-mail: aldea.roxana@yahoo.com

Abstract: Businesses and governments choose how they wish to deal with change. Whether this change is organizational, technological, political, financial etc or even individual pursuing actions as usual is likely to lead to a downward path. The authors of this paper are giving a set of tools for confronting and understanding the consequences of this era of permanent changes by building strengths and seeking opportunities within organizations (private or public) and within family (including friends). The work environment and the personal life of the individual have a common point which is adaptability, coping efficiently with changes, a demanded ability of the 3rd millennium human being.

Key words: organizational change, employee, family, technological environment

JEL Classification: D23, M12, L2, D1, L86

Introduction

Organizational change is seen as a step forward, as a consequence to continuous improvement and development. In the same time it is seen as a delicate subject with employees as first actors. The question that rises within this context is what an organization can practically do to minimize the negative impact that a change might have on its employees and to maximize the positive one that leads to satisfaction. Moreover, recent changes in the world and the workplace have proved to effects/impacts also the family life from the founding of a home to the parents relationships with their children.

Effects of the organizational change

Organizational change can be perceived positively or negatively. Sometimes it could be difficult to respond to dissatisfaction, but actions like addressing to other employees, to ask to speak with the manager or fill in a complaint file are to be taken into account. With all these in mind, there are many individuals who do not express their complaint and choose to adopt a negative attitude, become unfriendly with colleagues, friends, and family (Lovelock and Wirtz, 2007, p. 381). To underline, this has a negative influence on the quality of service delivered to the company's clients, as such an employee cannot deliver the customer's expectations.

The necessary actions are to be taken internally, by implementing certain procedures and ways of communication that aim to prevent such situations and underline the benefits the change brings.

The major problem in unsuccessful change is a lack of communication. Studies show that many companies fail to keep

managers and employees informed about how changes are to proceed in their organizations. Communicating the organization's new mission and vision is seldom carried out in an effective and satisfactory manner.

Moreover, top-level executives often do not provide training for the middle-level managers who are responsible for implementing change. Communicating with employees, determining employee expectations about what will happen, reducing uncertainty and ambiguity by providing relevant and timely information, and addressing the issue of job security can mitigate the negative effects caused by mergers.

Multiple forms of employee communication resulted in higher satisfaction, commitment, and perceptions of trust and caring than in a control group that did not receive this information. However, from a social exchange perspective, it is still necessary to inform employees about progress in a timely manner, clarify how employees will be treated after the changes are implemented, and then build and maintain employee commitment to the new organization. Communicating with employees, keeping them informed about the progress of the changes, and providing adequate training gives people both the confidence and skills necessary to smoothly make the transition. As employees become more familiar with the change and how it may affect them, their support for management and the change effort increases, according to Chiang (2010, p. 159).

According to the traditional understanding, employees have to adapt to organizational change and learn new strategies to achieve redefined goals while being resilient to setbacks during change. Employees' adaptive behavior is driven by their emotions.

Prior studies on employees' emotions during change often characterize emotions in terms of hedonic tone or pleasantness. They are classified as either positive emotions, such as joy and excitement, or negative emotions, such as fear and grief.

In the context of organizational change, positive emotions include being confident about change and enhance trust, leading to commitment and emotional engagement, while negative emotions include feeling stressed or insecure about change, leading to mistrust and resistance (Klarner et al., 2011, p. 333).

Failure of change is frequently due to the lack of commitment and motivation of the employees, but their emotional intelligence could predict organizational readiness for change (Norshidah, 2011, p. 129). Not surprisingly, studies went on to investigate the causes of and solutions to, resistance. Causes were typically conceptualized in terms of shortcomings in an individual's attitudes, emotions and/or behaviors.

Other deficiencies on the part of employees included misunderstanding the change; a lack of tolerance for change; and cynicism towards change. Some work did argue that resistance could be caused by the mishandling of the change by change agents but, even here, subordinates were still blamed for engaging in resistance. Solutions to this continued challenge of resistance are manifold. Some appear to be benign insofar as they revolve around communication, education, and participation, according to Thomas and Hardy (2011, p. 323). It is important to emphasize the fact that the internal relationships between employees and between management and employees might be impacted by the change and here comes into discussion

the importance of the internal marketing procedures and strategies.

Mahin (2010, p. 1798) considers that managers who understand the psychological aspects of organizational change can better plan what methods are used, when and how, and under what specific conditions they may lead to more positive results. Yet, positive organizational changes, in many situations, rely on managers' creativity, enthusiasm, improvisation, exploration, and enterprise. Finding creative ways of implementing organizational changes that motivate positive responses of employees is a worthwhile challenge.

Consequences of the labor market changes over the family life

Lim and Loo (2003) state that the recent changes in the world and in the workplace have generated considerable feelings of job insecurity among today employees. These changes had effects/impact also in the family life beginning with the founding of a home to the parents relationships with their children. First of all the age that the young people get married had increased because they consider housing a big problem along with economic problems and work-life conflicts (Kong, 2012). After they get married the appearance of children which implies at first nursery and kinder-garden costs and later the payment of various studies are raising pressures on all parents - mothers and fathers, couple and single - to work for payment (Strazdins et al, 2010). According to Edwards (2001), parents are placed on the labor market primarily financial uncertainty and the desire of wealth for the whole family.

Current changes in workplace, social and demographic structures are increasing children influence on both their parents' decisions and their general involvement

in the family making decision (Aldea and Brandabur, 2012). First of all, as mentioned before, the realization of a family and of course bringing up a child is delayed until the workplace provides a satisfaction for the individuals involved (Pelsmacker, 2002). Second of all, regarding the changes occurred in parent-child relationship concerning the influence level that the child has, a major role was the necessity of a bigger income per capita. There by, the entrance of mothers on the labor market (Pelsmacker, 2003) made the communication between mother and child difficult. These days mothers can no longer refuse so easily the children demands for different products or worse they accept the bad behavior changes of their children (Berry and Gubber, 1993, Yavuzer et al., 1993).

The more the age of giving birth increases, the more the influence on parents is bigger because the payment that they have offers the satisfaction of various needs and desires.

Besides all of these, it is imperative to mention that the instability and the stress from the job have an important part in the parent-child relationship, but this time in a negative sense. Namely individuals experiencing work stress have been found to be more irritable and hostile in their family interactions, leading to more punishing and unresponsive parenting behaviors with their children (Almeida et al., 1999). Job stress has large and persistent negative effects on family (Coelli, 2011). Thereby the working place of the parents can place the mark on the children because they can confront with experienced social and school-related problems.

The problems of the parents from the job area should not influence the children on the social level and much less on the school

level. The parent-child interaction must be warm, serene, elaborated from the job stress to avoid the changes which parents accumulate. In this sense, children will no longer have to suffer from the changes occurred with the mothers establishment on the labor market or different changes that happen with their parents at work (deadlines, job changing, various pressures from the boss or colleagues etc.)

Technological tools at hand

The set tools of tools for preparing and facing changes is necessary both on a conceptual level and by experimental applications. About the conceptual level, the set of tools comes directly under the influence of the digital evolution over the individual. There are three general directions of strategies used to educate the individual:

1. Online training
2. Sharing using social websites
3. Internet (re-)searching

These three directions work both ways, one from the company/government institution to the individual, being completely controlled, positive, or defensive, explanatory, and the other from the individual itself, being partially controlled, but full of opportunities for the business/the state.

The Internet Revolution started a new era of economic development, significantly increasing productivity and enhancing the prosperity of small to multi-national businesses and governmental institutions. The variety of information available to consumers and the ease in obtaining them altered the structure of industries and the internal organization of companies.

For defining the social network tools we must understand that the core of this

phenomenon is information. Companies and governments thrive to find solutions to permanently adapt to the changes of the information technology era and effectively restructure over and over again to gain from the use of web-based technology.

A BBC profile report made about Romania spread the information that "Romania, a slower developer than other former communist countries of Eastern Europe, took a major step away from its past" after the World War II, under the communist rule.

According to the Internet Usage Statistics and Market Report in 2010 more than 35% of the Romanian population was active Internet users. In 2012 the Percentage of Population Online grew to 39.2%.

In January 2011 the U.S. Public Intelligence reported that the most popular place for people to access the Internet in Romania (46.4%) is at home and is followed by work (15.6%) and school (8.4%). Businesses should focus their strategies on two aspects: first the number of employees using the internet (at work) is below European average and this is a full professional reflection over the Romania labor market and second over 20% of Romanians use the Internet while on the move having more than one mobile device and access to free public access points.

The cell phone market has reached its saturation point, accordingly to the U.S. Public Intelligence (2011) there are more than 24.5 million active cell phone SIM cards in use in Romania, against a human population of less than 21 million, giving a penetration rate in excess of 110%. This, combined with the limited level of fixed line infrastructure explains the relatively high level of mobile internet use at 22.7%.

The Internet has proved to be a creative environment for the companies and helped

growing the productivity of its employees if involved in this activity.

From the management point of view the Digital Revolution gives a pallet of online tools for project management, for time

management, for tracking an enormous amount of details, for remembering ideas, collecting needed supplies and seeing the big picture all the time.

Conclusions

There are many individuals who do not express their complaint, that choose to adopt a negative attitude, become unfriendly with colleagues, friends, and family. The necessary actions that need to be taken are internally, by implementing certain procedures and ways of communication that aim to prevent such situations and underline the benefits the change brings (individual strengths and opportunities).

The major problem in unsuccessful change is a lack of communication. Communicating with employees, determining employee expectations about what will happen, reducing uncertainty and ambiguity by providing relevant and timely information, and addressing the issue of job security can mitigate the negative effects caused by changes.

From a social exchange perspective, it is necessary to inform employees about progress in a timely manner, clarify how employees will be treated after the changes are implemented, and then build and maintain employee commitment to the new organization.

The Internet has proved to be a creative environment for the companies and helped growing the productivity of its employees.

Managers use multiple tools for project management, for time management, for tracking an enormous amount of details, for remembering ideas, collecting needed supplies while seeing the big picture of the business.

Managers who understand the psychological aspects of organizational change can better plan what methods are used, when and how, and under what specific conditions they may lead to more positive results.

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Competitive Strategies In The Context Of Political Marketing

~ Ph.D. **Eleonora Gabriela Baban** (*The Bucharest Academy of Economic Studies, Romania*)

E-mail: baban.eleonora@yahoo.com

Abstract: *By implementing effective marketing strategies organizations can achieve their strategic objectives and be competitive. The main objectives of the study are: 1). presentation of the main characteristics that define market strategy in the context of political marketing; 2). analysis of the competitive strategies according to the position held by an organization on the market; 3). presentation of the main trends of competitive environment in the contemporary business context. To obtain the vote of the electorate political parties apply specific competitive strategies according to the position they hold on the market. Electoral success depends largely on how political parties (or candidates) manage to gain the voters' trust by using effective strategies in order to improve and maintain their position on the market over a long period of time.*

Key words: strategy, political marketing, competitiveness

JEL Classification: M31

1.Introduction

Organizations achieve their goals by implementing effective competitive strategies managing to maintain their market position. In order to achieve tactical and strategic

objectives on a short and long term basis, an organization must face the challenges coming from the environment in which it operates, the permanent need being that of adjusting the activity according to dynamic environmental trends characteristic to the

current stage. This study aims to highlight the main features of competitive strategies used by both companies and political entities closely linked to the position they hold on the market. Competitive strategies are a central element in an organization's marketing policy and a careful and rigorous implementation of these strategies can only lead to increased turnover for manufacturing firms, and to attracting a large number of voters for parties / candidates who wish to obtain electoral success. To enjoy successful competitive strategies organisations need to exploit the opportunities offered by the competitive environment by applying an appropriate marketing mix to accomplish the desired performance. Achieving competitive advantages, correct information about direct and indirect competitors, the ability to meet customers' needs at a higher level and a better knowledge of competitive business environment trends are essential prerequisites for achieving success.

2. The market strategy and its characteristics in the context of political marketing

Political entities take into account political marketing features by applying marketing tools in the electoral field. Osuagwu (2008) considers that "political marketing can be conceptualised as the application of marketing concepts, principles and approaches in political issues by persons, groups, organisations and nations" (Osuagwu, 2008, pp.794), because "marketing concepts, principles, strategies and analytical methods have considerable applicability in political marketing" (Osuagwu, 2008, p.798). Political marketing principles and strategies are used by political

organizations and parties in order to achieve their objectives and targets. Osuagwu (2008) considers that "political marketing strategy, generally, is a series of persuasional techniques deployed in competitive situations to construct and reinforce a political entity's image, products and persons" (Osuagwu, 2008, pp.800).

Moreover, "political marketing strategy, specifically, seeks to describe how political entities and persons attempt to market their programmes, policies, persons and ideas to the relevant publics, while being sensitive to the realities of the political environment" (Osuagwu, 2008, pp.800).

Firms will seek key competitive advantages which can differentiate from competitors. Competitive advantages can be of two types, namely: cost advantages (firms practice a low price) and performance advantages (companies focus on quality and efficiency) (Bruhn, 1999, pp.80). Also, Bruhn (1999) argues that "implementation of strategy within the company" requires the "creation of internal assumptions market performance" (Bruhn, 1999, pp.86). With respect to organizations setting strategic objectives represents the key to achieving expected performance.

According to Osuagwu (2008) "political marketing strategy may be applied (or be relevant) to such areas of governance/politics as interest/lobby groups, local government, legislature, the civil service, public service etc." (Osuagwu, 2008, pp.800).

3. Competitive strategies according to market position

According to the market position occupied by a firm (organization) the following market structure can be mentioned: 40% is

held by the market leader, 30% is held by the market challenger, 20% is held by the market follower and 10% is held by the market nichers (Kotler and Keller, 2006, pp.349). These four positions

held by the firms (organizations) on the market assume different strategies.

Figure no 1: Market positions and main competitive strategies

Position	Characteristics	Strategies
Leader	Hold 40% of market share Defense strategies	Expand total market and share
Challenger	Hold 30% of market share Attack strategies	Attack leader, similar or smaller competitors
Follower	Hold 20% of market share Copying the leader strategies	Counterfeiter duplicates, clone, imitate or adapt the leader's products
Nicher	Hold 10% of market share Avoid competing with large firms	Create, expand or defend niche

Source: adapted from Butler, P., Collins, N. (1996), *Strategic analysis in political markets*, *European Journal of Marketing*, Vol. 30, No. 10/11, pp.36.

According to Osuagwu (2008) "political marketing strategy addresses different issues, such as how political organisations listen to the people they seek to serve, determine what they offer to the public and achieve their goals. It studies politics from the supply side (political parties) and from the demand side (voters, relevant audience)" (Osuagwu, 2008, pp.800).

Market leaders should permanently defend their position. The dominant firm uses defense strategies in order to "reduce the probability of attack, divert attacks to less

threatening area, and lessen their intensity" (Kotler and Keller, 2006, pp.353). According to Butler and Collins (1996) "market leaders in politics are seldom able to expand their appeal without risk" (Butler and Collins, 1996, pp. 36). But there are several dangers for the leader, such as technological changes, dissatisfied voters, or even "losing market share to new venture" (Butler and Collins, 1996, pp. 36). To gain the voters' attention and trust a market leader should be creative, friendly and reputable. In various situations if the market leader cannot sustain his/her offer to the electorate, he/she might adopt a defensive strategy in order to reinforce his/her image in voters' mind (Butler and Collins, 1996, pp. 37).

Challenger

A challenger's performance depends on using various attack strategies to improve and maintain its position over a long period of time. In competitive terms, the challenger's role is to "depose the leader", by using active strategies that "require an aggressive approach" (Butler and Collins, 1996, pp. 37).

Butler and Collins (1996) note that challengers take into account three fundamental conditions for "a successful attack on the market leader", such as: "the challenger must have a sustainable competitive advantage; the challenger must be able to neutralize the leader's other advantages; and there must be some impediment to the leader's retaliating" (Butler and Collins, 1996, pp. 37).

For a challenger, having a strategy of the electoral system is a fundamental factor, because "the more proportional the system the less are the rewards of an aggressive stance" (Butler and Collins, 1996, pp. 38). Challengers use various strategies for anticipating voters' preferences and wishes such as

“back-door strategies” or they often “reduce policy differences and rely on rival claims of competency, reliability or honesty” (Butler and Collins, 1996, pp. 38).

Follower

According to Kotler and Keller (2006) “a market follower must know how to hold current customers and win a fair share of new customers” (Kotler and Keller, 2006, pp.360). In a competitive environment “the follower is susceptible to attack by challengers engaged in a strategy of engaging the leader indirectly through taking over other competitors” (Butler and Collins, 1996, pp. 39). A market follower uses the following main strategies: counterfeiter duplicates, cloning, copying and adapting the leader’s product (Kotler and Keller, 2006, pp.360-361). Counterfeiter strategy involves the fact that “the counterfeiter duplicates the leader’s product and package and sells it on the black market” (Kotler and Keller, 2006, pp.360). Cloning strategy “involves close imitation” of the leader’s product, copying strategy “involves replicating other market products, but with just enough differentiation to avoid retaliation” and adapting strategy “involves taking other market products, but marketing them in different markets or segments to avoid direct confrontation” (Butler and Collins, 1996, pp. 39).

In the political arena parties “act to circumscribe their political market” for “protecting traditional supporters” and they use several strategies in order to develop “in the recognition of their limitations in appealing to a wide cross-section of the national market” (Butler and Collins, 1996, pp. 39).

Nicher

According to Kotler and Keller (2006) “an alternative to being a follower in a large

market is to be a leader in a small market, or niche” (Kotler and Keller, 2006, pp.362). Nicher strategy targets a market segment and its fundamental objective is to satisfy customers’ needs. A market nicher uses several strategies in order to “create, expand and defend niches” (Butler and Collins, 1996, pp. 40). In the political field “niche parties may be reliant on votes from a distinctive part of the jurisdiction”, because “some electoral system allows very specialist nicher strategies” (Butler and Collins, 1996, pp. 40).

4. Competitive environment – futures in the contemporary context

The whole process of setting an organizational strategy involves finding the most appropriate ways in which business skills and competitive strategy adopted by organisations could interact with the influences of economic, political, social and technological environment. In the context of this approach it is necessary to ask the following key questions: “What is the company’s mission? What does it want? What will it do?” (Popa, 2004, pp.62). After setting the company’s mission, setting strategic objectives and evaluating competitive strategies, the organization can choose the final strategy whose implementation leads to the achievement of the performance desired. Business environment has several important trends that need to be known by the companies if they want to accomplish the strategic objectives in terms of efficiency. These trends are: evolution of technique and technology in contemporary context creates various possibilities for innovation and creativity, “enhancement of business legislation, enhancing the role of interest groups and political entities”, “international

orientation in cultural domain towards an altruistic society, and towards consistent and sustainable values" (Stanciu, 2002, pp.82). In order to develop strategies on long-term basis it is necessary for organizations to know these interesting trends (Stanciu, 2002, pp. 82). Connecting organization activity with the environment is an essential condition for identifying the opportunities and threats that could affect its evolution over time. There are three types of environment, namely: **stable environment** - characterized by changes that are easy to predict and takes place over a long period of time, being also the base line for future analysis, **changing environment** - characterized by constant changes that are generally predictable and are characteristic also to the present period, firms facing this type of environment in the current stage, **turbulent environment** - characterized by sudden and unpredictable movements, being specific to the "top branches", having thus a permanent character (Stanciu, 2002, pp. 78).

5. Conclusions

A market leader implements strategies in order to expand global market by diversifying its product range and creating innovative products (in the context of political marketing, political offer and social objectives supported by a major party / candidate can lead to obtaining the voters' vote). Firms ranked second (challenger) are trying to expand market share by using offensive strategies and firms ranked third and fourth, respectively follower firms and small companies (nicher) take a fight for survival, trying to maintain position market by using competitive strategies in order to attract new customers.

According to the position held on the market firms use different competitive marketing strategies. This study summarizes these various competitive strategies by presenting the main characteristics of competitive marketing strategies used by manufacturing firms, and also by political parties, in order to obtain the expected performance.

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The Role Of Leadership Inside Organizations In The Context Of Globalization

~ Ph. D. Associate Professor **Cornelia Tureac** (Faculty of Economics Sciences, „Danubius” University of Galati, Galati, Romania)

E-mail: cornelia_tureac@yahoo.com

~ Ph. D. Senior Lecturer **Dan Păuna** (Faculty of Economics Sciences, „Danubius” University of Galati, Galati, Romania)

E-mail: pauna_dan@yahoo.com

Abstract: Any organization, irrespective of the field, needs skilled leaders who have a vision and confidence in action. The leader plays various roles and the key issue is to determine how they influence the performance of the team they coordinate. The research method used was the mathematical modeling applied to the example of a team. The aim of the research is to identify the cooperation method in order to improve workers' performance but also to minimize the possible conflicts which can affect the level of performance. The results of this research led us to conclusions regarding the characteristics of the team leader.

Key words: leader, organization, performance, models

JEL Classification: D23, F15,

Introduction

In order to ensure its success on the new market and society structure, an organization should take into account various factors,

such as human resources, product quality and offered services, competition. But it must not overlook the fact that one of the most important factors is the way of organizing the employee teams and their managers. Their

performance depends not only on the workers' and managers' individual skills, but also on dynamic, that is both the team members and their leaders can change. (Bennis 2009)

Among the new obtained perspectives there is the fact that having a qualified leader can be more important for the team's performance than the control on the team members. Furthermore, another result is related to the fact that a qualified leader, when attaining cooperation, can overcome or at least minimize the interaction issues among the team members, issues which can damage the team's performance level. (Draghici, Nistor, Popescu, Macarie, 2008)

Related to improving a team's performance, specialized publications mainly focused on forming methods and feedback. Despite all this, managers can intentionally replace the members of a team when other methods do not allow the reach of the wanted results. The impact of hiring new members can be substantial: hiring the wrong person can lead to wasting the firm's resources.

Research methodology

The main challenge of this initiative is given by including on the team a leader who controls, motivates and leads the team towards a common goal. The key problem is to determine how the leader influences the performance of the team they coordinate.

For the mathematic modeling there are the following notations:

- N = number of jobs or workplaces on a team.
- K = number of workers that affect the contribution of each team member.
- $x = (x_1, \dots, x_n)$ represents the team, where each $x_i \in \{0, 1\}$.

- $x_i^k = (x_{i-[k/2]}, \dots, x_{i-1}, x_i, x_{i+1}, \dots, x_{i+[k/2]})$, evolving cyclic if necessary.

- z = team leader.
- $pi(x_i^k, z)$ = a number between 0 and 1 that represents the contribution of worker x_i , who depends on the team x , the leader z and K - other workers.

The closer to 1 $pi(x_i^k, z)$ is, the more worker x_i contributes to the performance of team x .

- $p(x, z)$ = performance of team x with the leader z .
- (x^*, z) = a local maximum of team x^* with the leader z whose level of performance is higher or the same in all the situations of replacing team members.
- $E(p(x^*, z))$ = expected performance by the local maximum of team x^* with the leader z .

Results

In the simplest case, a team is made up of at least two workers, aspect noted with $A = 2$. Each of the 2^N teams is represented by a binary N -vector, $x = (x_1, \dots, x_n)$, where $x_i = 0$ means that one of the two available workers is chosen for the position i and $x_i = 1$ means that another worker is chosen for this position.

By introducing a leader z , the contribution of the worker i depends not only on worker x_i but also on the contribution of other members of team K , but also on the leader z , aspect reflected mathematically on the following ratio:

$$p(x, z) = \frac{\sum_{i=1}^N pi(x_i^K, z)}{N}$$

(1)

Next, we associated the following two new parameters with the leader:

- μ = a non-negative number which represents the level of qualification of the leader when achieving cooperation among workers. If μ is 0, the leader has no qualification, and as the value of μ is higher, the leader has more abilities/qualifications.

- σ = a non-negative number which represents the leader's variation, which practically refers to the variation of the leader's ability to achieve cooperation among different subordinates. If the value of this parameter is closer to 0, we can talk about the fact that the leader elicits the most of each real team member performance. Since this parameter increases, the influence of the leader concerning performance varies from one team member to another.

Each constant choice of people for the N positions inside the team x , whose performance can be modeled as a real number, $p(x)$, with values between 0 and 1.

Thus, when A is close to the value of 1, it indicates a team with relatively good performance, and when A has a value close to 0 it indicates a team with a relatively weak performance.

It is assumed that each position i contributes with an amount $p_i(x_i^k)$ to the team's performance. In the case when $p_i(x_i^k)$ depends on the worker in position i and the workers in other positions K on the team ($0 \leq K \leq N - 1$), we can assert that positions $K/2$ on each side of position i , require the repetition of evaluation cycle. (Fitzsimmons J., Fitzsimmons Mona, 1998)

Therefore, if $K = 0$ it means that the contribution to the team performance depends only on the worker in position i , and for $K = N - 1$ it means that the contribution to the team performance in position i depends on the worker in position i and on the workers on all the other $N - 1$ team positions.

Generally, there can be 2^{k+1} possible combinations for the workers from $K + 1$ positions to affect position i , so that we can define the value of $p_i(x_i^k)$ for one of 2^{k+1} , consistent random value between 0 -1 – that corresponds to the combinations of workers in position i and K - team positions. The performance $p(x)$, of team x is then considered as being the average of these contributions:

$$p(x) = \frac{\sum_{i=1}^N p_i(x_i^K)}{N} \quad (2)$$

Given the values for N , K and $N - k$ – charts for $2N+1$ consistent random value from the interval 0-1, we will aim to find the global maximum, that is a team whose performance is better than that of all the other teams.

Starting with an initial team - x , by replacing the worker in position i with another worker available for that position we create a new team - x' , obtaining what it is called in this case" a replacing neighbor for x ". The new team is only kept if x' has better performance than x . This replacing process implies a sequence of teams, each with a better performance than the one of its predecessor, so that the sequence continues until it reaches a local maximum, that is a team whose performance is better or the same for all the versions of team member replacement. Therefore, using computer simulations with the help of SPSS program, we obtain chart no.1 with the values associated to expected performance for a team when $N = 20$ and $K = 10$.

Table 1. Performance of the team according to the leader's level of qualification and the degree of cooperation among the team members

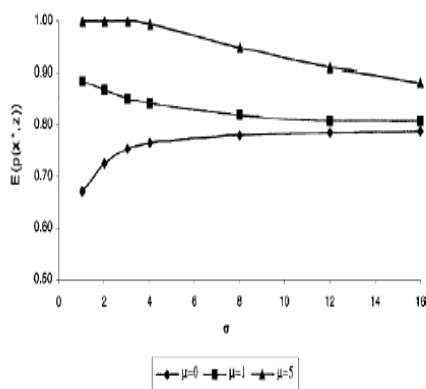
σ	$\mu = 1$	$\mu = 2$	$\mu = 5$
1	0.67000	0.88516	1.00000
2	0.72655	0.86783	0.99996
3	0.75301	0.85182	0.99931
4	0.76623	0.84334	0.99535
8	0.77877	0.81976	0.94874
12	0.78575	0.80903	0.91006
16	0.78967	0.80748	0.88390

Source: Buiga, A., (2009), *Statistică inferențială*.

Aplicații în Spss, Toderco, Cluj Napoca

Graphically, the situation is presented in diagram no.1:

Diagram no.1 – Variation of team performance according to the leader's level of qualification and the degree of cooperation among the team members



We can notice that the team performance is the highest when the maximum number of workers that need to be coordinated is 4 and the leader has a high number of qualifications (in our case μ is 5).

The following approach incorporates the leader's ability to achieve a good relationship among workers for a fixed sum of interactions among them. This relationship can be limited to offering advice or the attempt to solve interpersonal conflicts among team

members so that they work better together and, so, closer to the maximum individual abilities.(Abrudan 2009)

In this case it is necessary to add a set of notations:

- $a_i(x_i)$ = a worker's least possible contribution - x_i ($0 \leq a_i(x_i) \leq 1$).
- $b_i(x_i)$ = a worker's biggest possible contribution - x_i ($0 \leq b_i(x_i) \leq 1$).
- $r_i(x_i^k, z)$ = a - a number between 0 and 1, which represents the relationship achieved by leader z between worker x_i and $K \geq 1$ the other workers who affect the performance of worker x_i .

If $r_i(x_i^k, z)$ is closer to 1, leader z achieves a better collaboration between worker x_i and the other workers K .

In the case when the work group leader does not have any specialization, it can be assumed that each worker contributes to team performance in the interval $[a_i(x_i), b_i(x_i)]$, where:

$$a_i(x_i) = \min \{u_1, u_2\}, b_i(x_i) = \max \{u_1, u_2\}, u_1, u_2 \in [0, 1] \quad (3)$$

The relationship $r_i(x_i^k, z) \in [0, 1]$ achieved by leader z between worker x_i and other workers K is then used to determine the time when worker x_i contributes effectively in the interval $[a_i(x_i), b_i(x_i)]$. That is, the contribution to performance of a worker x_i is computed as a convex combination of the following elements $a_i(x_i)$ and $b_i(x_i)$:

$$p_i(x_i^k, z) = (1 - r_i(x_i^k, z))a_i(x_i) + r_i(x_i^k, z)b_i(x_i) \quad (4)$$

and the team performance $p(x, z)$, is the average of all the worker's contributions.

We can notice from the formula (4) that when the relationship $r_i(x_i^k, z)$ is close to 1, the leader reaches a high level of cooperation between worker x_i and K - other workers, therefore the performance of worker x_i is

closer to the maximum individual potential, noted $b_i(x_i)$.

As well, when the relationship $r_i(x_i^k, z)$ is closer to 0, the leader determines that the performance of worker x_i is closer to the minimum individual potential, noted $a_i(x_i)$.

Since the relationship's variable is generated in the interval $U[0, 1]$, the leader is declared to be without any specialization.

In conclusion, in the case when the team leader does not have a specialization in this way, the team can obtain a series of advantages when there is a low quantity of interaction among workers. When the team is coordinated by a specialized leader, this characteristic is included in the following approach by generating values for the relationship's variables

from a normal distribution with parameters μ and σ . The approach is carried out in two steps, as follows:

- a random number will be generated
- y from a normal distribution $N(\mu, \sigma)$ and then
- there will be computerized attempts for the relationship $r_i(x_i^k, z)$ in the area of normal distribution $N(\mu, \sigma)$ for number y .

Notational, relationship $r^i(x_i^k, z) = \Phi(y)$, where $y \sim N(\mu, \sigma)$.

The computer simulations with the help of SPSS programs are presented in the table no.2 and they compare the expected performance at the level of the team for the various levels of qualifications of the leader.

Table.2. Expected performance at team level according to K and N

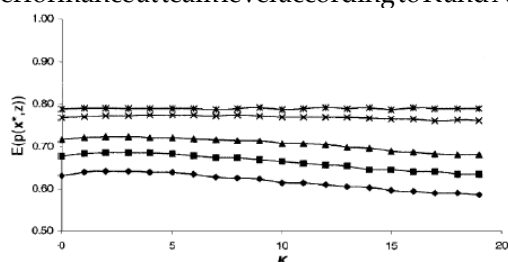
$N(\mu, \sigma)$ K	N(0,0)	N(0.5,1)	N(1,1)	N(2,1)	N(3,1)
0	0,63215	0,67708	0,71746	0,76881	0,7891
1	0,63916	0,68455	0,72133	0,77164	0,79016
2	0,64179	0,68725	0,72374	0,77314	0,79144
3	0,64318	0,68766	0,72431	0,77338	0,79092
4	0,6411	0,6856	0,72261	0,77504	0,79041
5	0,63896	0,68354	0,72145	0,77446	0,79154
6	0,63507	0,67965	0,71968	0,77435	0,79217
7	0,62943	0,67591	0,71792	0,77464	0,78866
8	0,6264	0,6753	0,71618	0,77345	0,79086
9	0,62386	0,67191	0,71462	0,77202	0,79261
10	0,62568	0,66598	0,70825	0,77156	0,79152
11	0,61552	0,66154	0,70788	0,77097	0,79262
12	0,61029	0,65687	0,70715	0,77013	0,78898
13	0,60561	0,65449	0,69931	0,76956	0,79273
14	0,60377	0,64744	0,69703	0,76755	0,79194
15	0,5969	0,64769	0,69116	0,76723	0,7916
16	0,59463	0,64312	0,68978	0,76321	0,79158

17	0,59142	0,64192	0,68547	0,76363	0,78256
18	0,59093	0,63586	0,68154	0,76173	0,78489
19	0,58768	0,63556	0,68119	0,76098	0,78899

Source: Constantin Draghici, Gheorghe Nistor, Marin Nicolae Popescu, Marius Macarie, (2008), *Modelarea matematica in economie*, Editura Tiparg, Bucuresti

These aspects can be shown graphically in diagram no.2.

Diagram no.2. Interpretation of expected performance at team level according to K and N



Taking into account that the range of contributions is in the interval $[a_i(x_i), b_i(x_i)]$, the model allows different workers to have different contribution levels. The simulation results presented in chart no. and diagram no. emphasize the way in which the leader's qualification variation affects the team performance for the fixed values of μ .

In the case when the leader has the capacity to achieve cooperation when there is a fixed amount of interaction among the team members, we must take into account the leader's capacity to cooperate in the conditions of the increase of the number of worker interactions.

For this purpose we take into account what happens when K increases by 1, then the contribution of a worker, who, in turn, depends on the contribution of a supplementary worker.

Initially, value $p_i(x_i^{k+1})$ is generated by a uniform distribution 0 - 1, independent of the value of $p_i(x_i^k)$. As a result, $p_i(x_i^{k+1})$ could be different from $p_i(x_i^k)$.

For example, if $p_i(x_i^k) = 1$, then it is possible that $p_i(x_i^{k+1}) = 0,9$. So, the distance from $p_i(x_i^{k+1})$ to $p_i(x_i^k)$ depends on the cooperational leader's abilities.

At the other extreme, in the case when the interaction with the supplementary worker is beneficial, a skilled leader should be able to improve this benefit.

For this we will have:

- α = a number between 0 and 1 representing the leader's level of cooperational qualification. When α is 0, the leader has no qualification.

When the value of α is higher, we can talk about leader qualification.

- $[l_i^{k+1}, (p_i(x_i^k), \alpha), u_i^{k+1} (p_i(x_i^k), \alpha)]$ = the range of possible worker x_i contributions, when the interaction sum is $K + 1$, as function $p_i(x_i^k)$ and α .

To determine the new low $l_i^{k+1} (p_i(x_i^k), \alpha)$ depends on the leader's skill.

When the value of the interaction with a new worker increases, the contribution to performance of worker x_i can be decreased theoretically from $(p_i(x_i^k))$ to 0.

To the other extreme, a highly qualified leader, that corresponds to $\alpha = 1$, could prevent the contribution of worker x_i to decrease under the current value $p_i(x_i^k)$.

Therefore, the new bottom limit increases as much as the level of the leader's qualification, according to the following formula:

$$l_i^{k+1} (p_i(x_i^k), \alpha) = \alpha(p_i(x_i^k)) \quad (5)$$

The high limit $u_i^{k+1} (p_i(x_i^k), \alpha)$ also depends on the leader's ability.

As well, a skilled leader will more than likely get a higher contribution of worker x_i if the conclusion is that the interaction with the new worker is beneficial for worker x_i . In conclusion, after generating $p_i(x_i^0) \sim U[0,1]$, each consecutive contribution will be based on the following relation:

$$p_i(x_i^{k+1}) \sim U[l_i^{k+1}(p_i(x_i^k), \alpha), u_i^{k+1}(p_i(x_i^k), \alpha)] \quad (6)$$

Conclusions

In conclusion, in this paper we have presented a few simple approaches of mathematical models in order to study the effects of the cooperational leadership on a team's performance in which the quality of members changes in time. These models include controllable parameters which allude to: the leader's qualification and the degree of interaction among the team members. Therefore, when we talk about the collaborative leader's advantages, we talk about a better performance of the team, as well as about the capacity of the qualified leader to place emphasis on worker interaction. (Abrudan 2009)

In the case when the qualification of the collaborative leader is included, workers are differentiated according to the extent in which they can contribute to the team performance. Their work relationship with other workers K depends on two parameters: μ - collaborative leader's skill and σ - leader's variation. The more trained the leader, the bigger the probability that each worker contribution to the team performance is closer to their maximum capacity.

If we notice a certain capacity of the collaborative leader to increase the value of worker interaction, the main result of modeling is the fact that the more trained the

leader, the bigger the probability that the effects of supplementary interactions among workers improve.

Starting from the results of computer simulation we can make a series of recommendations for the management of the organizations:

- a team leader's performance will be higher if the team does not have more than 4 members and the leader has a large number of abilities (for example being a good organizer, promoting open communication with the team members, capacity to motivate the team members, acknowledging workers' qualities, being a good mediator, etc.).
- organizations must invest continuously in the training of those holding management positions in order to give teams a chance to improve their performance.

Collaboration means primarily people involvement in creating their own solutions for the problems they face and giving up or adopting existing solutions (Collins 2007). Also, this implies the identification of common interests and giving up adopting rigid positions. When we assume a position we are ready to defend that position and we adopt a defensive attitude.

Identifying common interests implies finding those areas which manage to bring us closer to the ones who have different views. Many times collaboration means working with those individuals or groups that we normally perceive as being our opponents. In collaboration process people have the opportunity to find out the others' point of view and perspective and to consider together the common future of the community they belong to. Shortly, collaboration means conscientious effort to involve all the community sectors - nongovernmental organizations,

decentralized governmental agencies, businesses and individuals –that can significantly contribute to such a community effort.

Cooperation is a relationship in a certain way, when all parts involved choose from a strategic point of view to cooperate in order to reach a common goal. The success of collaboration, due to its voluntary nature, greatly depends on the ability of one or more leaders to maintain the relationships among parties. In this context, organizations must better monitor the activity of human resource department concerning the team members hiring procedure, in order to initiate or improve the system of establishing project teams, assessing individual performance, the system of replacements in the project teams.

Collaborative leaders will try to involve all people in the leading and decision-making process. Decisions are made after a collaborative process of talks and by applying the majority rule or, ideally, by reaching consensus. Finally a collaborative leader will encourage

team work and trust among the members of the organization/institution. As well, collaborative leaders show some specific abilities. They know how to analyze and understand leadership challenges, how to develop strategies that can overcome the inaction or opposition moments, how to gather individuals around them, how to instill a feeling of trust among them and to transmit the necessary abilities to make collaborative actions possible. These mathematical approaches of leadership offer a new perspective on team management, that is a talented and trained leader can be more important for the team performance than the control of the interaction level among team workers.(Draghici, Nistor, Popescu, Macarie , 2008)

Besides, the leader's ability can overcome or diminish the problems that might appear as a consequence of the team's interaction and which might generate a decrease in performance.

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Operations Management And Leadership; A Case-Study Of Implementation of Centralized Back Office Activities

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

E-mail: camelia.cojocaru@gmail.com

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

E-mail: silviu.cojocaru@gmail.com

Abstract: *The concept of leadership is extremely complex and very often, there is a confusion between leadership and management. Although people are using these words interchangeably, they play very different, but still essential, roles. This paper aims to present a case study regarding an implementation project in banking back-office activities, in order to prove the importance of managing correct the back-office resources, but in the same time the need for a vision that would lead the people toward the scope of a project. The paper describes the existence of a relationship between leadership and operational excellence, also.*

Key words: back office, productivity, leadership, management, operational improvements

JEL Classification: J24 - Human Capital; Skills; Occupational Choice; Labor Productivity

1. Introduction

The banking back-office activities are mostly about managing correctly the back-office resources. Back-office activity is a set of well-known processes, like planning,

budgeting, structuring jobs, staffing jobs, processing various transactions with maximum correctness and minimum costs, and constantly measuring the performance of all these processes. The predictability of the

processes helps the organization to do what it knows how to do well. In organizations of such size and complexity, like a bank, this is a very difficult task. But, while the complexity of such managing is not under discussion, the need for leadership is often out of the vision of top management. In my opinion, the operational excellence is not always a result of how efficient your processes are, but also is a matter of leading people and involving them in achieving the common goals of the organization.

2. Literature review

The leadership theories are very much diverse. The concept of leadership is complex, and one could notice that almost every researcher tried to give a new definition of leadership. Nearly 40 years ago, Stogdill (1974) noted "there are almost as many different definitions of leadership as there are persons who have attempted to define the concept". While not intending to develop a new definition, I will provide a sampling of leadership definitions.

Bolden described leadership as "... a complex phenomenon that touches on many other important organizational, social and personal processes. It depends on a process of influence, whereby people are inspired to work towards group goals, not through coercion, but through personal motivation." (Bolden, 2004, p. 5)

Another author described leadership as..... „persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers." (Burns, 1978, p. 18)

The management guru Peter Drucker has also his own definition: "Leadership is the lifting of a man's vision to higher sights, the raising of a man's performance to a higher standard, the building of a man's personality beyond its normal limitations." Peter Drucker

Having in view the new knowledge-based organizations, we could also mention the following definition, too: "Leadership is the ability to build and maintain a group that performs well relative to its competition." (Hogan & Kaiser, 2005, p. 172). And, in line with the motivational theories, we could mention Vroom's definition: "...a process of motivating people to work together collaboratively to accomplish great things." (Vroom & Jago, 2007, p. 18).

Without trying to enunciate too many definitions, we could focus on the so called "leadership – management difference". One of the most common topics in this regard is the distinction between leadership and management. Many times the two concepts overlap each other. According to Kotter, these are the most common mistakes people make on this issue:

a) People use the terms "management" and "leadership" interchangeably. That means they don't differentiate the vital functions that each role plays.

b) People use the term "leadership" to refer to the people at the very top of hierarchies. They then call the people in the layers below them in the organization "management." And then all the rest are workers, or specialists.

c) People often think of "leadership" in terms of tremendous personality characteristics. This leads to the conclusion that few people can provide leadership.

The leaderships are the process of influencing people by providing purpose, direction, and motivation, while operating to accomplish the mission and improve the organization. Still, in his 1989 book "On Becoming a Leader," Warren Bennis composed a list of the differences between the managers and the leaders:

- The manager administers; the leader innovates.
- The manager maintains; the leader develops.
- The manager focuses on systems and structure; the leader focuses on people.
- The manager relies on control; the leader inspires trust.
- The manager has a short-range view; the leader has a long-range perspective.
- The manager asks how and when; the leader asks what and why.
- The manager accepts the status quo; the leader challenges it.
- The manager does things right; the leader does the right thing.

A. Zaleznik (1977) appears to be the first author who has drawn a line between leaders and managers, according to his article entitled *Managers and leaders: are they different?*, through a system of criteria that are based on analysis and characterization of leaders and managers.

In this article I will present the case-study of a back-office implementation. The bottom line is to share the importance of leadership in a project's success, beyond the managers' budgets and processes coordination.

3. Human resources management in the banking industry and back-office work characteristics

Romanian banking system is among the fastest growing sectors in Romania after 1990.

The high degree of banks network development, the increased portfolio of services, continued growth in the number of customers, imposed the banks as major employers in the labour market.

Currently, there are 39 banks operating in Romania, the banking market being divided into more than 5,500 branches. According to statistics, about 80,000 people are working in banking in Romania. The figures continuously increased in the latest years, due to the extension of banks networks. This territory expansion means attracting human resources. For many years, the banks faced difficult conditions for attracting and retaining attractive talents into the specialized departments, even if they provided better salary packages. In general, the scarcity of specialists in the field of banking is in the case of middle and top management positions. It is also increasingly difficult to find qualified and available candidates in departments such as: administrative, human resources, operations, and IT. There are highly specialized and technical positions, such as operations, sales or department manager, who experience lack of trained people.

For the entry level positions, the salary level is one of the main reasons that lead to the lack of specialists. However, a worker in a back-office department could earn about 300 Euro at the debut. For this reason, many young people who come to interviews change their option, giving up the idea of working for back-office. Some of them claim that they prefer to work in other areas, which bring better income.

Also, the personnel turnover is very high among the entry level positions for back-office departments. Beside the salary, they claim the repetitive tasks and the content of

the activity are the main reasons they prefer to change to the sales or loans, rather than developing a career in back-office. I could very much say that this misconception has its roots in the poor human resources management strategies of the banks. They failed in motivating people and offering them new ways of development, beside the salary.

Recruitment in the banking system has suffered as a result, and has to change in order to find new suitable employees.

Faced with a difficult market in the latest years and affected by the economic crisis, the companies in the banking industry have been among the first to understand and implement a modern human resource management. Of course, most of the Romanian banks are subsidiaries of large European companies and they have benefited from the experience of parent companies, implementing one of the first modern systems. Under the pressure of competition and the fight for revenues and market share, the banks (mostly foreign-owned banking groups) have developed new procedures for both recruitment and retention of staff.

Banks have understood among the first to apply the basic principles of human resources management: assessing the human factor as a vital resource, and therefore correlation in an integrated manner, the human resource policies and systems with the organization's mission and strategy.

In order to achieve their objectives, banks have realized the importance of developing a healthy organizational culture, and invested in researching and influencing it. Generally, banks have invested in human resource management programs that aim to improve the efficiency and effectiveness of staff (increased productivity), reduce

absenteeism and staff turnover, increased job satisfaction of employees and increase the capacity for innovation, problem solving and change organization.

4. Centralizing and automating the transactions processing activities and the challenges faced by the bank managers

Territorial expansion of networks banks has to be accompanied by the streamlining of the business processes, so that the network to function optimally. Therefore, the expansion of the territory sales activity and bringing the sales channels closer to the customers are accompanied by the centralizing of most of the processing activities. Processing a growing volume of transactions with minimal cost brought to the forefront the need for centralization and automation of back office activities.

In this context, we consider the case of creating a processing centre for a bank in Romania. The bank in question was the date of implementation of a network of about 170 locations all over the country. Transaction processing was performed in each branch, by the local staff. At the branch level, there are both customer officer positions and payments back-office officer positions in some larger units. There is also a dedicated payments processing department in the head-office. In the view of centralization, the activities to be centralized have been thoroughly assessed in the first phase of the project.

Selected transactions to be centralized processed in the first phase of the project were:

- Execution of payment orders (domestic and cross border)

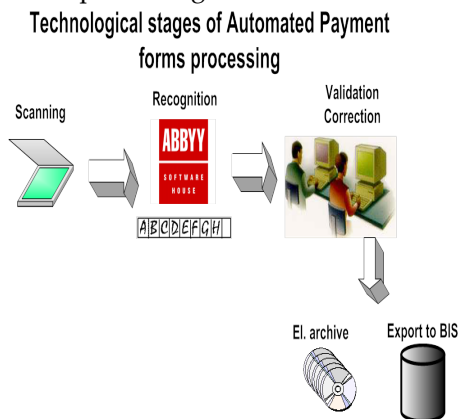
- Collection and payment of checks and promissory notes

- Foreign exchange orders.

Choosing the types of transactions as subject to centralization was influenced by economic and legal criteria (for example, legal provisions issued by the National Bank of Romania regarding the settlement through centralized payment systems).

The chosen technical solution was based on ABBYY technology, meaning the customers instructions (payment orders, cheques, promissory notes, foreign exchange orders) are received in the branches, scanned by the branch staff and processed by the head-office (processing centre) staff.

Fig.1 – The technical solution chosen for transactions processing



The project milestones were:

- reducing transaction costs by centralization;
- improving productivity in back-office activities by designing standard processes;
- increasing flexibility to customers' needs.

Following the project implementation, all processing activities were about to be transferred to back-office departments in Head Office. In addition, some processing

activities are going to be entirely automated.

The central goal of the project was organizing a “payments factory”, with the following features

- a) processing benchmarks have to be put in place, by types of transactions

- b) reduced interaction with third parties (internal and external customers)

- c) teams managed by supervisors who validate the transactions in the system

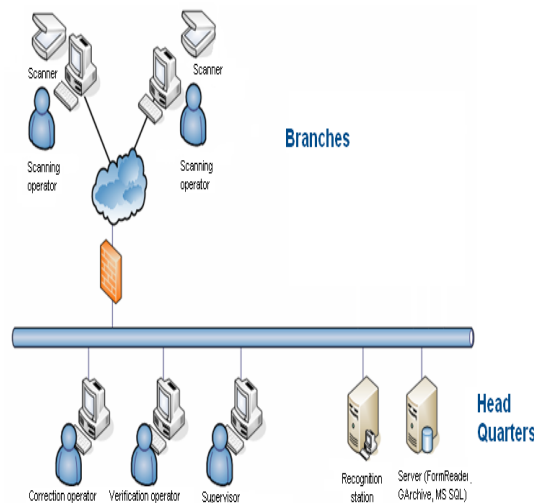
- d) KPI related to the amount and quality of transactions processed, depending on which is given a bonus.

The staffing strategy for the next period was determined after analysing the entire activities to be centralized:

- the branch staff having positions previously related to back-office payments processing are reallocated to other activities in the branch (sales, customer care) in a sub-project involving specialized departments (Retail, Human Resources).

- the new processing centre needs the correct sizing, so as to ensure the quantitative and qualitative parameters requested.

Fig. 2 - The architecture of the solution



The back-office division in the Head Office has developed several projects aimed at increasing the quality and efficiency of payment processing tools in order to improve the quality of customer service.

Fig.3 - The Summary of the activity analysis

Department: PAYMENT DEPT DAILY ACTIVITY										
Activity Code	Activity Description	Fixed or Var	Freq of Occur	ESTIMATES			ACTUAL			
				Time per Unit	Daily Vol	Daily Req'd Hours	No of Obsv	Time per Unit	Daily Vol	Daily Req'd Hours
1	Input incoming domestic payments	Var	d	0.25	1265.81	5.27		0.50	917.20	7.64
2	Authorization incoming domestic payments	Var	d							
3	Input outgoing domestic payments	Var	d							
4	Authorization outgoing domestic payments	Var	d							
5	Input checks / promisory notes to be collected	Var	d							
6	Authorization checks / promisory notes to be collected	Var	d							
7	Input outgoing FC payments	Var	d							
8	Authorization outgoing FC payments	Var	d							
9	Input payments in fav. other banks	Var	d							
10	Authorization payments in fav. other banks	Var	d							
11	Input incoming FC payments	Var	d							
12	Authorization incoming FC payments	Var	d							
13	Input available funds informations	Fixed	d							
14	Checking available funds	Fixed	d							
15	Input large value payments in TEMP	Fixed	d							
16	Preparing clearing session	Fixed	d							
17	Checking clearing session	Fixed	d							

Regarding the size of processing centre were taken into account many factors, such as:

- average number of personal necessary to process an average transaction volume;
- average number of personal necessary to process a high volume of transactions (so-called peaks, usually associated with maturity dates for certain transactions)
- temporary staffing to cover peak periods.

Determining staffing needs was followed by a period dedicated to the personal profiles need to be recruited to the processing centre, updating the job descriptions and

creating the new hierarchical structures.

The performed analyses showed that processing has several stages: primary processing, transaction authorization, effective settlement, transactions verification and control, and post-settlement services - reconciliation and investigations.

Therefore, the evaluation and ranking of positions were determined by comparing the factors of difficulty.

Staff must be within the following categories:

- a) operators for correction stations
- b) operators for authorization stations. It was determined that these operations can be performed with the same personal practice.
- c) teams supervisors
- d) settlement activity authorized operators (Electronic Payment System, Electronic funds transfer systems, etc.)
- e) authorized agents for settlement in relation to the National Bank of Romania
- f) officers for post-processing activities.

Fig.4 – Daily staff need schedule by hours

[illegible]

After establishing the recruitment needs (both quantitative and qualitative), the recruitment program was launched. Recruitment focused on finding and attracting qualified personnel for supervisors positions and unqualified staff (juniors) for operators positions.

Successful recruitment involves the use of traditional channels (print), modern recruitment channels (Internet or Web sites specialist recruitment) and alternative channels such as “networking” made by former or current employees.

These methods attracted many young graduates who were interested in developing a career in this field. References provided by bank employees have proven to be valuable, and those who make such recommendations and help recruit the right person for the organization have been rewarded in different ways.

An HR application allowed the integration with various recruitment portals. In addition, notices were published on the company's Web portal. Among the advantages of the use of the online recruitment channels, we could mention:

- A very accurate assessment of the impact of online recruitment notice. In most cases, the person concerned shall apply for a specific position through a link on the site. Thus, we will know exactly how many people have applied after publication of the notice for recruitment on the website.

- **Recruitment Process Automation.** Using the systems and their ability to integrate with websites or company's recruitment portal, the recruitment flows were simplified. The applicants filled out forms with the same structure as in the simplified centralized recruitment data.

- **Effective selection of suitable candidates.** The system has powerful features for managing external applicants. Information is entered into a common format, being easy to search the database by various features. Data structure is uniform for all applicants, thereby increasing the efficiency of the recruitment department.

CVs of applicants are the primary information in the recruitment process.

Among the CV entries stored in the system we could include:

- Education - an exhaustive description of studies of the applicant / employee.
- Skills - information about the skills and abilities gained in the profession.
- Professional experience - their career history of each applicant.
- Training and continuing professional development - will be included data on specialization courses by employee / applicant.
- Certificates and diplomas obtained after completion of the courses.
- History employee in the company - information on the positions occupied by the employee in the company and projects realized (section is devoted to internal

recruitment processes).

- Applicants' photos.

Generally, in the case described, internal recruitment did not bring a sufficient number of candidates. The main reason was the processing work did not appear to be challenging and properly rewarded. The tasks were "too repetitive" and there was a lack of motivation. Besides that, in the era of large credit expansion, the most attractive jobs were, of course, the ones related to the loans approval, not the back-office.

Regarding the external recruitment, the interviews with inexperienced people have concluded that their salary expectations were generally 30-40% higher than the offers that the company was prepared to do. Wage requests of the applicants were far above experience, skills and knowledge they proved.

Personnel selection was made according to criteria previously established, aiming at creating coherent teams which could successfully implement the new concept of processing centre.

These new employees were enrolled in an intensive training program. This program was created and implemented with internal resources. Given the fact that the technology used was supplied by a third party, its installation was accompanied by training programs for users.

Subsequently the enrolments of new staff, new key performance indicators and assessment criteria have been implemented.

One of the main obstacles that loom in the future work of processing centre is just one of those who have made recruitment difficult, namely work content itself.

Entry-level positions such as the correction stations operators are characterized by a high repetition of the task and a very small

variation. Therefore, in order to prevent the turnover of personnel due to lack of overview of these positions, a system of rotating positions has been created, aiming to bring more motivated employees. Thus, an employee can rotate the processing activity from one type of transactions to another, and can be trained to perform other activities of the centre.

Also, given that the employee's interest and motivation could not be maintained, usually, more than a year, a specific system of advancing was created. New employees proving the required skills are included since beginning in a training system that will allow them to take on new responsibilities as supervisors or authorized operators, after a period of time.

This model provided to existing staff the motivation and training, creating an experienced staff reserve that do not put the organization in difficulty in the event that some key people leave the organization.

Career management and employee skills were part of the plan adopted by the company. Through these activities, the company provides both the motivation of its employees and the staff forecast for medium and long-term.

Annual evaluations - are devoted to assessing the work of the previous year and identify opportunities for future career development.

5. The role of leadership in centralizing and automating the transactions processing activities

Despite the implementation path described above, the management noticed, shortly after going live with the project, that

the new processing centre had sign of not working properly. The employees proved they were not organized and do not act systematically. The supervisors system put in place did not work in a strategic way and the expected management changes were not appropriate.

What were the first signs that the processing centre needed a quick and consistent review?

Most of the employee did not achieve more of 70% of their daily targets, in terms of volume. Overwork and overtime appeared. The employees challenged the goals under the pretext that they are not real; they are very large or have no connection with reality. The employees proved they did not know how the objectives were described and consequently not submitted any effort to achieve them. Some of the employees achieved their goals only with high, unjustified costs.

The external pressure of the top management for achieving the goals very quickly intensified the stress. The supervisors made huge psychological pressure on employees to achieve their assigned goals and did not get nothing but more stress. The new processing centre procedures were not observed or assumed. There were a lot of malfunctions on the degree of achievement of objectives. The performance indicators were not achieved, also. The reports presented by the supervisors proved to be incomplete, inconsistent or ambiguous, and the evaluation system in place had no impact in motivating the people.

After performing a deep analysis, the results led to the conclusion that the management, operator/supervisor system with daily targets did not work in place. The people expressed their desire to feel more inspired, more comfortable with their work. They

demanded more appreciation for their work instead of KPIs, and more understanding for their personal skills, beliefs and emotions.

The new plan for improving the processing centre activity consisted in:

a) The supervisors were replaced by new team leaders. The team leaders were selected among the most skilled persons in terms of interpersonal communication, beside the technical skills. They had as objective to create coherent teams, able of working together for meeting the deadlines.

b) The specific daily target was replaced by general goals for each team. The team leader together with the team members, were free to adopt their own path and split of the daily activities, with the only condition of completing the general goals.

c) The rewards plans were changed in order to include non-material items: employee of the month, most dedicated person, birthday-gifts, invitations to lunch for the best team players, etc. These proved to be very useful and the general performance of the team improved within a few months.

d) The communication between the back-office and the branches (included the customers) have been established. This communication improved immediately the results of the work, mostly because of the new sense of sureness attached to their work.

e) The training sessions were extended.

This way, no new employee had left the company, and the long-term effects on employees, managers and financial results were excellent. The team leaders achieved the goal to cope with the new system and business management. Their ability to lead the team members toward the common goals made the difference in this project. The micromanagement tasks proved their limits. There were

the motivation, the vision, and the implication of the people that brought the success.

Now, the employees assume the setting and achievement of objectives. They are motivated and involved to succeed as a result of actual support received from their team leaders. The leaders and the head of the department are focused on mentoring and coaching activities of subordinate employees and less targeted to psychological pressure.


After the first six months initiating and implementing the above actions, the processing centre is recognized as one of the best organized system in the organization, with good results. The employees have proposed also other customer- oriented solutions centred on concrete actions to increase the business. The processing centre eliminates the malfunctions caused by lack of coherent control actions and results. The processing centre could now focus on growth and consolidation actions, and the employees are motivated to remain in the company and grow with the company.

6. Conclusions

In conclusion, we can say that the success of the approach to centralize all transaction processing activities depend to a large extent on the ability of staff to work effectively in a healthy and competitive work environment. The leadership is very important in order to create an environment where employees' results are recognized and they are motivated. Beyond the HR policies in place, the main responsibility of achieving the business objectives rests on the business line managers. Their abilities to lead people, more than their skills to manage the budgets, are essential. As Yukl & Van Fleet said, the leadership is viewed as a process that includes influencing the task objectives and strategies of a group or organization, influencing people in the organization to implement the strategies and achieve the objectives, influencing group maintenance and identification, and influencing the culture of the organization. This is definitively a winning way of doing business.

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Lead from Within

~ Ph.D. **Ana-Maria Grigore** (Faculty of Business and Administration, University of Bucharest, Romania)

E-mail: ana.grigore@faa.ro

Motto: "Trust men and they will be true to you; treat them greatly and they will show themselves great."

Ralph Waldo Emerson

Abstract: *The world nowadays is different, through a series of essential steps, from the one we had been familiar with for a long time. The crisis has revealed not only the flaws within the dominant economic model, but also the flaws in our society. The workforce needs a change in the leaders' mentality. Leadership, more than ever, implies self awareness and self-control. The people nowadays have a great need for integrity. They want to be able to trust their leaders and to enjoy their leaders' trust. There is a need for the reconstruction of confidence. The present paper outlines a leadership alternative – the spiritual leadership, presenting this model's advantages and principles.*

Key words: crisis, leader, leadership based on spiritual values, trust

Introduction

Leadership is a hot topic. We all want to know what is new in leadership. But since we are talking so much about leadership,

what new things can we still come up with? How can we still keep this topic fresh? Very often it is difficult to notice what is new. And it is difficult because the fundamental features remain unchanged: as the time passes,

the behavior and the actions of an effective leader seem well-known because they are so commonplace. What is not so commonplace, however, is our workplace. (Daskal, 2012).

The world nowadays is different, through a series of essential aspects, from the one we had been familiar with for a long time. What is changing is our culture. Things are different today from how they were five, ten or twenty years ago. The workplace culture, also, is completely different. First of all, technology has changed everything. Information is instantly available, ideas travel fast and far. With a workforce almost permanently online, the line between the work time and the personal time is very fuzzy. The internet has shaken our world to the ground. We can have connections (and interactions) with a human resource that is increasingly heterogeneous. The variety of cultures and nationalities has changed the professional environment, so that the context for leadership is completely different. (Daskal, 2012). What is the new reality of leadership? We know that, at least, we are dealing with a different human resource: now it is a diverse, dispersed one, a human resource which generally has an increased need of communication and with new expectations regarding the coordination and the specific collaboration. How can we capitalize on it at the desired efficiency? How can we use communication as a support to guide them and to satisfy their needs?

On the other hand, "the crisis has revealed not only the flaws in the dominant economic model, but also the flaws in our society. The senseless pursuit of profit and raising self interest at the highest level of priority seem not to have led to the hoped for prosperity, but they have definitely contributed to the creation of the moral deficit". (Stiglitz, 2010).

Young was considering in 2009 that the present crisis represented the most recent and the most serious consequence of neglecting ethics and responsibility in the decision-making process in the business environment, and Gore and Blood stated in 2008 that the market economy is at a crossroads at present. In order for it to go on, major transformation is needed. They believe that the following causes are fundamental for the recently occurred crash: short-term thinking, poor management and set of rules, wrong compensations, lack of transparency, mediocre leadership and an inoperable business culture.

The workforce needs a change in the leaders' mentality. There is a need for an open-minded leadership and for a leadership with open heart. Today, leadership needs to be born within us.

Leadership today, more than ever, implies self-knowledge and self-control. The workforce is requesting authenticity and transparency from its leaders.

People have a huge need for integrity. They want to be able to trust their leaders and to enjoy their leaders' trust. (Daskal, 2012).

1. A Crisis of Confidence

"The spreading of distrust in a society... imposes a kind of tax on all kinds of economic activity, a tax that societies with a high level of trust don't have to pay". Francis Fukuyama

Stephen Covey and Bob Whitman (2010) were stating that in turbulent times the level of trust is falling. Stock exchanges are crashing due to a lack of trust. People are losing faith in their own organizations. When driving on an unsafe road, one that is full of traps,

everybody brakes. It's why they are calling it "slowdown".

A crisis of trust gives rise to fear. Fear and anxiety lead to a loss of focus. And the loss of focus endangers the implementation of strategy.

Trust always affects two measurable results: speed and cost. When trust decreases, speed decreases and the costs rise. Lack of trust slows everything down. Sales diminish, customers go away and the team members are discouraged or fired. Lack of trust has steep costs. If you are untrustworthy, people will suddenly refuse to do business with you and your income will decrease.

Lack of trust has taken on global proportions. A crisis of trust has overwhelmed the economy. We have witnessed the fall of great corporations due to a lack of trust. We have witnessed an unprecedented lack of trust on the financial markets. We have witnessed a global economy slowing down to the point where the flow of credit has completely frozen.

Another authority on trust, Stephen M. R. Covey, phrases it like this: "The serious, practical impact of the economy of trust is that in many relationships and interactions, we pay a hidden tax on mistrust... Lack of trust doubles the cost of business. I consider that, just like the tax created by mistrust is real, measurable and very high, the dividend of high trust is also very real, quantifiable and enormous... When trust is high, the dividend you get is a performance multiplier, boosting and improving every dimension of your organization."

The competitive advantage on the market is held by the most trustworthy companies. They get high trust dividends. The moral authority comes from two commitments:

acting with an unshakeable integrity and with honorable intentions.

2. Leadership Based on Spiritual Values

Before proposing a definition of spirituality in leadership, we must examine the meaning of the two key words of the issue: spirit / spiritual and leader. A dictionary definition for spirit is "what is traditionally believed as the vital principle, or the driving force of all the living beings". In this sense, the spirit is the deeper meaning, the sense, the significance. Richard Wolman (2001) stated that, by „spiritual“ I understand that search, as old as the world itself, that man has started since the beginning of time in order to find a connection with something bigger, more profound and more certain than his own self – a connection with our souls, with our neighbour, with the world of history and nature, with the indivisible winds of the spirit, with the mystery of life. A simple definition for leader is: "somebody who shows the way forward; person convincing others to follow a course of action."

Therefore, the leader is one who influences his followers to think and behave in a certain way. The combination of the two terms suggests that the leader who has embedded spiritual values in his approach will give a deeper meaning to his group's actions, which will end up having a significance beyond automatism and immediate perception (Barnett, 2006).

Some people are uncomfortable with the word spiritual and they prefer to talk more about values and ethics when they are trying to describe the same things that others would call spiritual. However, there are some

people who will talk about God as being their business partner. (McLaughlin, 2004).

Spirituality offers substantial implications for management and leadership. The way in which we rule depends on the kind of people we are. Spirituality is not a certain way of leading. If it exists in our nature, it will resurface in the leadership process.

Management is a challenge for spirituality. The connection is not intrinsic: it requires a lot of effort and care in order for it to be developed. The practices of management generate feedback; this in turn, changes our own perception on existence and on our spirituality.

There is plenty of evidence that the managers' interest in the spiritual values has started to grow. Kerns (2002) signals a large number of sites and books about the business that deals with spirituality and a large number of 'business gurus' that hold seminars related to this topic. Patricia Aburdene says in her recent book, *Megatrends 2010*, that the focus on spirituality in business is becoming so prevalent that one can say it is "the biggest megatrend today". She claims that more and more people are making choices at their workplace as "consumers focussed on spiritual values" and that the power of spirituality has a bigger and bigger impact on our personal lives and it is spreading in organizations in order to create a moral transformation in them.

White (2006) considers that the academic world will no longer have the choice and will become 'visionary in relation to new generations of students and their need for spiritual development, which will have to be stimulated in school.'

The spiritual leadership implies the implementation of spiritual principles and

values at the workplace. The spiritual leader must understand the importance of his employees finding a purpose in their work and must be able to discover the human being in the person of his employee. (Barnett, 2006)

How can he do this? the above-mentioned author asks herself. By answering, together with his employees, questions such as these:

- Who are we, as an organization?
- Is our work valuable?
- What values do we respect?
- What are we leaving behind?

A spiritual leader doesn't take only his position seriously, but also the responsibilities it comes with. Spirituality in leadership implies a focus on people, not on hierarchies; it is less about the formalization and more about transformation and diversity; less control and more partnership, collaboration and inspiration.

Kouzes and Posner (2011) suggest that: "The leaders we admire do not place themselves at the centre, it is others that place them there. They do not seek other people's attention, but they give their attention to others. They don't focus on satisfying their own goals and desires; they are looking for ways to answer to their team members' needs and interests".

Truly successful leaders firstly understand the needs of their team, and only then do they present their own needs. Then they make up a plan which will take both aspects into consideration. In this way, the expectations are clear, the compromises are negotiated, and thus the team goes further on a road that has no ambiguities.

Dee Hock, the founder and CEO emeritus of the Visa International company says that, if you want to be a leader you will need

to invest at least 50% of your time in your own person – goals, ethics, principles, motivation, conduct - at least 20% in leading those under your authority and 15% in leading your partners. “If you don’t understand that you are working for your employees who have no title, you don’t understand anything about leadership. You only know tyranny”, Dee Hock states. (J. Ridderstrale, K. Nordstrom, 2007)

Somebody might ask: what is wrong about being popular or rich? There’s nothing wrong, but when this is the only goal of our existence, we get attached to these “external” things, which are, due to their very nature, transient. As long as we build our existence on these ephemeral values, we fall down either when we lose them, or when we feel threatened by another popular (or rich) figure. Our (extrinsic) fight for wealth or fame brings with it an unbearable amount of stress, not to mention an unhealthy legacy for future leaders. A spiritual leader may have material ambitions, this is all right as long as he doesn’t cross the boundary of personal ethics and superior principles. When one crosses that line, it’s no more ambition, it becomes greed. If you don’t succeed at centering your life on stable principles and you are repeatedly deviating from them, it is no more enthusiasm or passion, it becomes restlessness and instability. Few people understand the reality behind the scenes: behind the smiling mask and the „winner” pose, a leader with controversial principles is never happy. Deep within him, he is always worried about keeping up the appearances, about plotting against his enemies and about fighting to keep his position. An authentic leader never takes the flatterers seriously. He knows that people are generally inconstant, and in time

praise may become critique. Glory is ephemeral: in a moment success may change to failure. (Swami, 2012).

What makes a truly great leader ? Some say it is his ability to make hard decisions. Others say that it is his ability to command, control and inspire loyalty.

However, the top leader has first of all vision – not any kind of vision, but one that we may appreciate as being intellectual, emotional and spiritual.

Intelligent Management from the spiritual point of view can be developed by applying 12 principles (Zohar, 2005):

1. Self-Awareness – Knowing what I believe in, value, and deeply motivates me
2. Vision and Value Led – Acting from principles and deep beliefs, and living accordingly
3. Positive Use of Adversity – Learning and growing from mistakes, setbacks, and suffering
4. Holistic – Seeing larger patterns, relationships, and connections; having a sense of belonging
5. Compassion – Having the quality of “feeling-with” and deep empathy
6. Celebration of Diversity – Regarding other people for their differences, not despite them
7. Field – Independent – Standing against the crowd and having one’s convictions
8. Ask Fundamental “Why” Question – Needing to understand things and get to the bottom of them
9. Ability to Reframe – Standing back from a situation/problem and seeing the bigger picture: seeing problems in wider context
10. Spontaneity – Living in and being responsive to the moment

11. Sense of Vocation – Feeling called upon to serve, to give something back

12. Humility – Having the sense of being a player in a larger drama, of one's true place in the world

A leader who applies the 12 principles of spiritual intelligence, can provide the kind of inspiration and energy that it releases.

3. The Servant Leadership – Influence on the Character

Just like an archer, who, before releasing his arrow, calmly stretches his bow and carefully calculates his moves, so is also a leader before launching a grand project or before engaging in a major effort, he has to take a few steps back and to build a foundation of simple and solid principles. Quite often, the obsession with success shields the principles; many neglect or even violate ethical codes in order to fulfill their ambitious goals. It is tempting to think big, to try Herculean labours and to burn stages in order to achieve rapid growth and success (Swami, 2012).

The positive and sustainable influence is obtainable when people trust their leaders, when the individuals perceive the leader as being honorable. If the leader's vision and character generates trust and acceptance from his subordinates and awakes in them the natural desire of being led, then leadership is successful.

How can someone become such a leader? A leader with the fundamental mentality to serve: a cause, a group of people, his company – exerts the greatest influence.

We all know this deep within us, and we have seen its outcome any time we have applied this principle in our personal relationships and we ourselves have been attracted

and conquered by those who have helped us selflessly: our parents, teachers, etc; in this way, we were much closer to accepting and adopting their ideas. (Swami, 2012).

A leader who truly wants to "serve" and who is in a mission which is in accordance with the good principles attracts followers who naturally like and follow him.

Some management gurus sometimes use the "servant" principle as an efficient leadership technique. But we have to be cautious! We are not talking about a mere manipulation device: it is a special feature which cannot be produced on the spot with over-used texts. You cannot fake sincerity for too long. The real character gets revealed too quickly, and this is especially true for a leader who is always facing difficult situations, who shows the kind of material he's made of.

If we meditate seriously, we will understand that the others have the same needs, desires and fears – either physical, emotional or spiritual ones – as we ourselves have. By deeply internalizing this to the level that enables us to apply it, this is the secret of an exceptional leadership.

4. Spirituality at the Workplace

Spirituality in leadership cannot be understood outside the general framework represented by the workplace. Many employees regard the workplace as a way of finding meaning and as a social component.

Nowadays the workplace is being shaped as a "community", while other communities are disintegrating because of the change in lifestyles. It is a common thing nowadays for neighbours not to socialize with each other, and generally people are lonely, even in small towns, without feeling

they belong to a community (Barnett, 2006).

In this context it is easy to explain the tendency to consider that the workmates are the most convenient social partners. Friendships, sport activities, even marriages are common occurrences at the workplace. Thus, the workplace is becoming more than just a place where people earn their living. It is becoming a place where they can be recognized as individuals, where they can find friends, share common ideas or hobbies. This reality is very favourable for leaders, and they should encourage and develop it. If the local leader possesses a strong spiritual sense, which is able to influence his attitude, emotions and behavior, then it is very likely for him to be able to influence his employees in their quest for finding the moral way in their lives. Some claim even that these are precisely some of the most spectacular features of leadership: finally giving meaning to people, the feeling of being part of a community, that they belong to a group which has principles and a purpose (Barnett, 2006). This point of view suggests that the spiritual way of leading is less concerned with directives and with a command algorithm, and more with defining the organization values and with helping its members to perceive their contribution to a set of valid and valuable goals.

Above all, people are constantly searching for meaning and purpose in life. And they will find them where they spend most of their time, i.e. at work. They want to work for a good organization, one that treats them and everyone else with respect. Research also shows that organizations which have learned to meet the spiritual needs of all stakeholders and employees are more profitable and productive. But equally important, they are happier places to work in (Mitroff, 2008).

Nowadays, people no longer want to leave their fundamental values at the enterprise gateway. Fogel (2000), a Nobel Prize laureate in 1993, is one of the economists who have stressed the importance of spirituality in the new economy. He identified fifteen vital spiritual resources that include concepts such as: a perception of the purpose, a perception of the opportunity, a sense of the idea of community, strong family morals, a strong work ethic and high self esteem.

The main challenge of spirituality is to overcome the false perception that spirituality is a taboo and that it does not apply to most organizations. Rhodes (2006) emphasizes that 'workplace spirituality' has become a respectable topic, discussed in management textbooks.

Although currently there are no data available, not even empirical ones, that could reveal in what way a particular approach to spirituality has proven more effective than others in promoting spirituality at the workplace, two approaches have been outlined as being closer to the concept of spiritual leadership: the servant leadership and the transformational leadership.

However, the contemporary models of leadership are especially focussed on the escalation of the force approach and on the verticalization and consolidation of hierarchy.

5. The Benefits of Spirituality in Leadership

There is very little research regarding this phenomenon, so we can't make any measurable statements on the benefits (and the costs) of spirituality in leadership. Still, we do know enough to be able to outline a few potential benefits. From the point of view of

the subordinates, the incorporation of spirituality in leadership has all the chances of building a workplace where everybody goes to with pleasure. As far as the organization is concerned, the incorporation of spirituality leads to trust, to a positive and stable atmosphere, in which people feel support and where they are themselves more responsible and scrupulous. (Barnett, 2006).

The incorporation of ethics and spiritual values in the workplace may also lead to a growth in the level of employee retention, to customer loyalty and to brand reputation. All these will grow the organization performance. But, again, attention must be paid to the natural, not pragmatic way in which the spiritual component is to be developed.

Such a leadership perspective is not yet mainstream. It is necessary a change in mentality, in the set of values and principles of leaders, of those who provide finance, of teachers and mentors who form them. The idea of perspective must be taken into account, the idea of the long-term effect.

We can imagine two scenarios: the first one, business as it is now – short-term interest, short-term gains, isolationist thinking; the second one – a business culture centered on deeper purposes that will generate a decent profit while working on the common good. The vital problem is how do we move from one scenario to the other?

If one wants to change systems, one must first change human behavior. But human behavior does not change easily. To get a real transformation one must change the incentives that induce the behavior. This is the responsibility of a visionary leader. Nowadays business, politics, education and society in general are driven by four negative motivations: fear, greed, anger and too much

importance given to self. When we cannot control these negative emotions, we have less confidence in ourselves and in other people, and strive to act from a tiny place within ourselves.

We can change our motivations in more positive ones if we are inspired to do this.

Conclusions

Many of the considerations above seem truisms, that is how obvious they are. At the same time, they also seem considerably utopian. Because every time we try to connect objective categories with the subjectivity of human nature, we are always ambushed by the traps of idealistic naiveties: Communism, as a social ,economic and political solution – with its obvious nefarious consequences, is the best example.

At the same time, we can notice that imperceptibly, humanity has passed to another state, from a phase where it was riven in distinct systems, still relatively sparsely populated, to a system that tends to be unique, heavily populated, with an entropy that is totally different from that of the systems that made it up, a system governed by new laws and whose evolution is highly unpredictable. It is a system with a spirituality in transition and, for its evolution and stability it is probably important, if not decisive, that opinion makers, mentors and teachers insist on the explicit presentation and consolidation of moral principles (especially for the economic vectors), principles which, in fact, regarded from the historical point of view, have actually already saved and taken the human specie forward.

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Leadership between skill and competency

~ **Manole Diana Alina** (*Business Consultancy Master Programme, Business and Administration Faculty, University of Bucharest*)

E-mail: manole.diana.alina@gmail.com

Abstract: *The following paper aims to present the way in which leaders are made up in nowadays, and which are the big differences between a born leader and a person that is working hard every day to become one. The history is full of examples of true leaders, but the present has shown to us that leaders can also be created in time. The purpose of this article is to bring up front examples of leadership and also methods through which you can practice your skills and gain competency in leading people.*

Key words: leaders, leadership, skill, competency, education

I. Introduction

Leadership is defined as the activity of leading a group of people or an organization or the ability to do this. Leadership involves establishing a clear vision, sharing that vision with others so that they will follow willingly, providing the information, knowledge and

methods to realize that vision, and coordinating and balancing the conflicting interests of all members and stakeholders. A leader steps up in times of crisis, and is able to think and act creatively in difficult situations.¹

¹ <http://www.businessdictionary.com/definition/leadership.html>

Even, over time, people tried to find out the perfect recipe for becoming a leader, there still are many questions, and things left unspoken. Leadership evolves and changes in the same time with people and technology. Leaders from the past could not face the challenges from nowadays. In time, the concept of leading people received so many definition, was seen from so different perspectives and analyzed in so many situations and environments, that we still wonder: **Are leaders born or made?**

Warren Bennis, Burt Nanus, James O'Toole, Stephen Covey, Max DePree, John W. Gardner are only some of the great authors that tried through their writings to answer to that question, but after so many years of research and studies, opinions are more than ever split.

Is leadership a skill? A trait that we are born with, and that evolves in the same time with us, reaching out in the moments of need? Many philosophers developed theories based on the inherited abilities of people, and they stand by their ideas arguing that leadership is about talent, gut, aptitude or endowment.

Or is leadership a competence? Something that you work on every day, that you read about and apply in real life, in order to become competent in your own field? There are researchers that argue the fact that leadership is a talent, saying that this concept is more complex than just a genetic gift.

In the following three chapters I will try to come up with some examples of theories, leaders from the past and leaders from nowadays in order to get a more clear perspective over this concept, and also some methods to help the wannabe leaders of today.

II. Leadership in the past

Since the first leader borne, philosophers tried to find out which are the main characteristics or traits that a leader possess in order to make others to follow him. Over the decades, eight major theories have been developed:

- **The Great Man Theory** – which sustain the idea that leaders are born, not made, and that they will arise when there is a great need. This theory was proposed by Thomas Carlyle, and his research was based on the study of people who were already great leaders like: Jesus, Mohammed, Moses, Buddha, Churchill etc.

- **The Trait Theory** – says that some people born with particular inherited traits which suit to leadership. Stodgill, McCall and Lombardo were the philosophers that promoted this theory. They have based their studies on families of powerful men.

- **The Behavioral Theory** – stands by the idea that leaders can be made, rather than are born. Researchers like McClelland, Kurt Lewin, Ronald Lipitt, Robert Blake and Jane Mouton were the ones that expanded this theory. They didn't search the traits, but the actions that make a person a leader.

- **Participative Leadership Theory** – assume that leaders involve in their decision-making process other people. In this way people are less competitive and more collaborative. This approach is also known as consultation, empowerment, joint decision-making, democratic leadership, Management by Objective (MBO) and power-sharing.²This theory was developed by Lewin, Lippit and Likert.

²http://changingminds.org/disciplines/leadership/styles/participative_leadership.htm

- **Situational Leadership Theory** - The best action of the leader depends on a range of situational factors like the motivation and capability of followers, the leader's perception, stress, mood etc.³ Hersey and Blanchard suggest that leaders should adapt their own style to the followers; Vroom and Yetton on the other hand propose that the followers should stand by the leader and accept his decisions; Path-Goal theory describe a collaborative relationship between the leader and the followers, and that they should encourage and support each other.

- **Contingency Theory** – similar to the Situational Theory, emphasis the fact that The leader's ability to lead is contingent upon various situational factors, including the leader's preferred style, the capabilities and behaviors of followers and also various other situational factor.⁴ This approach was developed by Fiedler.

- **Transactional Leadership Theory** – according this theory people are motivated by reward and punishment, and a clear chain of command is the proper way of organizing a system. It is based on Pavlov and Skinner's studies.

- **Transformational Leadership Theory** – assume the fact that people will follow a person who inspires them, a person with vision and passion who can lead them in the wright direction, and can help them achieve great things. Bernard M. Bass and James MacGregor Burns introduced this concept.

Across history leaders arise every time they were needed. In the ancient history, when people where fighting for territories we

can look up at leaders like Caesar, Cleopatra, Alexander the Great, Plato, Galileo Galilee, Archimedes and the list could continue. They were examples of comportment, of thinking, of courage, of virtuosity and people were follow them willingly, in many cases with the cost of their lives.

As previously during, when territories became countries others leaders arisen. For example in America we can find Abraham Lincoln, in France Napoleon who is a very outstanding example of leadership, In England the queen Elizabeth etc. During the World War I and the World War II, the much known leaders were Mussolini, Stalin, Hitler, Churchill, Charles de Gaulle, Franklin D. Roosevelt and Harry S. Truman.

Most of the historical leaders we know tend to be military or political. They are people who stood out as incredibly unique; as if no one else contributed to their success – standalone, one-of-a-kind leaders who seemed to achieve everything singlehandedly and were certainly the driving force behind events. Those sorts of leaders will continue to exist. They will be remembered as uniquely fitting into their time and circumstances, to form a seemingly perfect match for the needs of the moment.⁵

But, in nowadays people ask for a different type of leader. Since the Industrial Revolution from the early 1800's, a new field attracted the people attention: economy. The new leaders don't plan anymore strategic attacks over the enemy's army, but plans strategies of developing a business, of gaining market shares, of attracting customers and improving the commerce, which is one of the oldest activities of humankind. The

³http://changingminds.org/disciplines/leadership/styles/situational_leadership.htm

⁴http://changingminds.org/disciplines/leadership/theories/contingency_theory.htm

⁵ <http://www.hrreporter.com/blog/strategic-hr/archive/2011/06/13/inspired-by-leaders-of-the-past>

new leaders don't develop projects which involve resources like soldiers, guns, cannons; instead they use human resources and prime materials to create products that are required on the market. They don't negotiate territories or alliances, but contracts, prices or mergers. And the most important, they are not followed anymore by an entire nation, but by their employees.

The new leaders were inspired by the military and political persons. They —stolell from them the way of organizing resources and time, the strategic thinking, the ways of inspiring their followers, their ways of setting objectives and so on, and tried to adapt all of that tactics to the new field. One of the most representative book that sustain this idea is —The art of warll written by Sun Tzu.

But if the past leaders were born, what makes the new leaders stand out in the crowd and determine people, in time of peace, to follow them?

III. Leadership in present

The concept of present leadership hasn't changed that much. The definition remains the same, but the methods and principles of becoming a leader have evolved. Today we embrace all theories of leadership, we agree that some leaders are born and some are made up in time, but we sustain that no matter the source of the leading power we still have to work hard on developing our set of abilities and talents.

In times of economic crisis people tend to look up to their leaders. They need to know that there is a person who will help them pass through rough times, that will inspire and motivated them that will offer financial security and that will lead them on the right path.

John Kotter, author and leadership expert at Harvard, states that the role of the leader is to define what the future looks like, align people with that vision, and inspire them to make it happen despite obstacles. After all, implicit in the word *lead* is the notion of *going somewhere*.⁶

Today's leaders have more different roles. They don't represent only a nation, they stand up for a multicultural and a multinational organization. They don't just set an objective for the entire group, they have to be collaborative and match individual goals with the company's ones. They have to involve everybody in the organization in the decision making process, in order to show to every person how important they are to the organization. He also has to be a friend, a mentor or a philosopher if the situation requires to. From my point of view, leaders nowadays have to struggle, to learn every day, to develop their own traits in order to face all the challenges that they will confront. Even they are born or made, the education process is very important for their formation. They have to show they possess a multiple sets of intelligence as Howard Gardner describes them.

A leader should have a very precise set of values, so that he can offer to his followers a stable work environment, but in the same time he should be versatile, ready to embrace the change, to shift, to adjust and to make needed organizational changes, and show that he can be trusted. Honesty, integrity, consistency, congruency, reliability are other some characteristic that he should possess. And it's possible that some of these traits were inherited from family, some need to be

⁶<http://www.collegiateproject.com/articles/To-days%20Leadership%20Challenge.pdf>

developed through education and some may not exist. We all possess the capacity for leadership, but only those who cultivate it will ever become truly effective leaders.

So how do you developed or actually gain different abilities? Can we teach people to become leaders? Can we teach leadership?

Many people think the education should represent a huge part in developing our leadership talent. So institutions like schools, high-schools and universities are going to focus their attention into this matter, but there are still some obstacles in the way.

First, there are people who still believe and sustain the idea that leaders are born, or that they are a product of some circumstances, and that there is no way you can teach leadership.

Second, the complaint that leadership training would more than likely be preoccupied with skills, techniques, and the means of getting things done. But leadership for what?

Third, leadership isn't a skill that you can anatomize on your table, is more a practical ability that you can only achieve at the work, in summer jobs, internships or NGOs where you will have a mentor to help you learn step by step.

Fourth, leading people usually can become easily manipulating people, and Stalin and Hitler stand as examples for this fact.

Fifth, colleges and universities are increasingly organized in highly specialized divisions and department all geared to train specialists. While the mission of the college may be to educate "the educated person" and society's future leaders, in fact the incentive system is geared to training specialists. Society today rewards the expert or the super specialist – the data processors, the pilots, the financial whiz, the heart surgeon, the special

team punt returners, and so on. Leaders, however, have to learn to become generalists and usually have to do so well after they have left our colleges, graduate schools and professional schools.⁷

Sixth, leadership is highly situational and contextual. Some leaders can be great in a field, but fail in another.

Seventh, leadership has its basis in creativity. But how you can teach creativity?

So what is left to do?

Well, we still have the literature, the books that great professors written, in order to give us some tools to learn how to make other listen, trust, follow us. Some examples of great writers are:

- Warren Bennis Professor of Business Administration, University of Southern California; author of —On Becoming a Leader

- Burt Nanus, Professor Emeritus of Management at the University of Southern California's School of Business Administration, former Director of Research at USC's Leadership Institute and co-author with Warren Bennis of *Leaders : The Strategies for Taking Charge*;

- James O'Toole, former Vice President of the Aspen Institute and Director of the Leadership Institute at USC;

- Stephen Covey, author of the bestselling *The Seven Habits of Highly Successful People* in which he introduced the philosophy of 'people-centered leadership' and more recently 'principle-centered leadership';

- Max DePree, retired CEO of Herman Miller Inc, and author *Leadership Jazz*;

- John W Gardner, formerly US Secretary of Health, Education and welfare,

⁷ http://www.au.af.mil/au/awc/awcgate/navy/reflections_on_leadership.htm

an advisor to six Presidents and Professor of Business at Stanford University. Author of *On Leadership*.

For example in Kerry Bunker vision there are six areas that you should focus on in order to develop your ability to lead:

- *Manage the change, but lead the transition.* You should connect with your followers, put in their shoes, try to understand how they see the changes, and then try to communicate as clearly as possible the reasons of those changes.

- *Balance the drive to keep things moving with the need to give people time to catch up.* Since all of us are different, also you followers reactions will be different, If some of them will respond you on the spot, other will may need some time to analyze the situation. You should have to be patient, to communicate or even to coach.

- *Know when to empathize and when to be tough.* Effective leaders know to be tough and assertive in terms of goals, accountability, focus and perseverance. However, they are also empathetic. Listen with an open mind and without judging. Tell people--repeatedly--that you value them, and acknowledge the emotional impact of seeing colleagues and friends escorted out the door.⁸

- *Balance realism and optimism.* You should tell people the truth, acknowledge mistakes and be clear about your situation and prospects for the future. You can be resolute and hopeful without sugarcoating the challenge.⁹

- *Trust yourself, and trust others.* In order to make other trust you, first you will have

to trust yourself, to be sure of the decision you are making. But you should also involve them into your work. You cannot fix the company or implement a new process or come up with a new strategy all on your own. You need the support of peers and subordinates, not only to get the work done but also as fellow travelers on a challenging journey.

- *Know your strengths,* and try new things. In an environment that is changing from a trimester to another, you are confronting different situations every day and you should be prepared for them. So make your own analyze of your qualities and defects, set some goals and try to reach them.

IV. Conclusions

In my opinion leaders are 1/3 born, 1/3 educated and 1/3 is left to their choice to cultivate or not their talents. You can't become a great leader by waiting; you have to chase every opportunity to exercise your skills, to read everything that is related to the art of leadership, to take advantage of others experiences, either are good or bad, to get involve in different projects in order to be surrounded by people and the most important to established a model of leadership so that you can compare your achievements and envisioning your objective.

Is hard to become a leader, taking in consideration that you will have to become a very complex person and not a specialist. Peter Drucker used to say "*Management is doing things right; leadership is doing the right things.*"

To conclude I choose another quote from Peter Drucker that can be considered a definition of a leader: "*The leaders who work most effectively, it seems to me, never say "I."*"

⁸ <http://www.forbes.com/2009/06/24/human-change-management-leadership-managing-ccl.html>

⁹ <http://www.forbes.com/2009/06/24/human-change-management-leadership-managing-ccl.html>

And that's not because they have trained themselves not to say "I." They don't think "I." They think "we"; they think "team." They understand their job to be to make the team function. They

*accept responsibility and don't sidestep it, but "we" gets the credit. This is what creates trust, what enables you to get the task done."*¹⁰

¹⁰http://www.goodreads.com/author/quotes/12008.Peter_F_Drucker

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Outside-the-box, but Inside-the-elevator: A Case of Leadership Myopia Reaching Media

~ Ph.D. Associate **Miriam Costea** (University of Bucharest, Romania)

E-mail: miriam.costea@gmail.com

Abstract: Practitioners claim that successful leaders should be able to think out-of-the-box and “first break all the rules”. However, when it comes to organizational regulation inside some public institutions, more often than not the leaders replace the organizational creativity with an extreme exploitation of the existing rules. The “tendency to overinvest in exploitation” (Levinthal & March 1993) of the routines that proved successful in the past is well-known in the literature on organizational learning.

In the present study, we examine a specific context in which a traditional rule meant to offer legitimacy to the public leaders was over-exploited up to the point when all national media reacted against the actions of the public institution. Thus, instead of obtaining more legitimacy, the leaders learned the hard way that the organizational rules should be assessed periodically and the obsolete ones be replaced/balanced with new rules, resulting from the exploratory dimension of organizational learning.

We consider that an explanation for this specific case of leadership myopia may be found in a recently defined leadership style, ie, the spiritual leadership (Fry, 2003), situated in a case of over-exploiting an impermanent institutionalized rule (Schulz, 2003).

Key words: organizational learning traps, spiritual leadership, organizational rules, impermanent institutionalization

JEL Classification: D23

Introduction. Not an elevator, but a symbol

Extensive coverage in the Romanian media had recently presented in the most negatively manner the fastuous public ceremony of inaugurating an elevator, organized by the local authorities. The elevator was part of a much larger investment in the local hospital of a small city called Gura Humorului, placed in the Romanian North-Eastern County named Suceava.

Hospital inauguration as a key component of managing reputation and public relations seems to be an usual routine of public authorities in several countries. When searching online, the majority of similar inauguration ceremonies are announced for hospitals in countries such as India, Indonesia, Taiwan, Malaysia, Mozambique, Haiti, aso. Also, mission hospitals are publicly inaugurated throughout the world and announced online.

However, searching the online sphere, there seems that no other elevator inauguration has been held in such a way as to reach the English-speaking online world. In the first pages of google search, the single mentioning of an elevator inauguration is an ironic Romanian twitt, with the hashtag #funny.

The event was held in the presence of the highest local representatives of the Government and the Parliament. The event was presided by the mayor, dressed up with artifacts such as the tricolour sash. Among the guests there were Prefect of the County, the President and the Vice—president of the County Council, one senator and three deputies, several mayors of neighbouring localities and other local opinion leaders. A number of three priests were specially invited to give the spiritual blessing to the event, through a

specific orthodox sermon, before the official cutting of the ribbon.¹

The Prefect, the President of the County Council, a senator and two deputies delivered inaugural speeches. Also, the Mayor offered his statements to the audience and to the media, reminding everyone that he always stated that the hospital would exist as long as the doctors would want to. He also mentioned that the modernization of the elevator is celebrated as the last step from a complete investment in the refurbishment of the hospital, which cost around 1 million euro. In 2010, the hospital was scheduled to be closed during an extensive reform of the national health system. The mayor declared that it was normal that all the key leaders be present to the event, and “unfortunately the other representatives of the Parliament could not come”, he joked.

The following speech, held by a deputy, transformed the elevator into a symbol of the commitment to church, health, culture and education, that, together with the people from the local public administration, are “managing to keep alive the national tricoloured flag”.

In spite of the special focus of media on the elevator inauguration, another acknowledged symbol was vaguely promoted by the Mayor – a list with almost 18,000 signatures of the local citizens, against the closure of the hospital in 2010. Unfortunately, even the list was connected with the presence of the new elevator, whose existence was considered a direct consequence of the citizens’ list in 2010. As the Mayor declares, the list of signatures was “given as a gift to the hospital

¹<http://www.ziare.com/politica/parlamentari/bascalai-cu-tricolor-de-la-gura-humorului-opinii-1227315>

management", to be used just in case the hospital would be in imminent danger to be closed again. "I didn't submit the list to the press, I told them to keep it there, with the implicit wish for them of not to be in the situation of needing it." ²

Managing reputation

The Mayor was in fact continuing a long tradition of managing reputation through appeal to the advocacy or endorsement of third parties. Romanian leadership gives special significance to such procedures of transferring credibility from the key people in the Government and Parliament. Also, the presence of the priests invited to deliver a sermon is more the rule, rather than the exception, for inaugurations of new public buildings. The experience of the public authorities showed that the presence of high ranking public administration representatives is indeed an useful procedure for obtaining recognition, reconfirming the status and the power of the leaders that host such ceremonies.

The transfer of credibility from third-party endorsers is one of the main tools for creating success in public relations actions for media relations or public events. Third-party advocates deliver speeches in which they prove their commitment and their interest for the public cause. They accept to be guest speakers to the fastuous inauguration ceremonies and to remind everyone that they believe in the actions, statements and visions of the public authorities acting as hosts.

In the present context, reputation

²<http://www.gandul.info/stiri/marea-taiere-de-panglica-la-lift-cum-au-venit-seful-cj-primarul-deputatii-si-preotii-ca-sa-sfintasca-megainvestitia-lumea-a-zis-uite-e-un-lift-nu-e-cireasa-de-pe-tort-10700013>

management comprised rules of "grasstops" advocacy and "grassroots" advocacy, based on the positive intervention of third parties who have a significant recognition in the community or at the central level of the public administration. In the present case, the leadership used both type of endorsements, although they chose to make a public showcase from the grasstops advocacy, in which "influential community leaders (e.g., local or state officials, business owners, and heads of local organizations) are targeted to communicate their feelings on an issue to their respective members of Congress, Senators, or executive branch officials." (Doorley & Fred Garcia 2007, p. 172)

While the 18,000 signatures list can be seen also as part of a stakeholders management, the way the leader decided to use it indicates rather a reputation management approach, i.e., the "grassroots" advocacy³. The benefits and merits of a true involvement of the community was shadowed by the decision of the Mayor of using publicly the signature list just as a "survival kit" for the emergency cases.

Thus, there seems to be a linearity in thinking the opportunities brought about by the participation of the stakeholders in the official opening of a modernized hospital. Both the local authorities and the priests had the role of legitimizing the leadership and of enhancing the key actors' coalition and power

³ One of the most effective tools in a company's government relations tool box can be the use of third-party "grassroots" advocacy. Grassroots advocacy is an indirect form of lobbying in which constituents of a given congressional district or state are encouraged to write a letter, send an e-mail, or make a phone call to a member of Congress or Senator." (Doorley & Fred Garcia 2007, p. 172)

in the public eye, rather than having a say in the community welfare and success.

Organizational learning

One of the main theories about organizational learning is provided by March (1991), who examined the learning produced and managed by the organization as a tension between two different strategic directions – exploitation and exploration – of the organizational knowledge. Thus, the organizations look for their previous positive experiences and lessons learned, and exploit the know-how and rules that proved to work and to lead the organizations to success. On short term, the exploitation of the existing technologies, rules or rituals, is providing prosperity for the organizations. However, as the author showed, too much exploitation of former success lessons can lead to sub-optimal development of the organization. In order to counter-balance such strategies, the leadership looks for new mechanisms of development and success on the market. The exploratory component of the organizational development, although needed, cannot be assumed without high risks of failure and of facing uncertainty.

Within the exploitation-exploration framework, authors attempted to identify the role of leadership in managing the balance between the two strategic directions or in encouraging one of the types of learning.

Re-evaluating and enriching Bateson's theories (1973) on the learning levels, new ideas about organizational learning such as learning ecology transform past organizational experiences and conclusions in collective actions of developing new routines, norms and standards as part of the organizational behaviour (Levitt & March 1988).

Leaders have a significant role in organizational learning that leads to organizational success, as they "influence the organization's ability to integrate exploration and exploitation through a combination of their behaviors and the culture and structures they create" (Berson 2006, p. 588).

"Balancing strategic contradictions requires that leaders engage in paradoxical cognition that both differentiates the distinctions between existing knowledge and new ideas, and identifies synergies between them by mentally shifting between the team or project level of analysis and the superordinate or organization level" (Smith & Tushman 2005, apud Berson et al 2006, p. 588).

Leadership and organizational learning traps

Leaders are not always able to act as expected moderators between the paradoxical strategic tendencies towards exploitation and exploration. Organizations seek a balance between exploring new knowledge or exploiting the existing successful procedures, with an outcome that depends on the leadership style, organizational culture and openness to innovation.

While using intuition or formal mechanisms to create organizational learning is an organizational reality, the tendency to oversimplify is generated by many factors, among which one has to mention the bounded rationality describing organizations in general, and public institutions in particular. Thus, the context, the causes and even the solutions are more leadership-tailored than situationally adjusted.

Authors describe learning myopia as a "tendency to overlook distant times, distant places, and failures" (Levinthal & March

1993, p. 95). In the learning myopia generated by exaggerated exploitation of success lessons from the past, leaders do fall in the traps of their own success, in that of previously working contexts or of transferred knowledge about others' organizational performance. Once acquired a competence or a rule that leads organization to success, leadership myopia will focus even more on that path of development. A positive, vicious feedback circle is in place, with the emergent risk of reaching the organizational/procedural limits of growth.

The trap of over-exploitation determines the organization to avoid new exploratory strategies or to disregard the need of changing the rules even when the latter become obviously obsolete. "This competency trap is a standard, potentially self-destructive product of learning. The trap can be broken by rapid upward adjustment of aspirations or by false feedback as to the high value of exploration, but it forms a powerful consequence of learning processes." (Levinthal & March 1993, p. 106)

In the particular case of the rules dynamics and organizational learning, the dilemma between rules that seem to bring success to the organization and those who are obsolete is still in place. "Rules in organizations can be seen both as products of learning and as carriers of knowledge. Indeed, it seems likely that any theory of organizational learning will want to treat rules as major factors in the accumulation of competence in an organization. We will show how rules evolve as organizations solve the political and technical problems they face and how they mediate interactions between the actions and lessons of the past and those of the present." (March Schulz & Zhou, 2000, pp. 3-4)

Spiritual leadership and organizational success

The deep roots of the over-legitimacy through third-parties may find an answer in the spiritual leadership enthusiastically manifested by the Mayor in front of the media and the gathered audience.

Spiritual leadership was presented theoretically by Fry (2003) as an ideal model for learning organizations. "This study, using data collected from an army squadron, found that spiritual leadership is important in creating an intrinsically motivated, learning organization" (Fry et al. 2005, apud Berson, p. 583).

The spiritual leadership is considered as a good indicator of openness, commitment and happiness of the employees, due to the focus on the spirituality approach. "Therefore, Spiritual Leadership is ultimately the driver of the learning and growth performance category that produces continuous improvement in operations and the development of high-quality products and services. This in turn generates high levels of customer satisfaction, leading to better financial performance; and sustainable organizations that maximize the triple bottom line." (Fry 2003, p.292)

Spiritual leadership is considered as based on two requirements. Firstly, the organizational vision, which implies that the leaders and the supporters feel the "sense of calling" that gives meaning to their work as well as to their lives, counting on intrinsic motivation of people. Second, the organizational culture that nurtures the sense of mutual support, understanding and concern among employees or stakeholders.

"It also creates the context for employees to receive the altruistic love that,

in turn, forms the basis for intrinsic motivation through hope/faith in the organization's vision in socially responsible service to internal and external stakeholders. (...) Organizational spiritual leadership through the learning and growth category is ultimately the driver of continuous improvement in operations and high quality products and services that lead to higher levels of customer satisfaction, which then leads to better financial performance – in other words, conscious, stakeholder focused, sustainable organizations that maximize the triple bottom line." (Fry 2003, p. 305)

Features of spiritual leadership are to be found in the present case as obvious leadership learning style: the employees were highly involved at emotional level, as they faced in 2010 the danger of unemployment due to the proposed closure of the hospital; the local community supported the endeavour of the Mayor and of the other local authorities through signatures and other visible forms of involvement; the Mayor considered the finalization of the 1 million euros investment as a victory that he can pretend to, on behalf of the customers, citizens, employees and community.

But the most obvious mark of the spiritual leadership is the presence of the priests, invited to bless the spiritual community between all stakeholders. While exploiting the traditional routine of combining the opening of a public service with a religious sermon blessed by prestigious third-parties, the leaders had self-attributed the spiritual recognition of their superior virtues. It is a paradigm often used in the reputation and PR management, that of the hero that conquers against all adversities and thus is blessed with qualities that make him superior to the enemies and to its own community.

The public leaders, in search for a higher status after gaining the elections, decided to emphasize their success in the community through a traditional ceremony. What struck the media was in this instance the importance given to an elevator, eventually promoted at the rank of official symbol for a local victory. The routine of spiritually inaugurating new infrastructure investments was manipulated so as to serve the need to gain a superior status in the community.

Instead of the spiritual leadership, the leaders could have used other more participatory rules of action. They could have used the 18,000 signatures for involving the citizens not only in preserving the hospital, but also in transparent activities of support for developing better public services for the patients in the hospital. While the leaders seemed to be managing a stakeholders approach, the stress on other stakeholders' interest and involvement was subsumed to the need for acquiring a higher status. Recognition of the leaders' role in the final victory seemed to be more important than other processes through which legitimacy may be obtained.

As useful as it proves to be, spiritual leadership reaches its limits once the eggs are all placed in the same basket of over-motivating people for believing in a shared credo and victory. The rules of empowerment can act as a boomerang when it comes to better empowerment of the leaders. Once the leaders' desire of getting higher status became so visible, the media sanctioned their endeavour and treated it as ridiculous and blamable.

The dynamics of rules. The impermanent institutionalization issue

From our viewpoint, simply the learning trap of over-exploitation of a traditional

organizational rule could not push the leadership into such a highly criticized position. In what consists, then, the error of the leaders, since the manifesto of the public leader is typical for the spiritual leadership approach, considered by authors as a basis for organizational learning and success. We consider that the negative impact on the audience that led to the disastrous media coverage was due to the specifics of the rule used and to the context of the spiritual leadership approach. More specifically, we estimate it is the result of the toxic combination between the obsolete rule of acquiring legitimacy through third-parties and the spiritual attribution to the elevator of the role of a symbol of victory.

Recent authors interested in the field of dynamics of the rules describe a category of rules that have a peculiar development inside the organizations. They are considered as key rules and leadership treats them as being "the rule" of some specific contexts, while in fact they are obsolete rules that survive in the organization in a latent way and that can be changed only once a radical change is in place.

In this case, the public leaders considered normal that they should inaugurate the final stage of an investment of 1 million euros and the opening of the modernized hospital, even though the symbol used was just the elevator within the hospital building. They used an usual stake – informing publics through media – and an even more usual unwritten rule of legitimizing their success and power – third-party advocacy from the Governmental, Parliamentary and local high representatives, along with the Orthodox priests.

It was a procedure used even in the past with great success by the political leaders

representing public administration. As the media mentioned, even a few kilometers of highway were before the object of an inauguration ceremony, celebrated as a great success of the leadership. The unwritten rule of inviting special guests and get more credibility from their presence at the inauguration ceremonies seemed so good, that no one of the key leaders invited to the inauguration of the symbolic elevator could foresee that the rule was just reaching its limits of exploitation.

The over-exploitation of this peculiar rule is not accidental as it may seem, and its roots should be deeply debated. According to March Schulz & Zhou (2000), "rules are followed because they are seen as natural, rightful, expected, and legitimate. Actors seek to fulfill the obligations encapsulated in a role, an identity, a membership in a political community or group, and the ethos, practices and expectations of its institutions. Embedded in a social collectivity, they do what they see as appropriate for themselves in a specific type of situation."

Moreover, "the interpretations of history are political, reflecting efforts to assign and evade responsibility and to establish favorable historical stories" (Sagan, 1993). Organizations "record the lessons of histories in the modification of rules and the elaboration of stories, but neither is a perfect instrument." (Levinthal & March 1993, p. 1997)

The possible explanation of the error made by the leaders is that the rule was in a state of impermanent institutionalization. According to Schulz 2003, p. 1094), "impermanent institutionalization (...) is a state that emerges when permanence mechanisms create periods of stabilization that are punctuated by radical changes stemming from impermanence mechanisms. Impermanent

institutionalization can generate patterns of change that are characterised by declining rates of incremental changes and increasing rates of radical changes.”⁴

Thus, the rule of third-party endorsement at prestigious ceremonies reached its limits of beneficial impact. It is not surprising that sometimes “the development of rules reflects an inefficient story. The learning that translates political and technical pressures into rules is a complex process in which attention, prior experience, and rule ecologies all operate to frustrate any simple hypothesis of a unique match between rules and environments.” (March Schulz & Zhou, 2000, p. 4) In this context, “designing organizations to learn without attention to those limits is no more sensible than designing organizations to be rational without attention to the limits of rationality.” (Levinthal & March 1993, p. 95)

The attempt of obtaining a higher status, through an over-interpretation of the significance of such symbolic ceremonies, raises the question of the subjective interest manifested by some public leaders into selectively exploiting one organizational rule rather than others. These rules seem to be chosen by in direct connection with their potential of raising the status of the leader. Still, as visible in the present study, the leadership risks to obtain the contrary effect, in a context of the impermanent institutionalization of the rule

⁴ One explanation can be the organizational tolerance for obsolescence, which is specific to public administration. “Organizational tolerance for obsolescence can delay changes of rules and thereby make them too obsolete to be repairable, though ultimately, radical changes become unavoidable. The empirical outcomes are declining rates of rule revision and increasing rates of rule suspension” (Schulz 2003, p. 1094)

that is not necessarily a very successful one, but actually just so obsolete that it might be changed only through radical actions.

By spiritually leveraging the obsolete rule grounded in an impermanent institutionalization status, the procedure reached its limits of exploitation, in a sense similar to that of the limits of organizational growth (Senge, 1990). The positive feedback cycles were blocked by the firm reaction of the public opinion, who introduced negative feedback loops aiming at stopping the extreme use of the procedure. Thus, an attempt of raising positive reputation and status was transformed into an event that jeopardized the good reputation of the leaders .

Assuming that in the future the leadership will be more cautious when it comes to initiating such inauguration ceremonies, we can hope that they will look for other, more participative and stakeholders-focused methods of managing their own reputation. Also, they may take into consideration a second look at what works and what doesn't among the organizational procedures and routines, and avoid the misperception between an obsolete rule and a successful one. A critical thinking when it comes to organizational learning can help the leaders to inquire if there are not other more exploratory options.

Conclusions

The need to periodically assess and question the routines and rules in place and confront them with other possible options and opportunities. In case of spiritual leadership, the management of reputation should re-balance the tendency to induce high motivation with other leverages bringing about legitimacy – such as a true two-way

communication (Dozier Grunig & Grunig, 1995), in which the members of the community may be part of the decision-making processes and may encourage the leadership to explore new ways towards success.

As a new theory in the field, spiritual leadership lacks comprehensive studies that would shed a light not only on its positive significant aspects, but also on the limits of the concept. In the present case study, we proposed a correlation between the spiritual leadership approach and its consequent management of organizational rules. As showed, we question the positive impact of the spiritual leadership on the overall organizational performance and reputation in some specific learning contexts, such as the impermanent institutionalized rules.

Before proclaiming the need for an out-of-the-box type of organizational creativity, leadership myopia may be overcome firstly

by urging for an extensive assessment of the existing organizational rules, their duration, usefulness and relevance. The balanced scorecard examination is an example of useful tool that can be correlated with spiritual leadership (Fry 2003) and applied at public administration level in the form of a Spiritual Leadership Balanced Scorecard Business Model. When organizational rules and objectives are not carefully balanced, even the spiritual leadership can prove counter-productive to the well-being of the organization. For that, organizational learning cannot be seen as a result of spiritual leadership, but as a main organizational process that managers will connect with organizational performance. Moreover, further research can look into the direction of the correlation between the dynamics of selective exploiting/exploring organizational rules and the leadership interest for acquiring higher organizational statuses.

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A SWOT Analysis for Organizing a Summer School: Case Study for “Advanced Summer School in Analyzing Market Data 2013”

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

E-mail: raduhermann@yahoo.com

Abstract: The economics scholars agree that investment in education is a competitive advantage. After participating and graduating the “Advanced Summer School in Analyzing Market Data 2013”, the students will gain some formal competences is applied knowledge in Statistics with the IBM SPSS Statistics software. Studies show that the employers seek also practical competences in the undergraduate students, along with the theoretical knowledge. The article focuses on a SWOT analysis for organizing a Summer School in order to compose lists of strengths, weaknesses, opportunities and threats. The purpose of the “Advanced Summer School in Analyzing Market Data 2013” is to train undergraduate students from social-human sciences to gain competences which are valued in the market and a certificate for attendance, to develop an appropriate training program which combines applied knowledge, statistics and IBM SPSS software and to create a „Summer School quality brand” with high-quality training programs for the Faculty of Administration and Business.

Key words: SWOT, Summer School, Competences, Education, Knowledge.

JEL Classification: I21, M53, M10

1.Introduction

Organising a Summer School represents a continuity for the supply of educational programs by the Faculty of Administration

and Business, University of Bucharest. It could represent an opportunity for the students who are interested in continuous learning, after the semesters end. Although it has

a formal structure, a Summer School is more flexible compared to the University classes due to the flexibility of educational themes, time frame, grading structure, diplomas etc. Usually, a Summer School has a period of days or weeks, and the scheduled duration of "Advanced Summer School in Analyzing Market Data 2013" (ASSAMD2013) is for a week. The theme of this Summer School is related to Applied Statistics using "IBM SPSS Statistics". The program includes an average of 6 hours training per day and includes a separate topic for every day: Day 1, Working with data in SPSS, Day 2, Univariate descriptive statistics with tables and graphs, Day 3: Multivariate descriptive statistics with tables and graphs, Day 4: Inferential statistics, part 1 and Day 5: Inferential statistics, part 2. Organising a Summer School event needs resources, management and marketing and SWOT analysis was chosen in this study to identify the priorities, strengths, weaknesses, opportunities and threats for the ASSAMD2013 event. After graduating, the students receive a certificate for the specific competences. On <http://targetjobs.co.uk> we find that key skills for statisticians include good IT skills, numerical skills, analytical skills, written and verbal communication skills, self-confidence and good interpersonal skills. Due to the heterogeneous competences needed by a statistician, and to the mix of interdisciplinary competences like IT, numerical and verbal skills, we consider appropriate this research in organising this Summer School, for the purpose of a deeper understanding of the management components and strategy for this event.

2. Literature review

Matsudaira (2008: 829) argues that the summer school may be a more cost-effective

way of raising student achievement scores than class-size reductions.

Lindahl (2001) compared learning during the school year, when schools are open, with learning during the summer, when schools are closed, and show that math skills are lost when pupils are not in school.

Sahinidis and Bouris (2008: 63) show that there is a significant correlation between the employee perceived training effectiveness and their commitment, job satisfaction and motivation and additionally, high correlations were found between the latter three variables.

Nartgun S., Ozen, Rasit and Nartgun Z. (2012: 260) found that summer school was not an advantage for students who had lower incomes; it could be considered as an opportunity for university students and there was no difference between the summer semester and fall and spring semesters.

Serbu, Miron, and Paun (2012: 743) focused on a SWOT analysis to find some possible solutions for the Romanian higher education and argued that there is low correlation between field of study and qualifications obtained in the labor market.

3. Main elements for organizing the "Advanced Summer School in Analyzing Market Data 2013" (ASSAMD2013)

Education demands relevance with today's multidimensional digital age. The Summer School is organized as a training program due to its component of practical knowledge learned and applied with IBM SPSS Statistics.

The management problem is mainly related to the available choices for

allocating resources and the identification of the priorities for the event. The event is a factor of change and relevant aspects of the ASSAMD2013 are related to the competences gained by the students, the brand of the organisers, the logistics etc. and other aspects which will be analyzed using the SWOT analysis. Some relevant issues in organising an event are related to choosing the appropriate organisers of the event, according to their ability of organising an event, their past experience, ability of negotiating, their character, ability of communication etc.

Organising a summer school for the first time has a high degree of uncertainty because in the past was not organised this type of event by the Faculty of Administration and Business – however scientific conferences were organised, workshops and other related scientific and educational events if were necessary within the undertaken projects. The Romanian Education System is chronic underfunded, the funded opportunities for the teaching staff are limited and teaching at a summer school is an opportunity for continuing the teaching activity.

Due to the Romanian actual teaching context, the knowledge taught during the semesters are in general appreciated rather more theoretical than practical, so the practical skills are well appreciated by the students, and this could be an important reason for attending the event.

Although Informatics Laboratories exist within The Faculty of Administration and Business - except Informatics (and related fields) no economics and statistics disciplines are learned using computer software within the formal courses during the semesters. ASSAMD2013 is an opportunity for combining practical knowledge with statistics/econometrics knowledge and IT skills.

The practical knowledge is considered to be valuable by the business environment. In the sociologic study regarding "Situația și rezultatele participării elevilor și studenților la programele și stagiile de practică școlară din România anul 2010" evidence was found that 46% of the employers appreciate „experience in the profession/job” and 34% appreciate „enhanced practical skills”. The same study argues that 70% of the students consider that the school trains them well for doing their work, but they still need practical skills to find job easier and the careers with economics degrees are very appreciated professions.

The summer period (between semesters) when the event is organised can be appreciated as an advantage by some students, but others may not appreciate it. Choosing the title and the theme for the summer school was related to the values presented earlier, a valuable market mix of elements which include IT and Statistics.

The structure of the program was intended to be rigorous enough to be considered a challenge for the students due the formal knowledge from Statistics and IBM SPSS but flexible enough to be applied in the fields of social-human sciences by the undergraduates from economics, administration and business, marketing, public relations, sociology and other related fields. The choice of the period for organizing the event is restricted to the program of the professors, the ability to do the logistics and the duration between holidays.

- The main objective of ASSAMD2013 is to train 20 participants, preferable from undergraduate level, with diverse research profiles for 6 hours a day, 5 days from one week, to gain competences which are

valued in the market, and a certificate for attendance;

- Specific objectives include:

➤ Developing a „Summer school quality brand“ with high-quality training programs for the Faculty of Administration and Business;

➤ Developing a training program for the

ASSAMD2013 which includes applied knowledge, statistics and IBM SPSS software.

4. A SWOT Analysis for ASSAMD2013

A SWOT Analysis that presents strengths, weaknesses, opportunities and threats is a way for a strategic organization of the ASSAMD2013 event.

4.1 Strengths:

- Summer School Strategy;
- High number of professors and students;
- Availability of Computer Software licenses for IBM SPSS software;
- Availability of logistics for physical computers, Internet, classrooms etc.;
- High Quality of Staff;
- Tradition (old University) with reputation;
- Valuable services provided;
- Located in Bucharest;
- Focus on real life issues and cases;
- Low prices for attendance;
- Efficient and responsible management of the event.

4.2 Weaknesses:

- Budget for the event;
- No Summer school present or similar past events;

- Little applied knowledge within the teaching curricula;
- Low financial resources and support;
- Poor fundraising history;
- The institutional routines for administrative and financial management within the University of Bucharest;
- The quantity and quality of the connections with the business environment, media, partners, supporters and networks;
- Poor visibility of a new summer school event;
- Little information regarding the opportunities of public and private funding;
- Weak advertisement and promotional activities.

4.3 Opportunities

- Scope of the Summer School Strategy;
- Developing a competitive priced program;
- Developing innovative training programs;
- Creating networks and infrastructure for knowledge dissemination;
- Summer school programs of high-quality;
- Good reputation for the Faculty of Administration and Business;
- New funding schemes through Private, National or European Union programs;
- Developing a more complex Advanced Summer School from UEFISCDI funding;
- Partnerships with business environment;
- Developing new training programs and project due to the Life Long Learning Strategy of the European Union;

- The training sector will become more important in the knowledge-based economy;
- The investments in human resources are growing;
- Competences in Applied Computer Software are very appreciated by the labor market;
- Cultivating partnerships between the University and NGO's;
- Developing a rigorous methodology for training programs, applied manuals and guides for training programs using computer software;
- Increasing financial self-reliance and need to search for other external sources of funding

Conclusions

Organizing a summer school is an opportunity of gaining practical competences for the participants and represents an

opportunity for participating at an educational program between the school semesters. From an organizer's point of view, creating a (new) summer school rises issues of resources allocation, themes of the event, schedule, title, program, targeted competences etc.

Starting a new summer school has a high degree of uncertainty and the use of SWOT analysis as a management tool can reduce the uncertainty, identify and prioritize the elements of the processes to improve the allocation decisions. Strong evidence were found in the literature that math skills are reduced if students don't have a continuity in the learning process, so a numerical oriented summer school makes sense. Other relevant reasons for choosing a numerical oriented program are related to the competences gained by the participants which are appreciated both as a profession and by the labor market.

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The Strategic Sport Marketing Planning Process

~ Ph.D. Candidate **Alexandru Lucian Mihai** (Faculty: Marketing, Academy of Economic Studies, Bucharest, Romania)

E-mail: alexandru.lucian_mihai@yahoo.com

Abstract: *In many segments of the sport industry, sport marketers are pressured to increase their product sales to generate increased revenues for their organizations. This pressure poses a challenge. Because sport marketers are involved in persuading consumers to buy, they run the risk of exaggerating or misrepresenting their products in an effort to sell them. Today, and in the future, sport marketers should recognize this risk and monitor their marketing strategies to ensure that they communicate honest images and messages about their products that are consistent with the core values of their organizations.*

A marketing program is not delivered in isolation of the organization-wide planning process. In normal circumstances, the marketing planning process must reflect the overall plans for the organization.

Key words: sport marketing, strategy, marketing program, planning process

JEL Classification: M31

Introduction

The term 'sport marketing' was first used in the United States by the Advertising Age in 1978. Since then it has been used to describe a variety of activities associated with sport promotion.

People tend to define marketing in terms of their experiences, instead of recognizing one of the most important roles of marketing—carrying out the mission of an organization. Some corporate executives might describe sport marketing as selling

goods and services to generate a profit. But sport marketing is more than selling. Sport marketing is more than advertising and public relations. Sport marketing is more than community relations.

Pitts and Stotlar (2007) defined sport marketing as „the process of designing and implementing activities for the production, pricing, promotion, and distribution of a sport product to satisfy the needs or desires of consumers and to achieve the company’s objectives”.

Sport marketing is the application of marketing concepts to sport products and services, and the marketing of non-sport products through an association to sport. Sport marketing therefore has two key features. First, it is the application of general marketing practices to sport-related products and services. Second, it is the marketing of other consumer and industrial products or services through sport.

Marketing ‘of’ sport and marketing ‘through’ sport

Marketing ‘of’ sport

This refers to the use of marketing mix variables to communicate the benefits of sport participation and spectatorship to potential consumers. Ultimately, the goal is to ensure the ongoing survival of the sport in rapidly changing environmental circumstances. Survival depends largely on the principal purpose of the sporting organization. National sporting organizations predominantly associated with elite-level professional sporting competitions will be striving to develop their marketing mix to ensure that the sport product is attractive as a form of live entertainment and live broadcast through television, the internet and other mobile outlets. Sports-governing bodies will also be

responsible for ensuring that participation in their sport remains healthy. Participants are the lifeblood of sport, as they become the next generation of champions and spectators.

Marketing ‘through’ sport

Sponsorship of sport by firms is an example of marketing ‘through’ sport. Large corporations use sport as a vehicle to promote and advertise their products, usually to specifically identifiable demographic markets known to follow a particular sport. Sports with significant television time are very attractive to firms seeking to promote their products through an association with sport. Developing licensing programs is another example of marketing through sport.

The sport marketer must be able to recognize and analyze business environments, determine their effects, and make strategic decisions that will enhance the success of the sport business.

The sport marketer must identify what needs and wants are being satisfied through the exchange process. What is offered in return for the sport consumer’s membership fees or entry fee may include social interaction, physical activity, an avenue for competition, health and fitness, as well as entertainment. Identifying the needs of various segments of the population is the challenge inherent in the early phase of the marketing process. Obtaining this information will allow the sport product benefits to be communicated in such a way as to define the sport’s positioning.

Having established the range of product attributes in relation to needs and wants, the sport marketer embarks on the challenge of effecting the exchange. Sporting organizations must develop a mix of marketing strategies to influence consumers to buy their products, via either attendance or

participation. Combined, the four variables of product, price, promotion and place are known as the traditional four Ps of marketing.

The strategic sport marketing planning process

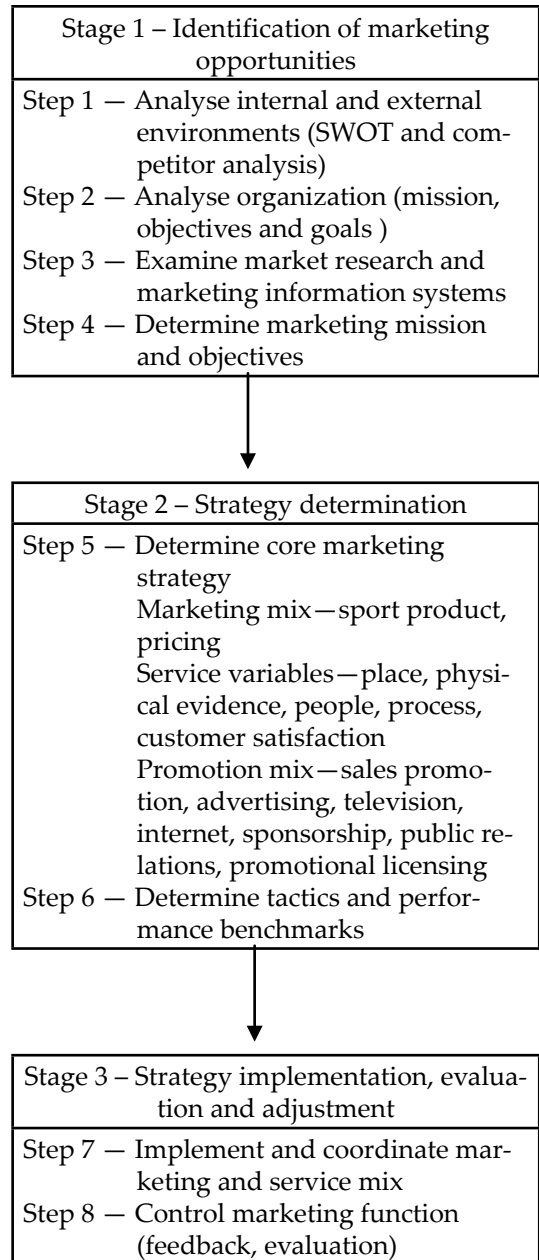
The strategic sport marketing planning process describes the stages and activities of sport marketing. It is the backbone of all sport marketing efforts. It is made up of three stages and is illustrated in Figure 1.

Stage 1 – Identification of marketing opportunities

Analyse internal and external environments

The first activity in stage 1 prescribes an analysis of the internal and external environments in which a sport organization is placed.

The internal environment refers to the unique circumstances of the sport organization for which the plan is developed. It is therefore essential to determine the strengths and weaknesses of the sport organization. For example, a local football club may be strong in terms of its positive community profile and the support it receives from a regional association which provides access to a well-organised competition structure. However, the club may be weak in financial terms and may have difficulty in attracting young players.



Source: adapted from Shilbury D., Westerbeek H., Quick S., Funk D., *Strategic Sport Marketing*, 3rd edition, Allen & Unwin, Sydney, Australia, 2009

The external environment refers to the marketplace in which a sport organization operates. This includes the immediate

sport industry as well as the national and international context. In fact, it is important to understand the industry-related external environment, the nature of competitors, and the broad national and global environment. In the example of a local soccer club, an analysis of the external environment may reveal that soccer is not a popular sport in the region, or that there is limited government support for its development. These external factors may also have a strong influence on the specific strengths and weaknesses of a sport organization.

The analysis of strengths and weaknesses should be focused on present-day circumstances. Common strengths may include committed coaching staff, a sound membership base, a good junior development program, or management staff with sound business skills and knowledge. Weaknesses should be seen as limitations or inadequacies that will prevent or hinder the strategic direction from being achieved. Common weaknesses may include poor training facilities, inadequate sponsorship, a diminishing volunteer workforce or a weak financial position.

While strengths and weaknesses should be focused on the present-day situation, opportunities and threats should be future oriented. Opportunities are the favourable situations or events that an organization can use to its advantage in order to enhance its performance. For example, common opportunities include new government grants, the identification of a new market or potential product, or the chance to appoint a new staff member with unique skills. Threats, in contrast, are the unfavourable situations which could make performance more difficult for the organization in the future. Common

threats include inflating player salaries, potential new competitors, or unfavourable trends in the marketplace such as the increased popularity of gaming consoles.

Every sport organization exists for a purpose. The organization defines this purpose in its mission statement, which represents the core values of the organization. Sport does not exist

in isolation; rather, various societal issues and trends affect sport. Therefore, the mission statement of a sport organization must reflect the values and beliefs that are prevalent in the environments in which it operates. If the organization does not have a mission statement, it should create one. Everyone in the organization should be involved in writing the mission statement so that all will be committed to carrying out the mission and acting in accordance with the core values. A sport marketing plan derived from and consistent with the organization's mission statement and core values is necessary to ensure that the packaging, promotion, and delivery of sport will be conducted in socially responsible ways.

Sports organization marketing strategies should balance commercial, social and environmental **objectives**.

A large majority of sporting organizations are becoming increasingly focused on commercial objectives (e.g. increasing the number of members and potential revenues). This commercial focus creates a real problem for both non-profit and for-profit organizations, as it is difficult for a club or a national federation to optimise income from their marketing activities while preserving their social base. It can lead to conflict between their values and the 'business' culture they have to develop. In addition, all types of

sports organizations, whether they are for-profit or non-profit, create social marketing programmes in an attempt to alleviate the social problems within their environment. This involves applying marketing concepts and methods to create and implement programmes that will influence the behaviour of the organization's target groups and that will improve the well-being of the groups to which these organizations belong.

Organisational goals refer to the broad aims that organizations strive to achieve. In sport, these may include ensuring financial viability, increasing participation, raising the number of members, and stimulating public interest in the sport.

Examining market research and utilizing information systems

Step 3 recognises that the important phase of marketing research is undertaken to ensure that decisions made in relation to marketing missions and objectives are based on a sound understanding of the marketplace. Basically, market research in sporting organizations seeks to answer six questions about consumers in relation to their consumption of the product. Initially, sporting organizations need to know **WHO** their consumers are, but this is only the tip of the iceberg. **WHY** they choose the particular sport product and **WHEN** and **WHERE** that consumption takes place are equally important. **WHAT** that consumption entails in terms of pre- and post-event activities, and **HOW** the product is used also are critical in terms of establishing a complete consumer profile.

To make informed decisions, organisations need information—and lots of it. Yet the collection of this material is only a starting

point for the construction of a management information system (MIS). Once compiled, this information must be integrated, analysed and used to guide the direction of the organization.

The sport marketer will need the information gained through research to formulate decisions and strategies concerning every aspect of the company and its marketing plan. Marketing research usually focuses on one problem. At the same time, broad databases may be established and maintained concerning specific aspects of the company or the company's consumer markets and competitors.

Stage 2 – Strategy determination

Defining the sport marketing mix

Figure 2 depicts the seven component strategies of the marketing mix, composed of the traditional 4Ps of marketing plus the 3Ps of service—process, people and physical evidence.

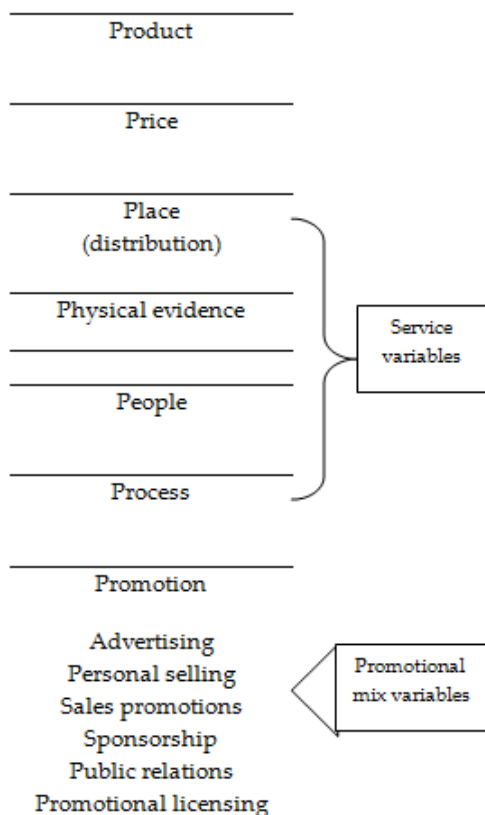
A brief description of the 7Ps is as follows:

- **Product**—ensures that product characteristics provide benefits to the consumer (includes identifying the actual product).
- **Price**—ensures that the product is priced at a level that reflects consumer value.
- **Place**—distributes the product to the right place at the right time to allow ease of purchase.
- **Physical evidence**—is the visual and/or tangible clues of the service product, such as the design and construction of the facility, and in general the aesthetic appeal.
- **Process**—represents the convergence of the marketing and operations functions and therefore affects real-time service delivery and quality.

- People—are responsible for delivering the event and are a major distinguishing quality factor in the consumption process.

- Promotion—communicates the product's ability to satisfy the customer through advertising, personal selling, sales promotions, sponsorship, public relations and promotional licensing.

Figure 2: The marketing mix: The 7Ps



Source: adapted from Shilbury D., Westerbeek H., Quick S., Funk D., Strategic Sport Marketing, 3rd edition, Allen & Unwin, Sydney, Australia, 2009

Determine tactics and performance benchmarks

According to the principles of relationship marketing, marketing can be viewed

in terms of three complementary and inter-dependent sub-systems: network, market and internal. Consequently, sports organizations must implement actions aimed at each of these sub-systems. A sports organization's relational strategy should cover the end-users within its market, the stakeholders it will have to engage in its programmes, and its relations with the people inside the organization.

Stage 3 – Strategy implementation, evaluation and adjustment

The sport business must have a system for managing the process of sport marketing. This system includes the implementation, management, and evaluation of all sport marketing components. Management is a multidimensional step that involves setting objectives for the sport marketing strategy, developing the sport marketing plan, selecting and managing sport marketing personnel, establishing a financial plan, establishing and managing an organizational structure, establishing and overseeing deadlines and scheduling, acting as the liaison between sport marketing personnel and top management, and coordinating all sport marketing functions.

The development of the sport marketing plan is an important task. Strategic planning functions to strengthen relationships between sport marketing and other management functional areas in the company. The sport marketing plan is the written, established plan of action for the company or for an element (or product) of the company. It drives the company.

The plan contains the marketing objectives, identified target markets, financial

strategies, and details of the marketing mix strategies. The marketing plan can be written for a single sport product, a group of products, a new promotional strategy, or the entire sport company.

The sport marketing plan should not be taken lightly. It requires time, research, and critical analysis. It should be the culmination of this effort during which every possible task, angle, financial analysis, and every function of the company and the product have been thoroughly studied and analyzed. The final plan should reflect informed decision making and strategy formulation.

Implementation involves establishing a system for planning and managing the implementation of the sport company's marketing strategies. Evaluation involves establishing a system for analyzing marketing strategies to determine if the strategies are accomplishing the established objectives.

Conclusions

This article outlined a 8-step process that it can use to develop a sport marketing

plan. The core of this process is the marketing mix, traditionally known as the four Ps (product, price, place, and promotion). The process also includes additional factors such as organizational, environmental, and consumer-related considerations (purpose, projecting the market, positioning, picking the players, packaging, and promise).

A sport marketing plan will most likely succeed when marketing is viewed as a comprehensive process of packaging, promoting, and delivering sport to consumers in a manner that satisfies consumers' wants and needs and simultaneously meets the sport organization's marketing goals and objectives. Tactical marketing mix strategies (product, price, promotions, place) should therefore communicate a distinct, positive, and honest image of a product and the consumers to whom it is targeted. Such strategies will enable the sport organization to establish a favourable position among its targeted consumers in the market and will subsequently fulfil the promise of socially responsible marketing that is linked to and consistent with the mission and core values of the organization.

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Transformational Approach To School Leadership: Contribution To Continued Improvement Of Education

~ Ph.D. Associate Professor **Anca Nedelcu** (Faculty of Psychology and Education Sciences, University of Bucharest, Romania)

E-mail: Anca.Nedelcu@fpse.unibuc.ro

Abstract: Over the last decades, an impressive number of conceptual models in the field of educational leadership have emerged; contingency or trait theories, situational, instructional, shared or distributed school leadership approaches, all tried to demonstrate their specific impact on school development and students achievement. The present paper is focused on exploring one of the foremost models, subject of systematic inquiry and controversial debates developed in relation with school or in nonschool organizations: transformational school leadership. The approach is considered a relevant support for school change process. Its contribution is analyzed in comparison with the benefits of other competing models, the aim of the paper being not to establish hierarchies but to gather significant solutions for better schooling. As a reconciliation solution, the integrative leadership model is also advocated.

Key words: transformational school leadership, shared instructional leadership, distributed leadership, school improvement and development

1. Comparative approach to school leadership models

No matter the educational context, initiators of any school changing process

invariably assume that success of their effort is indestructibly linked with leadership involvement. Alongside recognition of this overall contribution of effective educational

leadership to school reform, a wide range of international studies have confirmed that leaders clearly facilitate major and concrete in-school differences to student achievement or organizational culture and relations, teachers motivation etc.

In supporting this complex “school change journey” (Fullan, 2002), leaders have to creatively expand their leadership repertoires; for this purpose, diverse models can be taken into consideration, as conceptions of educational leadership have been continually evolving over recent times. Thus, during last decade, a refreshed conception of educational leadership has emerged, shifting from early traditional administrative positions, to managerial ones, to individually assumed leading roles and to distributed leadership.

This dynamics of developing new approaches in describing school leadership was motivated not only by improvement purposes; Hallinger (2010) notices that today’s favourite brand is soon replaced by another and that leadership models in education are subject to the same faddism that is apparent in other areas of education. As a consequence, as Dinham et al. (2011) notice, focus on school leadership and educational effectiveness resulted in a variety of leadership theories: instructional leadership, transformational leadership, moral leadership, constructivist leadership, servant leadership, cultural leadership, and primal leadership. Certainly some of these models appear to be no more than ‘slogans’ (Leithwood et al. 2006, 7); some have almost no reference to a body of evidence or a cohesive conceptual framework (Dinham et al., 2011) or are just stylistic exercises meant to demonstrate authors’ ability of adding text to some newly invented labels.

For the purpose of this paper, three models are considered relevant and have been selected for an in-depth presentation, all being subjected to extended empirical study over the time:

- instructional school leadership
- transformational school leadership
- distributed school leadership.

Narrowly defined, instructional school leadership focuses on leadership functions directly related to teaching and learning (Murphy, 1988). The model emerged in North America in 1980s from early research on effective schools. Prior to this moment, there were neither coherent models nor validated instruments available for the purpose of studying instructional leadership; then several conceptualisations of the model emerged concurrently (Hallinger, 2010).

One frequently used conceptualisation of instructional leadership is based on Hallinger’s (2000) three-dimensional model; the approach includes defining the school’s mission, managing the instructional program, and promoting a positive school-learning climate. By integrating these dimensions, Hallinger defines instructional leadership as being focused predominantly on the role of the school headmaster in coordinating, controlling, supervising, and developing curriculum and instruction school (idem). In his view, instructional leaders lead from a combination of expertise and charisma; they are hands-on principals, ‘hip-deep’ in curriculum and instruction, and unafraid of working with teachers on the improvement of teaching and learning (idem).

During the 1990s, this model of instructional leadership was criticized as being paternalistic, archaic, and dependent on docile followers (Burlingame, 1987, cit in Marks

and Printy, 2003); as a consequence, other terms came to light, such as shared leadership, teacher leadership, distributed leadership, and transformational leadership. As Hallinger (2010) underlines, the emergence of these models indicated a broader dissatisfaction with the instructional leadership approach, which many believed focused too much on the principal as the centre of expertise, power and authority. Leithwood (1994) has labelled this evolution of educational leadership role as 'second order' changes as it is targeted organization's normative structure before any other dimensions.

One of the models mentioned above, shared leadership, describes the active collaboration of principal and teachers on important pedagogical issues as curriculum or assessment. Within this model, teachers are not only "followers", but experts ready to be involved in school improvement process. Thus, the headmaster is not the sole instructional leader but the "leader of instructional leaders" (Glickman, 1989). In this way, the approach was analyzed in comparison with the individualistic views of leadership supposed to be specific to transformational model.

Distributed leadership is also considered concerned with the co-performance of leadership practice. In this model, formal leaders prompt emergent and creative actions among groups to whom leadership is distributed and those in formal leadership roles emphasise the management of interdependencies, rather than controls over process or outcomes (Harris, 2009).

In comparison with the previous models, "transformational leadership focuses on developing the organization's capacity to innovate. Rather than focusing specifically on direct coordination, control, and supervision

of curriculum and instruction, transformational leadership seeks to build the organization's capacity to select its purposes and to support the development of changes to practices of teaching and learning (Hallinger, 2010).

This theory of transformational school leadership was funded 1970s and 1980s. It found a receptive audience in the educational community during the 1990s as part of a general reaction against the top-down policy driven Hallinger (2010). The main argument convincing the educationalists was the fact that transformational leader motivates the teachers and students by raising their consciousness about the importance of organizational goals and by "inspiring them to transcend their own self-interest for the sake of the organization" (Marks and Printy, 2003, pg. 375). In their relationships with followers, this theory posits, transformational leaders exhibit at least one of these leadership factors: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (idem).

2. Transformational school leadership practices: impact on school improvement

Extensive research undertaken in a variety of organizational school contexts highlighted the important functions transformational school leaders perform for improving education. Roles and concrete practices associated with this particular approach have been a consistent research topic for many studies including: Leithwood, Aitken, and Jantzi's (2001) transformational school leadership model, Leadership Practices Inventory (LPI) proposed by Kouzes and

Posner's (1995), Principal's Transformational Leadership Inventory developed by Chong-Hee No (1994, in Ham, 1999).

A comparative analyze of these studies demonstrates a lot of common and

overlapping sets of transformational leaders practices performed within concrete schools. Sun and Leithwood (2013) identified and described 11 of such specific leadership practices:

Transformational school leaders practices (Sun and Leithwood, 2013):	
Developing a shared vision and building goal consensus	-identification, development, and articulation of a shared vision that is appealing and inspiring to staff;
	-achieving goal consensus among staff; motivating staff with challenging but achievable goals;
	-communicating optimism about future goals;
	-giving staff an overall sense of purpose for their work and monitoring and referring to school goals when staff are making decisions.
Providing intellectual stimulation	-challenging staff's assumptions;
	-stimulating and encouraging their creativity;
	-providing information to staff to help them evaluate their practices, refine them, and carry out their tasks more effectively
Providing individualized support	-listening
	-attending to individual opinions and needs,
	-acting as mentors or coaches to staff members, treating them as individuals with unique needs and capacities, and supporting their professional development.
Modeling behavior.	-“walking the talk,” providing a role model of ethical behavior;
	-instilling pride, respect and trust in staff; symbolizing success;
	- demonstrating a willingness to change one's own practices as a result of new understandings
Holding high performance expectations	-demonstrating through their behaviors that they expect a high level of professionalism from staff, hold high expectations for students, and expect staff to be effective innovators.
Providing contingent rewards	-rewarding followers for completing agreed-upon work.
Management by exception	-monitoring the work of followers but intervening only when followers' performance deviates from the norm or from the leaders' expectations.
Building collaborative structures	-ensuring that staff have adequate involvement in decisions about programs and instruction,
	- establishing working conditions that facilitate staff collaboration for planning and professional growth,
	- distributing leadership broadly among staff.

Strengthening school culture	-promoting an atmosphere of caring and trust among staff,
	-building a collaborative school culture that reflects the school vision,
	-encouraging ongoing collaboration for program implementation
Engaging communities	-demonstrating sensitivity to community aspirations and requests
	- incorporating community characteristics and values in the school, and actively encourage parents and guardians to become involved in their children's education
Improving the instructional program	-planning and supervising instruction, providing instructional support, frequent and regular monitoring of school progress,
	buffering staff from district or state initiatives that are potential distractions from school priorities.

By integrating such complex and comprehensive practices in a coherent and functional profile, the transformational school leader has all the chances to influence significantly school change process. Studies demonstrate the clear impact of transformational leader on schools improvement, on teachers and students. Thus, it has frequently proven that this type of leadership counts for teachers (Geijsel et al. 2009) and it positively affects teachers' commitment to the school goals and their participation in professional learning activities (Krüger, 2009, pg.115). Additionally, transformational leadership influences teachers' perceptions of school conditions, their commitment to change, and the organisational learning (Fullan, 2002). In the same time, a particularly noteworthy finding is the empirical link between this model and student achievements. In this case, Sun and Leithwood (2013) underline that some transformational practices make much larger contributions to student achievement than others. For instance, building collaborative structures and providing individualized consideration made the largest of those contributions (idem).

Conclusion: from instructional, to transformational, to integrated school leadership

Even the main purpose of the present paper was not to assess different competing school leadership conceptualizations, the review of some of these constructs indicates an obvious conclusion: no matter the label attributed to different models, they do share significant similarities. All these leadership models have improvement-oriented targets, they all aim to build leadership capacity among all school members in order to foster progress. As an example, one comparison between instructional and transformational school leadership construction showed that they both are focused on:

- Creating a shared sense of purpose in the school.
- Focus on developing a climate of high expectations and a school culture focused on the improvement of teaching and learning.
- Shaping the reward structure of the school to reflect the goals set for staff and students.
- Organise and provide a wide range of activities aimed at intellectual stimulation and development for staff.

- Being a visible presence in the school, modelling the values that are being fostered in the school (Hallinger, 2010).

Sharing such common aims, the two models tend to absorb each other characteristics, as a possible avenue of reconciliation for these constructs (Hallinger, 2010). Thus, when teachers perceive principals' instructional leadership behaviours to be appropriate, they grow in commitment, professional involvement, and willingness to innovate (Sheppard, 1996). In this way, instructional leadership can itself be transformational (Hallinger, 2010). Others opinions plead for enlarging transformational leadership areas, by including many other leadership models. "The inclusion of these newer dimensions into the transformational leadership model makes it a more comprehensive leadership model in different settings. Especially, in educational settings, the inclusion of instructional management dimensions makes transformational school leadership more relevant for schools (Sun and Leithwood, 2013).

As such conceptual common or overlapping aspects among different school leadership models seem to be stronger and more evident that the differences, they are even difficult to be identified in research practice.

Printy, Marks, Bower (forthcoming) demonstrate this: while quantitative methods such as the utilization of surveys permit the isolation of transformational and instructional forms based on the content of questions, these forms are likely to cohere in practice. As such, it is sometimes difficult with case study data to disentangle a transformational behavior from an instructional one or determine whether any specific action or comment represents instructional or transformational influence.

These practical research challenges underscore the interdependent nature of leadership enacted by principals and teachers (Printy, Marks, Bower, forthcoming); facing this situation, Printy, Marks, Bower had one single, significant conclusion: a new emerging concept has to be highlighted: integrated school leadership. Thus, while some authors plead for a hybrid formula and others are convinced that enlarging up the territory of one model is a very promising direction for new leadership research, Marks and Printy (2003) propose an integrative framework. This conclusion is adopted within present paper as well, as it highlights the synergistic power of leadership shared by individuals throughout the school organization (Hallinger, 2010).

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Leadership Evidences: Communication and the Organizational Change Success

~ Ph.D. Student **Orlando Voica** (*Faculty of Cybernetics, The Bucharest University of Economic Studies (ASE), Bucharest, Romania*)

E-mail: orlandovoica@yahoo.com

~ Ph.D. Lecturer **Marian Vasile** (*Faculty of Sociology and Social Work, University of Bucharest, Bucharest, Romania*)

E-mail: vasile.marian@gmail.com

Abstract: The aim of this paper is to highlight the importance of the organizational communication to the most important leadership effects - the success of changes within the Romanian companies. A set of hypotheses are tested in order to identify the links between the success of change implementation and elements such as objectives and organizational communication components.

A set of hypothesis was tested during our research, using specific methods of quantitative and qualitative analysis and the SPSS software. The results of our research, limited to the purpose and the sample size, shows that that organizational communication is liable to the success of changes promoted by leaders within Romanian firms.

Key words: leaders, organizational change, organizational communication

JEL Classification: L29, C59, O52, M13

Motto:

"Progress is impossible without change"
Winston Churchill

1. Introduction

The economic crisis revealed the importance of organizational capability to adapt to the everlasting changing environment.

While change has become a regular feature of organisational life (Burnes, 2004), leadership plays a crucial role in this endeavour. The change success can be assessed considering different parameters such as organizational context, factor necessitating change, strategy for change and actors involvement. However, while specific pre-planned steps for each change project are necessary, the implementation is liable to the perception of individual benefits and the satisfaction the change actors can get¹. Therefore, the social trustfulness relationships within organization are important and various theories tackle both the expected roles of leaders as well as the required traits of them.

The purpose of this paper is to highlight a few organizational drivers of successful changes within Romanian companies, such as the internal processes and communication, attention for the final result or objectives.

The first part of the paper briefly presents some theoretical elements of change leadership and communication. The second part of the paper treats in detail the research methodology used. The results are analyzed and interpreted in the last part, followed by final conclusions.

2. Theoretical background

A couple of terms commonly appear in discussions related to leaders: vision,

followers, ethic or communicational abilities. However, a sign of the leaders' existence is the successful changes implemented within the organization they do belong.

Organizational change reflect the move from the ongoing situation towards certain desired situation in the future that is aimed at increased efficiency and competitiveness². It has been studied by many scholars and various key success factors were revealed. Lippitt (1958) considers that interventions intended to modify the functioning of an organization should be premeditated. Lewin, Elrod and Tippet (2002), reflect that specific pre-planned steps are necessary for each change initiative. Therefore, they consider planning of change implementation as the most important key success factor.

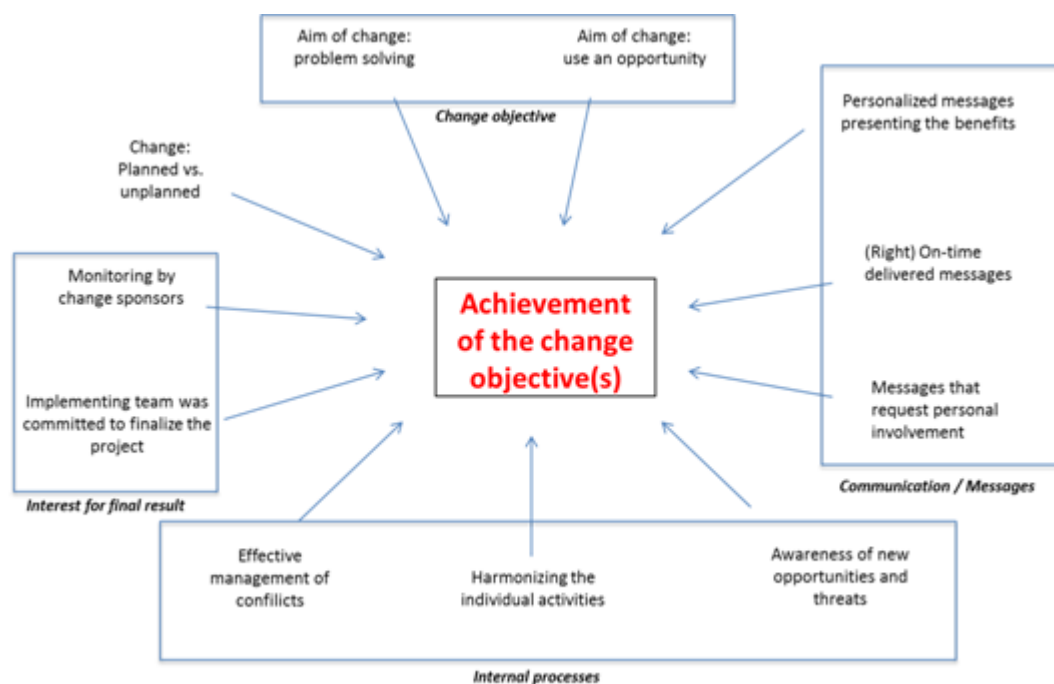
However, change implementation methods based on planning might not be effective in rapid and unpredictable environmental changes. Scholars like Kotter (1996), Kanter et al. (1992) and Luecke (2003) reflected on the 'emergent approach' of change. In their view, change is a process of learning, developed by organisations in their quest to responds to the internal and external environment. Moreover, Todnem (2005) consider that "change readiness and facilitating for change" of the organizational players is the most proper approach of change.

Leaders have a significant role in the launching and implementation of organizational changes. They must be successful in scanning and interpreting of environmental opportunities and threats, as well as they must motivate people to accept changes designed to solve problems or to seize the opportunities.

¹ Robert Fabac (2010), Complexity In Organizations And Environment - Adaptive Changes And Adaptive Decision-Making, Interdisciplinary Description Of Complex Systems 8(1), 34-48.

² Gaffney, S. (2010), Dynamics of Organisational Change - the Belfast model, Gestalt Journal of Australia and New Zealand, 2010, Vol 7 No 1 Pages 75-88, GANZ

Figure 1. The proposed model



The leadership researchers have found out that there is a significant difference in the expected roles of leaders and required traits of leaders³. Traditional images show leader as the main designer, the one that implement changes, a highly-empathic and skilled orator. It has a vision, is familiar with project management, and successfully supervises and controls. On the other side, the leader is “facilitator of emergent change” that makes connecting possible, while amplifies issues⁴ to get the critical mass necessary to move forward the organization.

To be effective in change implementation, leaders, as change agents, need not only

³ Robert Fabac (2010), Complexity In Organizations And Environment - Adaptive Changes And Adaptive Decision-Making, Interdisciplinary Description Of Complex Systems 8(1), 34-48.

⁴ Cameron, E. and Green, M.: Making Sense of Change Management. Kogan Page Limited, 2004

to overcome resistance from other members of their organization, but also to encourage them to adopt new practices (Van de Ven, 1986). Therefore, the change process is a real exercise of social influence⁵. Consequently, leaders become the most relevant agents within changing organizations in which various interpersonal interactions (including conflicts) take place.

Communication is, we believe, the most important tool that a leader uses to generate results. While he delivers right-on-time personalized messages for each change-stakeholder to get her support and involvement, the leader should be aware of their on-going interest for the final results of change. Moreover, he should secure effective internal processes such as effective management of conflicts and harmonization of the individual activities.

⁵ Idem 2

3. Research Methodology

The purpose of this paper is to highlight a few drivers of successful organizational changes within Romanian companies. Among them an important role is played by the management of organizational processes, communication, as well as by the concentration for the final result or for reaching the objectives. In Figure 1 we present a graphic form of the relations being tested.

We assume that there is a direct relationship between the purpose of change (solving a problem vs. seizing opportunities) and achieving the change objective, while we control for the level it was planned, by the organizational internal processes and the attention for the outcome.

Therefore, we have surmised a set of relationships, as follows:

1. Changes initiated to solve a problem have a greater influence on the outcome of

change than those aiming to tap opportunities

2. There is a positive relationship between the types of messages delivered during the change processes and the level of achievement of the objective.

3. There is a direct, positive, relationship between the internal processes (conflict management, harmonization of individual actions, concern for awareness opportunities / threats) and the level of achievement of the objective.

4. There is a direct, positive relationship between the interest shown by stakeholders (originators, implementation team) and the level of achievement of the change's goal.

In order to test out the assumptions, a request to provide answers to an on-line questionnaire was sent to members of Romanian companies that experimented organizational changes within the last 3 years. Table 1 presents a brief typology of the organizations to which respondents belongs.

Table 1. Distribution of the respondents by the type of company

<i>Type of company</i>	<i>No of answers</i>
Private company owned (mostly by) Romanian investors	73
Private company owned (mostly by) foreign investors	35
Public institution	34
Cross-border (multinational) enterprise	36
NGO / Social partner	8
Grand Total	186

The changes implemented by firms of respondents were very different. In the selection of firms, our research tried to capture the diversity of fields of activity. Thus, there were investigated changes finalized in private companies with various degrees of ownership, as well as in public institutions,

NGOs or social partners. Also, there were investigated various types of finalized organizational changes such as applying new ERP models (24 answers), installation of new manufacturing equipment & implementing a new software (30 answers), optimization of business processes (58), relocation of

activities (17) or restructuring / reorganization (57).

The questionnaire was developed by Orlando Voica and pre-tested on a number of fifteen respondents.

The online filling of the questionnaire succeeded the e-mail contacting phase of respondents. Through an e-mail message

participants were informed about the study goal and were requested to fill-up the on-line questionnaire. Data collection took place between 15 February and 31 March 2013. The respondents were mainly managers or directors of companies that were involved in organizational changes finalized within the last 3 years.

Table 2. Definition of variables

	Min				Max
Variable	1	2	3	4	5
Achievement of the change objective(s)	Not at all / very small exten	To a small extent	Largely	Full	Higher than planned
Change objective: solve an existing problem	Not at all	To a small extent	Largely	To a great extent	Full
Change objective: seize an opportunity	Not at all	To a small extent	Largely	To a great extent	Full
Planned vs Unplanned change	1- Completely unplanned				10 – Detailed planned
Implementing team was committed to finalize the project	Not at all	To a small extent	Largely	To a great extent / full	
Change monitoring by sponsors / promoters	Not at all	To a small extent	Largely	To a great extent / full	
Personalized messages presenting the individual's benefits	Not at all	To a small extent	Largely	To a great extent / full	
(Right) On-time delivered messages	Not at all	To a small extent	Largely	To a great extent / full	
Messages that request personal involvement	Not at all	To a small extent	Largely	To a great extent / full	
Effective management of conflicts	Not at all	To a small extent	Largely	To a great extent / full	
Awareness of new opportunities and threats	Not at all	To a small extent	Largely	To a great extent / full	
Harmonization of the individual activities	Not at all	To a small extent	Largely	To a great extent / full	

	Min	Max	Mean
Dependent Variable: Achievement of the change objective(s)	1	5	3.24
Change objective: solve an existing problem	1	5	3.47
Change objective: seize an opportunity	1	5	3.20
Planned vs Unplanned change	1	10	7.37
Implementing team was committed to finalize the project	1	4	3.01
Change monitoring by sponsors / promoters	1	4	2.95
Personalized messages presenting the individual's benefits	1	4	2.61
(Right) On-time delivered messages	1	4	2.85
Messages that request personal involvement	1	4	2.99
Effective management of conflicts	1	4	2.67
Awareness of new opportunities and threats	1	4	2.89
Harmonization of the individual activities	1	4	2.71

4. Results

Table 4 presents the descriptive statistics for the variables used and the results of ordinary least squares (OLS) regression.

The Tolerance coefficients show that there is little multicollinearity among the independent variables while the adjusted R-Square level of .323 is satisfactory

suggesting that the model encompass the organizational reality.

The OLS regression show that a change will be perceived as successful if it is monitored by sponsors / promoters and of the messages regarding it are delivered right on time. The last one seems to be the most important in this process.

Table 4. OLS regression coefficients

DV	Model	Coefficients		P	Correlations	
		B (Unstandardized)	Beta (Standardized)		Zero-order	Part
	(Constant)	.427		.187		
Iv 1	Change objective: solve an existing problem	.081	.103	.121	.288	.094
Iv 2	Change objective: seize an opportunity	.035	.048	.485	.200	.042
Iv 3	Planned vs Unplanned change	.040	.099	.195	.389	.079

Iv 4	Implementing team was committed to finalize the project	.138	.115	.120	.390	.094
Iv 5	Change monitoring by sponsors / promoters	.194	.187	.015	.456	.149
Iv 6	Personalized messages presenting the individual's benefits	-.061	-.066	.403	.255	-.051
Iv 7	(Right) On-time delivered messages	.342	.268	.003	.471	.182
Iv 8	Messages that request personal involvement	.032	.027	.713	.298	.022
Iv 9	Effective management of conflicts	-.074	-.063	.410	.230	-.050
Iv 10	Awareness of new opportunities and threats	.083	.079	.347	.403	.057
Iv 11	Harmonization of the individual activities	.068	.058	.453	.351	.046

Based on the OLS results there are a few conclusions related to the initial assumptions:

1. Even though it looks like the necessity to solve a problem has a higher effect on the outcome of change (part = .094) than those modifications aiming to seize opportunities (part = .042), the correlation is not statistically significant ($p > 0.05$).

2. There is a positive relationship between the level of achievement of the change objectives and (right) on-time delivered messages ($p = 0.003$). However, there is no significant effect of the variables "Messages that request personal involvement" and "Personalized messages presenting the individual's benefits" on the achievement of the change objectives.

3. There is a not statistically significant relationship between the level of achievement

of the objective and internal processes such as (conflict management, harmonization of individual actions or concern for awareness opportunities / threats.

4. There is a positive relationship between the level of achievement of the change's goal and monitoring by stakeholders ($p = 0.015 < 0.05$). However, there is an insignificant effect of the variables "Implementing team was committed to finalize the project" on the achievement of the change objectives.

5. Conclusions

Organizational change is the process used by organizations to redesign their structure, processes and culture. While the aim of change is to move from the current state toward a future desired state to increase their

effectiveness and efficiency⁶, leaders have an outstanding influence on the initiation and implementation processes.

The study has tried to detect the mechanisms that stimulate the roles of leaders as well as the traits of successful organizations of change implementation.

The reason for change ignition could make the difference between a visionary and a "fire-fighting" leader. The study has tried to prove that a change initiated to solve a problem is more probable to achieve the intended results than a change that aim to seize opportunities, but the results are not statistically significant for our endeavor.

The analysis of responses shows that there is a positive relationship between the level of achievement of the objective and messages delivered right-on-time during the change processes. This is consistent with the researches that suggest that successful leaders, who implement changes, are skilled orators, familiar with project management communication techniques.

On the other side, the leader is presented by the Cameron and Green as "facilitator of emergent change" that present individual benefits and amplifies issues⁷ to get the critical mass necessary to move forward the organization. Bearing in mind the achievement of the change objectives, our study on Romanian companies identify a positive, but no significant effect of the messages that request personal involvement or of those presenting the individual's benefits. This might

have various causes such as lack of trust of individuals or leaders' inability to align and energize followers.

However, our research is consistent with Mitchell et al. (1997) researches regarding stakeholders' relevance and management's efforts. We have found out that there is a direct, positive relationship between the level of achievement of the change's goal and interest shown by stakeholders (originators/initiators or implementation team). Specifically, monitoring by stakeholders will have a significant effect on the achievement of the change's goal, but there is a lower and insignificant effect of the commitment of the implementing team

Leaders are the most relevant agents inside the changing organizations, where various interpersonal interactions, including conflicts, appear. Our study found that the level of goal achievement for changes implemented in Romanian organizations is not statistically significant liable to processes such as conflict management, harmonization of individual actions or concern for awareness opportunities / threats.

These results are limited in scope. The limits come from the fact that the study does not make a thorough distinction between variables that can influence the change (implementation) processes. For instance, the organizational communicational process has not been considered all the specific facets such as the formal/informal communication, top-down / upward communication, level & quality of feedback, aso.

Moreover, the change result is liable to the implementation team commitment, which is determined by various motivational elements that were not clearly distinguished in our research.

⁶ Gaffney, S. (2010), Dynamics of Organisational Change - the Belfast model, *Gestalt Journal of Australia and New Zealand*, 2010, Vol 7 No 1 Pages 75-88.

⁷ Cameron, E. and Green, M.: *Making Sense of Change Management*. Kogan Page Limited, 2004

However, a few strategies and directions of activity arise from this study. First, organizations should set up mechanisms to deliver (right) on-time messages about the change rationales, status and processes. Also, it is important for change initiators (or sponsors) to monitor the whole process of implementation. A good implementation plan has proved to be an important ingredient for success when it was followed.

Also, even though individuals' priorities (and needs) might shift during the period of change, it is important for a leader to energize the team and to deliver messages that assure the participants' involvement and commitment.

This research, limited by its scope and size of the sample, is a starting point for further studies of the relationship between change success and the organizational capabilities of the Romanian companies.

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Welfare reform- Major challenge for the social management in Romania

~ Ph. D. Candidate **Ioana Irina Dumitrescu** (National Institute of Economic Research "Costin C. Kiritescu", Romania)

E-mail: vasile.marian@gmail.com

Abstract: The article analyses the main amendments brought by Law of the social work no. 292/2011 from the perspective of the social management and efficiency of social work system reform in Romania.

Given the necessity of restructuration of the system of social benefits and services, the reform project outlines the responsibilities of the social actors in providing welfare and proposes a block of measures aimed to contribute at reducing social sector spending according to the austerity measures imposed by the economic crisis. The new management vision focused on reducing costs does not seem to provide suitable solutions for institutions functioning as it enables the harmonization of the economic efficiency with the social one.

Received with scepticism by the public opinion and profoundly contested by the academic world, the reform project only partially succeeds in reaching proposed objectives of modernizing the social assistance system and supporting the people in need.

Key words: law of social assistance, welfare system, social services, social assistance, social benefits.

Mutual relations between the economic growth and social development are particularly complex. Development in the social sphere is strongly influenced by the characteristics and dynamics of economic environment. Long-term economic development and

social progress determine, support and stimulate each other. Nevertheless, the results of economic growth is not automatically transferred to the social field, since a prosperous economy is a necessary but not a sufficient condition for individual and social welfare. It

takes political will and vision to consistently lead a reform of the welfare distribution process so that the adopted decisions will allow not only reducing economic and social imbalances due to the transition period, but also improving the quality of life for as many of citizens. Reaching this overall objective can be made only by a strong will of construction and development doubled by a performant social management.

Recent evolution of the socio-economic situation brings to reality the alarming social-human cost problems that the Romanian society will be confronted with, which are caused not only by the economy failure, but also by the lack of vision or organization referring to the social work system being permanently in a process of construction and reforming. Since the relationship between social security and the national economy is determined by two types of factors having contradictory influences and evolutions, respectively increase of the social protection need due to deterioration of the economic situation and reducing spending and taxes with the view on the economic revigoration, the problem of financing social work comes back to reality accompanied by the numerous controversies generated by the current economic, social, political and moral crisis.

Solving this dilemma lies at the interference between the economic option and political decision and is significantly influenced by the quality of political leadership that must establish priorities and emergencies and identify new approaches in order to maintain the rhythm of changes without compromising the social balance.

In this context we can ask the following questions: What are the reform directions necessary to achieve effective social

protection under the circumstances of the economic crisis and limited financial resources? Increasing social protection expenditure can become a brake on economic development? How to reshape the social assistance system under the context of austerity, so that social protection can turn itself from a tension factor in a growth stimulating factor?

Formulating a response to these challenges has been the objective of social assistance reform outlined by the new law on social assistance.

Deeply contested by the academic world because of the proposed reform measures and received with scepticism by the public, the Law no. 292/2011 brings important changes in the social work system vision and conception.

Further on we will analyze and present some of the main modification.

The reform of the social work system in our country was started to meet the national target assumed to decrease the number of individuals being in risk of poverty and social exclusion with 580,000 (namely with about 15%) up to 2020, related to year 2008. To achieve these results, it is necessary to implement administrative measures to allow greater focus towards vulnerable groups alongside with a most efficient use of existing resources.

To this end was adopted the new law of social work no.292/2011, as a keystone of the reform. Subsequently there were also worked out the comprehensive reform strategy in the social field and national reform plan for the year 2011-2013 as elements of the ample project of the modernization of social welfare system of protection and assistance, financed by the loan agreement between Romania and International Bank for Reconstruction

and Development¹. Made to order, under the pressure of political and electoral emergencies, subject to budgetary constraints and only partially adapted to the concrete social realities which aims to modify, this ambitious reform is unlikely to succeed and may even compromise the most important objective namely reducing poverty and social exclusion. It is true that modernization was necessary, but it is not assumed to fulfill electoral and political targets or conditional loan agreement, but to correct existing deficiencies that did not allow the system to work properly, such as underfunding, fragmentation, lack of efficiency, errors and fraud in the system. The extent to which these important issues will be resolved through administrative reforms and increasing control is closely related to subsequent changes in secondary legislation, while substitution underfunding with administrative measures and management remains a challenge.

We develop these ideas in parallel with the presentation of the most relevant aspects promoted by the new Law of social

In order to reduce fragmentation and to insure a better focus interventions, the new law governing social assistance benefits and services proposes a package of interrelated measures and suggests new simplified ways for accessing social rights. The measure is useful in the context of the Romanian state grants not less than 202 forms of social assistance. These forms of support, some paid from the state budget, others from social insurance budget or local budgets, are actually a long string of electoral measures accumulated from year to year and from one election to another. The list is very long and

includes allowances of all kinds, maintenance aids, tickets, coupons, vouchers, allowances, gratuities, food aid, tax breaks and many exceptions to all sorts of forms of social contributions or insurance funds, health or unemployment. In comparison with other countries, aid is very much in terms of numbers but at the same time ridiculous or downright miserable. No grant system does not work effectively in many cases, assistance is given on a suspect in the complicated procedures and laws are not followed up and assignment.

The social services do not present a better situation either. Social services infrastructure does not provide minimal conditions of rendering social services because many buildings are in an advanced state of decay due to lack of investment required. Isolated and overcrowded centres completes the picture of an underdeveloped social assistance which has not adequately fulfilled the duties of support, although it has been reformed several times. Social services as means of intervention offeres only institutionalizing options and thus isolation, without a vocation for prevention or providing alternative support for keeping people in the community.

A sad picture, a prerequisite for inefficiency and an urgent need for change.

In this context, legislative initiatives regarding the reglementation of social benefits through the reorganization and simplification of procedures and checks are welcome and can lead to increase administrative efficiency and reduce fraud in the system. To achieve the objectives, the law promotes a series of reform-oriented measures, among which:

- reporting social assistance benefits to the social reference indicator (ISR) by

¹ The loan agreement worth 500 million euros was ratified by Law nr.68/2012

applying a social insertion index (ISI) since 2012

- establishing a single form for requesting social assistance benefits financed from the state budget,

- granting the social assistance benefits by the payment of the taxes to the state budget and local budget

- establishment of maximum limits for welfare benefits that a person or family can have,

- Providing tax incentives or other fiscal facilities for the employers who employ persons receiving social assistance.

- unification of disability evaluation system with invalidity evaluation system and establishing common criteria, in accordance with the International Classification of Functioning, Disability and Health promoted by the World Health Organization

Changing these technical aspects, undeniably necessary, is complemented and supported by important reforms of the institution construction by abolishing the local departments of labor and replacing them by local agencies for social payments and inspection. Justified by the need to reduce system management costs and eliminate duplication of activities, this creates a conflict of interest, given the role of the Social Inspection to control, measure and monitor the actors involved in the provision of benefits and social services "Does not ever appear a conflict of interests, taking into account that the social payments agencies should be just some of the controlled operators?"².

Besides these technical aspects, the most important element of reform that the new law regulates is however the individual

² Stanescu, M.S, .Dragotoiu, A., Marinoiu A., Social benefits administered by the Ministry of Labor, Family and Social Protection, Quality of Life XXIII, No. 3/2012,p.249

responsibility, the family and the community responsibility for the own welfare, while the state points in the alternative intervention only in time of crisis situations and subsidiarily³. This approach expresses the philosophy of the new vision and spirit of reform, to restrict the safety net represented by social assistance, is intensely contested by academics because it results in reducing the state's role in ensuring the welfare of its citizens. Criticism, correct in our view, is referred to the way of dealing with the social problems and with their assumption that aims to explain how social problems faced by people in need are rooted in their own inability to capitalize on the opportunities offered by society. Records contradict this hypothesis since many of the difficulties faced by individuals asking for social welfare due to social and economic imperfect contexts that even governments are responsible and not to the personal lack of capabilities. Therefore solving these problems cannot be limited to the increasing of individual competences, either familiar or group and it is also necessary for state intervention and the implementation of social policy measures designed to correct failures market and government.

" In the context of the withdrawal of the welfare of the classical functions of the state, promoting individual responsibility to ensure their own welfare (including innovative means of entering the labor market and social economy) and the tendency to reduce social spending, one of the major problems welfare system configuration option is the social orientation of system integration opportunities in the labor market. "⁴

³ Social Assistance Law nr.292/2011,art.3

⁴ Stanescu, M.S, .Dragotoiu, A., Marinoiu A., Social benefits administered by the Ministry of Labor, Family and Social Protection, Quality of Life XXIII, No. 3/2012,p.240

Promoting the philosophy of minimal state proposed by reform program a very important thing is ignored, that the state is not only a consumer of resources, it is also a welfare supplier by its services in education, health or social care provided free of charge. " Social expenditures have specific functions in society and probably their reduction would be dangerous if we don't know where and with what consequences " ⁵ being possible affecting social peace. Academic research conducted in recent years, among which Romania Study on Quality of Life in 2010 converge on this conclusion and reveals a disappointing situation that, after approx. 20 years of the revolution, the Romanian society continues to be rather one involving conflicts, especially in the political and social conflicts in the vertical (poor-rich, management - employees) " ⁶ .

This fragile context, aggravated by restrictions imposed by the contemporary economic crisis and the increasing interest in the European Union for assistance and social protection justify a different approach to welfare reform in Romania. From this perspective the solution adopted has not scored in European trend.

Reform ignores any concrete social realities such as the high degree of vulnerability of the population and the high potential for conflict, which is why social reform promoted by the social law nr.292/2011 is not saving, but deeply disappointing because, by promote state ideology produces a minimal shift in emphasis from the goal of achieving budget balance, which could be seen as a

temporary measure to reduce public funding and not as a permanent one. The proposed program is therefore more ambitious than the crisis: reform of the welfare state in all its components, and this means dismantling the welfare state. " ⁷ And finally the failure of the entire construction of adaptation and modernization of the social security system to cope with the social problems of globalization and their multiplication.

Finally, it should be noted that the principle of economic efficiency and the obsession absolutization to reduce costs seriously affect the quality of social services and, paradoxically perhaps, even effectiveness of social interventions that can no longer achieve the goal of being an active partner of public policies in the fight which in mid-twentieth century, Lord Beveridge name the five giants": deprivation, disease, ignorance, misery and inactivity. " ⁸ .

The most vulnerable point of the proposed reform, which may endanger the entire structure, is ignoring the basic principles of social and political management. "Increasingly interested in politics is not for "who gets what, when and how", but for values, each of which is considered something absolutely. Regarding economic interests compromise can be made, which is the biggest advantage of the policy reasons based on economic interests. Half a loaf means anyway having bread. But, half a child," as they say in the biblical story of Solomon, does not mean half of a child, it means a dead body or just a hunk of meat" ⁹

⁷ C.Zamfir (coord.) Romania : Responses to the crisis, Bucharest , ICCV, 2011, P.15

⁸ Buzducea Doru , Modern Sosial Work Systems, Ed.Polirom, Iași, 2009, p.17

⁹ P.Drucker, The Essential Drucker, Ed.Meteor Press, Bucuresti,2010,p 270

⁵ C.Zamfir (coord.) Romania : Responses to the crisis, Bucharest , ICCV, 2011, p.21

⁶ Mărginean I. and Precupețu I. (coord),, Quality of Life in Romania 2010, Bucharest, ICCV, 2010,p.7

The challenges of this century are particularly numerous, being generated by the development of science and technology, globalization and the crisis of values. The world today is a fascinating world full of contrasts and controversies. Opulence and poverty co-exist while vulnerable groups are becoming

more and more numerous. „ In this insecure high-tech world, the personal, familial and communitary problems exist as never before.”¹⁰

¹⁰ Fairley O.W. ;Smith.L.L ;Boyle.S.W.,*Introduction to Social Work*, ed.a XI-a, Pearson Education, Inc. 2009, N.Y., p.2

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Steve Jobs And Modern Leadership

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

E-mail: tomagsorin62@yahoo.com

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

E-mail: paulmarinescu1@gmail.com

Abstract: During the time, especially in the last fifty years, leadership has increasingly become a major subject in the management literature, a subject of much thought, writing and teaching. While the importance of leadership is generally accepted all over the world, there are as many definitions of it as there are organizations. In spite of the fact that the business literature on leadership is so voluminous, there is not an agreed-upon definition of the concept of leadership. Leadership is not only intensely studied, but also practiced in different organizations. How to lead effectively an organization depends on many factors such as the organizational culture, the behavior of the followers, and the personal traits of the leader. The vast majority of successful leaders are multi-dimensional individuals. The aims of our paper are to present a short biography of Steve Jobs and to highlight his contribution to modern leadership. Our research is based on a literature review. The S. Jobs example illustrates how a transformational leader as him can be a key factor in successfully turning round the fortunes of a company as Apple. The paper facilitates a better understanding of modern leadership, emphasizing the case of S. Jobs, and provides a platform on which to build further studies on the same subject.

Key words: leadership, Steve Jobs, leader, Apple

JEL Classification: M1, M19

Introduction

As leadership constitutes a universal phenomenon, it is often discussed and analysed in various environments (e.g., business, academic). Leadership is not only intensely studied, but also practiced in different organizations. Formal organizations embodies "at least two distinctive, yet complementary aspects of the phenomenon of leadership: (1) the structure of organization institutionalizes the leadership process into a network of roles, often in an overconcretized and de-humanizing form; (2) mediating or interpersonal leadership- what is most evident as leadership in action, operationalizes the principles of leadership as an emergent process within the context of the former" (Smircich and Morgan, 1982, p. 260). Also, leadership in organizations involves three different levels: team, operational and strategic (Adair, 2002).

During the time, especially in the last fifty years, leadership has increasingly become a major subject in the management literature, a subject of much thought, writing and teaching. In the beginning, the study of leadership was anchored in a single disciplinary view for most for the last century. Since the development of big business organizations such as the multinational and transnational corporations, leadership has been described through multi-faceted approaches. In today's continuously changing environment, "leadership can and does make a meaningful difference in every aspect of organizations" (Hickman, 1998, p. xiii).

The aims of our paper are to present a short biography of Steve Jobs and to highlight his contribution to modern leadership. Our research is based on a literature review.

The paper is structured as follows. In section one, we present some definitions and

features of leadership. The second part of the paper renders in brief the biography of S. Jobs. The third part deals with the connection between Jobs and modern leadership. This is followed by conclusions.

1. What is leadership ?

The concept of leadership is not an easy subject to define and explain. Leadership scholars have studied leadership in one or several academic fields such as social psychology, anthropology, human resources, sociology, political science, education, theology and business. Most of these scholars belong to business schools.

Many studies were devoted to the difference between management and leadership. In this respect, "if one wishes to distinguish leadership from management or administration, one can argue that leadership creates and changes cultures, while management and administration act within a culture" (Schein, 2004, p. 11). That is why there are differences between the actions and behaviours of leaders and managers (Table 1). Also, a clear distinction has been made in the management literature between the two leadership models within the capitalist economic system (Table 2). On the one hand, there is the Anglo/US model and, on the other hand, there is the Rhineland model (Avery, 2005). The two forms of capitalism influence in a high degree the way organizations are led.

Table 1. *The Manager and the Leader: a comparison*

The Manager	The Leader
Administers	Innovates
Is a copy	Is an original
Maintains existing patterns	Explores new territory
Maintains	Develops
Avoids risks	Takes risks
Focuses on systems	Focuses on people
Relies on control	Inspires trust
Short-range view	Long-range view
Makes plans and budgets	Formulates vision
Asks how and when	Asks what and why
Eye on the bottom line	Eye on the horizon
Imitates	Originates
Accepts the status quo	Challenges the status quo
Stabilizes	Initiates change
Transacts	Transforms
Invokes rationality	Invokes passion
Obeys orders without question	Obeys when appropriate but thinks
Does things right	Does the right things
Is trained	Learns
Controls	Empowers
Enforces uniformity	Encourages diversity
Acts amorally	Acts morally
Operates within the culture	Creates the culture

Source: Allio, 2009, p. 6; Hopper and Potter, 2000, p. 61

Leadership has a full range of definitions. During the time, the definitions of leadership have shown a progression of thought related to this topic. In the beginning, the definitions identified leadership as “a focus of group process and movement- personal- in action. The next definitions considered it the art of inducing compliance” and “the more recent definitions conceive of leadership in terms of influence relationships, power differentials, persuasion, influence on goal

achievement, role differentiation, reinforcement, initiation of structure, and perceived attributions of behavior that are consistent with what the perceivers believe leadership to be” (Bass and Bass, 2008, p. 24).

While the importance of leadership is generally accepted all over the world, there are as many definitions of it as there are organizations. In spite of the fact that the business literature on leadership is so voluminous, there is not an agreed-upon definition of the

concept of leadership. Since the 1990s it has been said that a major problem with both leadership studies and with the people who practice leadership is that “neither the scholars nor the practitioners have been able to define leadership with precision, accuracy, and conciseness so that people are able to label it correctly when they see it happening or when they engage in it” (Rost, 1993, p. 6). However, most of the definitions were provided by American and British researchers and authors as follows:

- Leadership represents “the activity of influencing people to pursue a certain course” (Adair, 2002, p. 61).
- Leadership means “authority, control, direction, guidance, initiative, influence” (Lindberg, 2002, p. 424).
- “Some of the many definitions include: to guide, to direct, to begin, to be chief, to influence, to command, to be the first, to go ahead of, to create a path, to show the way, to control actions, to cause progress” (Cox and

Hoover, 2002, p. 5).

- Leadership involves initiating, and represents both a highly creative and an intrinsically interpersonal activity (Landsberg, 2000).
 - Leadership is “the ability to lead” (Davidson, Seaton and Simpson, 1998, p. 548).
- In essence, the working definitions of leadership belong to one of the following groups:
- “The early simplistic paradigm (leadership is good management).
 - The semantic description (leadership is the process of leading).
 - The transactional definition (leadership is a social exchange between leaders and followers).
 - The situational notion (leadership is a phenomenon that precedes and facilitates decisions and actions).
 - The esthetic concept (leadership is an art or a craft).” (Allio, 2013, p. 4)

Table 2. A comparison between the Anglo/US and Rhineland leadership models

No.	Element	Anglo/US model	Rhineland model
1.	Chief Executive Officer (CEO) concept	Decision maker, hero	Top team speaker
2.	Decision making	Manager-centered	Consensual
3.	Ethical behavior	Ambivalent	An explicit value
4.	Financial markets	Follow them	Challenge team
5.	Innovation	A challenge	Strong
6.	Knowledge management	A challenge	Shared
7.	Long-term perspective	No	Yes
8.	Management development	Import managers	Grow their own
9.	Organizational culture	A challenge	Strong
10.	People priority	Lip-service	Strong
11.	Quality	Difficult to deliver	High is a given
12.	Retaining staff	Weak	Strong
13.	Skilled workforce	Challenged	Strong
14.	Social responsibility	Underdeveloped	Strong

15.	Environmental responsibility	Underdeveloped	Strong
16.	Stakeholders	Shareholders	Broad focus
17.	Teams	Manager-centered	Self-governing
18.	Uncertainty and change	Fast adjustment	Considered process
19.	Union-management relations	Conflict	Cooperation

Source: Avery, 2005, p. 30

The above mentioned definitions show that the concept of leadership means different things to different people. However, these definitions lead to the following features of the concept:

- Leadership is a multidimensional concept which has many facets and dimensions.
- Leadership is universal.
- Leadership is close to management, but not identical.
- Leadership implies various interpersonal activities such as influencing people or guiding them.
- The concepts of leadership and leader are strongly interconnected.

How to lead effectively an organization depends on many factors such as the organizational culture, the behavior of the followers, and the personal traits of the leader (Simmons and Sower, 2012; Allio, 2009). The vast majority of successful leaders are multidimensional individuals. They excel in many dimensions of leadership, being flexible, sensitive, directive, empathetic, charismatic, motivators, persuasive or self-confident. In this respect, a valuable example is S. Jobs, the founder of Apple.

2. Steve Jobs: a short biography

Steven Paul Jobs (Steve Jobs) was born on 24 February 1955 in San Francisco, California. His parents were Abdul Fattah Jandali, a

young Syrian muslim immigrant, and Joanne Carole Schieble, a German-American. As Schieble's conservative Christian family did not accept her marrying Jandali, Joanne Carole took the decision to move from Wisconsin to the more liberal San Francisco in order to have her child. Steve Jobs was adopted by Clara and Paul Jobs, a middle-class San Francisco couple, who later moved to the suburban city of Mountain View.

In the early 1950s, the Santa Clara county became known as Silicon Valley after the sprouting of a myriad of semi-conductor companies. So, Steve lived in his childhood in the neighborhood of electronic industry. This hi-tech environment shaped his interest in the field as he grew up. At age 13, Jobs met one of the most important persons in his life: Stephen Wozniak, older than him with 5 years. An electronics wiz kid, Wozniak spent many hours building various electronics projects. He also was regularly attending meetings of a group of early computer hobbyists called the Homebrew Computer Club, a forerunner of personal computing. In the same year, Jobs called up Bill Hewlett and got a summer job at the Hewlett-Packard (HP) factory. Later, Wozniak himself started working for HP, designing calculator circuits.

Jobs and Wozniak had two main things in common: electronics and pranks. Jobs grew up listening to the Beatles, but Wozniak turned him into Bob Dylan whose

music carried greater resonance for them. Jobs highly appreciated Dylan because he composed songs based on what the musician saw and thought. Living in a California open to so many possibilities, Steve embraced the hippie culture. He ate seeds, took LSD, wore long hair and became interested in Indian spiritualism.

When he was 18, Jobs reached college age and enrolled in Reed College, an expensive private liberal-arts college in Portland. Jobs saw the college as “a chance to reinvent himself far away from home” (Dornehl, 2012, p. 51). He met Dan Kottke there. They both enjoyed reading books, being attracted by the psychedelic experience. They often discussed about yoga, meditation and Zen, subjects treated especially in spiritual books such as ‘Be Here Now’ by Baba Ram Dass, ‘Zen Mind, Beginner’s Mind’ by Shunryu Suzuki or ‘Autobiography of a Yogi’ by Paramahansa Yogananda. Moreover, Jobs and Kottke worked as volunteers at a 220-acre apple farm, located forty miles away from Portland. Influenced by the book ‘Diet for a Small Planet’ by Frances Moore Lappe, they made the decision to become vegetarians. Throughout the rest of his life, Jobs embraced the diets based on fresh fruits.

Jobs spent only one semester at Reed, then dropped out, and returned home where he looked for work. In the San Jose Mercury newspaper he found an advertisement of the video-game manufacturer Atari: “Have fun, make money”, which sounded promising to him. In a short period of time, he was hired at the Atari and used his wages to make a trip to India in 1974, in order to ‘seek enlightenment’. Jobs returned home came back a little disillusioned, but he wore traditional Indian clothing and remained a serious practitioner

of Zen Buddhism. At that time, Wozniak succeeded in building his own computer board and Jobs quickly understood that his friend’s invention could be a gold mine.

On April 1, 1976, Steve Jobs, Stephen Wozniak and Ronald G. Wayne founded a company called Apple Computer. In the following months they assembled boards of Apple I computers in the Jobses’ garage, and sold them to independent computer dealers in the area. Wozniak was a genius in computers, but he could not market their product, raise money, or operate a business the way Jobs could. It was a perfect combination of skills of the two Steves.

As Wozniak had started work on a much better computer, the Apple II, that supported color graphics, Jobs sought venture capital. He convinced Mike Markkula, a former Intel executive, to invest \$92,000 in Apple. In January 1977, Jobs and Markkula hired Mike Scott as CEO, bringing professional management from Intel. Step by step, Apple became a symbol of the PC revolution, a company that challenged the so-called “possibilities” of a young American computer industry.

By constantly redefining the standards for its products, the company made Apple II into the first mass-market PC with impressive sales around the USA. The company’s sales had surged from \$2.7 million in 1977 to \$200 million in 1980, with an expected \$600 million by the end of 1982. Starting with 1981, Jobs appeared on the cover of many well-known publications (e.g., Time, Inc.).

In the early 1983, John Sculley, a former PepsiCo CEO, became Apple’s CEO after having been wooed by Jobs for several months. Two years later, Apple’s board strips Jobs off all executive duties. He resigned from Apple and launched a new company called NeXT

with five other refugees from Apple. In 1986 he decided to buy the computer division of George Lucas' ILM for \$10 million and incorporated it as Pixar. Pixar widely benefited from the Disney marketing machine and made a hit with *Toy Story*. In the late 1980s, Jobs was named 'Entrepreneur of the decade' by Inc. magazine.

In December 1996, Jobs was back at the company he founded after Apple bought NeXT for \$400 million. In less than one year, he accepted to become Apple's interim CEO. In 2011, Jobs designed and developed Apple's Digital Hub Strategy at Macworld: the Mac is to become the center of consumers' emerging digital lifestyles. As a consequence, iPod, the first digital music player that people loved, was a huge business success from the day it debuted.

During the period 2005-2011 the big Apple was finally built. In 2011, Jobs resigned as CEO of Apple and died on October 5 at home, surrounded by his family.

3. Steve Jobs, a leader in modern times

For many management experts and researchers, Jobs is supposed "to have had the insight into the future of personal computers, a vision of genius" and represents "a perfect example of the Silicon Valley entrepreneur: individualistic, quirky, obsessed by a product design that combines functional performance and a pleasing aesthetic" which "implemented an aggressive and demanding style of management" (Godelier, 2007, p. 5). He truly knew what he wanted and succeeded in transforming his dreams into realities. His life philosophy was the philosophy of a winner who:

- promoted the Apple II, making Apple the first computer giant and the world's most

valuable company.

- designed the first windows platform with the Mac.
- created the mouse and made it popular.
- funded Pixar which became the largest animator in history.
- beat cancer for a long period of time.
- in spite of a long list of failures, was back on top.
- created many blockbuster movies in a row, etc.

A genius and a visionary, Jobs was a complex leader. His distinctive personality represented a key factor in explaining the way he led Apple. Some of his main personal traits are worth to be emphasised such as:

- passionate,
- flexible,
- impulsive,
- overly critical,
- obsessive perfectionist,
- highly intuitive,
- charismatic,
- egotist,
- free-spirit innovator,
- open-minded,
- persuasive,
- inspiring, etc.

A company like Apple has to sustain excellence "not only through its processes", but also "in its leadership, namely, in its CEO" (Moore and Knickle, 2012, p. 67). Jobs built a strong and successful corporate culture that facilitated Apple employees to "know one when they see one".

The DNA of Apple was the DNA of Jobs. The company was "profoundly influenced by its founder and still bears today the characteristics associated with an organization that favours the type of logic and modes

of justification that come from the logic of inspiration" (Boivin and Roch, 2006, p. 415). Jobs had always inspired his people and customers with his stories: "business world will always remember Steve Jobs as one-of-a-kind storyteller" (Kuran, 2013, p. 121). Apple's greatness has been built on its inspirational logic that pushed the company to continuously seeking for perfectionism.

Jobs belongs in the pantheon of America's great modern leaders. This statement is based on several fundamental elements as follows (Isaacson, 2012; Isaacson, 2011; Davenport, 2011):

- His personality was integral to his way of doing business.
- In spite of his tendency to be rough on people, Jobs was surrounded by an intensely loyal cadre of colleagues who had been inspired by him for along period of time.
- As a perfectionist, he never gave up and steadfastly pursued his dreams.
- Jobs made Apple an enduring company through the implementation of a creative strategy at Apple, based on entrepreneurship, leadership, organization and innovation.
- Focus was ingrained in his business philosophy and had been honed by his Zen training: "Deciding what not to do is as important as deciding what to do".
- Jobs promoted simplicity in order to achieve the ultimate sophistication.
- He always took responsibility end to end.
- Jobs had always put products before profits.
- He possessed the famous ability to push Apple people to do the impossible.
- Jobs was a strong believer in face-to-face meetings with people.

- He provided intellectual challenges and stimulation to the Apple people.

- Jobs had the ability to create small teams of top talents and to express ideas to the team for their realization.

In short, Jobs proved to be a highly successful leader in an intensely competitive industry. He constitutes the valuable example of a transformational leader able to inspire his people to do great things they had never done before.

Conclusions

Leadership represents one of the most observed and debated phenomena on earth in the last decades. As a multidimensional concept, leadership is essential in every aspect of today's organizations.

The S. Jobs example illustrates how a transformational leader as him can be a key factor in successfully turning round the fortunes of a company. The dominant logic of Apple was strongly determined by its founder. Jobs offered a vision of the future that was both inspiring and attractive for Apple people. Unlike many leaders who appear to succeed only once, he constantly repeated his success.

Our paper facilitates a better understanding of Jobs' contribution to modern leadership and provides a platform on which to build further studies on the same subject.

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Leadership in the inter-war period

Case Study: Nicolae Malaxa

„It was the man and the engineer who had the boldness, skill and patriotic feeling to show the world the industrial vocation of the Romanians, who foreigners considered them only ploughmen and shepherds.”

Former collaborator of Nicolae Malaxa

~ Ph. D. Candidate **Ionuț Constantin** (Faculty of Administration and Business, University of Bucharest, Romania)

E-mail: ionut.constantin@faa.ro

Abstract: The interwar period was called the Golden Age of Romania. From a certain point of view it was. Cultural effervescence of the time, the economic boom due by the development of the industry has brought Romania to the attention of Western Europe.

Many industries in the late '30 had advanced enough to be able to satisfy almost all domestic needs. Regarding technology, most romanian plants were behind those in the West. In heavy industry, only Malaxa and the Steelworks Resita were the best in Western Europe.

In retrospect of these events I have considered appropriate to study this issue closely, to be fascinated by a controversial but destined to lead character, a character that has go down in history because of his pioneering leadership actions.

Key words: leadership, interwar period, Malaxa plants, economic development, entrepreneur

In the book "The Frontiers of Management" (1986), Peter Drucker says that leadership means "vision to bring people to a higher level, to increase their performance to a higher standard" and Ordway Tead defines leadership as "the art of influencing people to enable them to participate in the realization of a goal that arrive to consider it desirable".

Nicholas Malaxa was a true leader. Leader in the economic development of the country, one of the leading businessmen of the time, a leader of the industry as a pioneer - the beginning of a "phenomenon", as many have said of everything that Nicolae Malaxa designed, a leading in politics and a leader in relation to his workers.

Nicolae Malaxa romanian engineer and entrepreneur, was one of the most important industrialists in interwar period from Romania, but also a controversial figure because of his political sympathies. Evolution of the Malaxa plants was the most spectacular economic and technological phenomenon in Romania at that time, in less than 20 years, the workshop became an industrial giant, but a very important pillar for the entire Romanian economy in the interwar period.

Nicolae Malaxa had all the qualities to be a good leader. He managed to create a vision and also urged the workers to aspire to that vision. To translate the vision into reality, Nicolae Malaxa appealed to different means to motivate employees and to target systems and processes to increase production. This, offered higher salaries than other factories, social and health assistance, work equipment and lunch services.

Malaxa Nicolae was born in 1884 into a family of Greeks came to Moldova in the early nineteenth century. With the family support,

young Nicolae makes his complete studies in Iasi, and then go to Germany, where he turns back with the engineering degree. Ambitious and with entrepreneurial qualities, Nicolae has the courage to make significant investments in the Romanian industry.

Immediately after World War I, Nicolae Malaxa senses what we now call a "niche" profile: production of rolling stock in a country with incomplete infrastructure and, above all, badly damaged by war.

In this context, he obtained a modest land near the capital, where in August 3, 1921 establish a workshop for the manufacture rolling stock, locomotives and cars for repair.

The primary basis of the workshop was small iron foundry - area in which he had specialized - designed controls for the brake blocks railways. It was the time when Romania was not producing quality iron and ordering this blocks often mean stagnation of the transport abroad.

This manufactory offered Malaxa operative receipt of the orders and prompt delivery of the blocks from railway at a price worth accepted, not to block transport.

Railways escape of the heavy import obsession, understood that Nicolae Malaxa is the solution for transport continuity and Malaxa long understood that nothing makes you more prosperous business than ensuring a steady customer and payer, as is the state.

The collaboration was perfect and the colaboration was sealed with a mutual trust relationship. On this basis, he gets a field near the railway station Titan during 1923-1927 were he builds a factory of rolling stock, line railway tracks and he ends an agreement to not only repair, but also for the production of locomotives of Romanian design.

Based on the contract, he received an important advance in the railways, and loans

from several banks. It was enough to equip the plant with 82 machine tools bought in Germany and Malaxa to become the most powerful rolling mill in Europe at that time.

Further, he hired 180 skilled German workers to begin work manufacturing locomotives, and that German workers begin training the Romanian workers who were to take place.

In 1928, the first steam locomotive made in Malaxa manufactory was delivered to railroad, and in 1931 had began the manufacturing of the railcars Diesel traction - a European rarity at that time.

In 1933, during the european crisis, Malaxa Plants were delivering locomotive no. 100. Press, shows that 151 001 series locomotives of Romanian design were among the strongest in Europe and experienced a resounding commercial success at the International Fair in Milan in 1940.

Since 1930, Romania has never imported any locomotive, all made from Malaxa plants, or those in Resita.

Due to his entrepreneurial spirit, Nicholas Malaxa builds and other factories: factory seamless steel pipe (current plant Republic), applying for the first time in the continent the american rolling process "Stiefel".

Between 1937-1938, Malaxa built the factory of ammunition and artillery weapons in the factory rolling stock. Malaxa produced on the basis of a general national defense plan artillery ammunition, weapons and tanks designed after Romanian conception.

In only 12 years (1928-1939) Malaxa Plants evolved from a rolling repair shop to the size of a first class industrial concern in Europe. The plant organized by Malaxa after his own plans, was designed so that could

quickly change the industrial production series, thus achieving production capacity of industrial equipment, machinery for the chemical, oil and others.

Malaxa initiated and implemented in Romania industry: rolling stock switchgear (1939-1943), diesel engines (1935) Mechanical transmission units, including control systems (1936-1937) seamless steel tubes (in 1937 after procedure Stiefel) Diesel locomotives for CFR (1938) optical equipment (1938).

In 1937 in Belgrade and then in 1940 in Milan, Nicholas Malaxa present this latest Romanian railcar types, competitive in Europe, although the industry had been established only in 1934.

In 1945, it was made in Resita a Romanian car Malaxa named by Romanian industrialist Nicolae Malaxa factories, whose name it bears. It was designed by engineer Peter Carp and was equipped with a three-cylinder radial engine, air cooled, 30 hp which reached 120 km / hour, with six passengers at a rate of 11 liters per 100 km. A beautiful performance, considering the age and country roads.

The body of the car was mounted on the chassis with rubber buffers of 10 cm thick, which gave him comfort unmatched by other manufacturers in motion. There were about 800 cars per year, between 1945 and 1947.

The sudden end of this car was in Sofia, Bulgaria in December 1947 when a former military political commissar, second, under the command of the first politruk, Nikita Khrushchev (1894-1971) from the Ukrainian front, both under General Malinovsky Radion, (1898-1967) was commissioned to form policy frameworks Bulgarian Army. The name of Major General was Leonid Brezhnev (1906-1982) accompanied by Colonel Vladimir Semiciastnii (1924-2001).

Bulgarian General Stoico Blagoev (1921 - 2000) led the Soviet senior guests with a car Malaxa 1946. General Brezhnev was so impressed by that car that he called Kremlin on the phone and asked to move plant from Resita Malaxa to Podgorye the Urals. So Malaxa car died.

Also, Malaxa was shareholder of the plants Astra Arad, Satu Mare Unio, IOR Bucharest (Romanian Optics Industry) Iron Works and areas of Resita (UDR). In the late '30s, the concern Malaxa belonged, among others, the current plant Faur, factories Republic, United Tohan Zarnesti and blacksmith shops Galați.

Also Nicolae Malaxa demonstrate their leadership qualities and takes care of the social problems of the workers, giving them higher salaries than other factories, social assistance, health assistance, work equipment and lunch services. The construction Malaxa, took as associate the architect Horia Creanga so the plants constructed after Malaxa indications is an important contribution to the application of modern architecture in the construction industry.

Nicholas Malaxa a controversial person at the time

Also Nicole Malaxa was a good diplomat and he knew that he had to attract collaborators as strong as him, being one of the laws of leadership - Law magnetism.

It is said that Nicholas Malaxa has enriched through Government support in the form of loans and state orders. Through fact that the Government grant credit, advance capital them and then buy them requested output, ensuring its substantial profits. It seems that all these state orders were due the

good relations Malaxa had with the Royal Household, particularly with Charles II.

To illustrate these relationships I am relating a story which has the main character Maxala, Auschnitt and Carol the II.

The two - Malaxa and Auschnitt - have proposed to co-interest Carol, giving it a substantial amount of money. Operation seemed risky as its predecessors - Carol I and Ferdinand - were famous for their accuracy and rigidity in matters of business, so no one dared to bribe.

Auschnitt and Malaxa have "tried their luck" in June 1931, when was the first anniversary of the "restoration". The day before the anniversary, June 7th, they presented the palace to congratulate the sovereign, then sat on his desk a massive bag: "Your Majesty, heavy industry is deeply grateful to you for everything you have done and pray you receive this hundred million lei, as a modest contribution to social works of the Palace ". Charles II not only refused the gift, but thanked him and even decorated for their role in national economic development. Since that time, the gifts have become established, especially birthdays, when Carol and Elena Lupescu (Duduia) receive jewelry, automobiles, paintings, historical documents, horses, stables, cottages etc.

Nicolae Malaxa was a sympathizer of the Legionary movement and financier of most political parties, including the Iron Guard and Romanian Communist Party. His friendship with philosopher Nae Ionescu assured relations in the Legion, and the proximity of German political circles. Malaxa puts Nae Ionescu to negotiate iron imports, a transaction completed on favorable terms for Romanian industrialist, for which he paid the house from Baneasa to the philosopher.

During the Second World War, more precisely in 1941, Malaxa is accused of collaborating with the Legionnaires and therefore

they seized factories. Later, with the coming to the power of the communist regime, Malaxa gain favors and sympathy of the Communists because he had been persecuted by the Antonescu regime.

At the industrial nationalization since 1948, have been taken by the state and the rest of the property, plants Malaxa, being renamed "August 23 plants" that communists have turned into a symbol of the workers' struggle against the exploiters. The communist government keeps him as specialist consultant, and in 1948, with the participation of a trade delegation to Vienna, he emigrated to the U.S. and settle in New York. So he knew how to act when opportunity appeared. He had the intelligence and flair to anticipate times when he had to make a decision. He knew that to lead is as important as knowing what to do and where to get.

Malaxa was sentenced to death by the regime for war crimes, as wartime production of weapons was found in favor of fighting against the USSR, and also accused of cooperation with the Legionnaires.

Nicolae Malaxa requires permanent residence in the United States, and in 1948, the future U.S. President, in that time Republican senator, Richard Nixon, tried to introduce a bill in Congress that would enable him to obtain the right to reside in the U.S., but Congress opposes. But shortly obtain U.S. citizenship and begin to develop new business, but without having success before the war. After learning of its past policy, the U.S. will try to expel, but in vain, mixer died in 1965 in New Jersey.

Conclusions:

Some qualities that a great leader must posses are:

- Be able to think creatively to provide a vision for the company and solve problems;
- Be calm under pressure and make clear decisions;
- Have the desire to achieve great things;
- Be well informed and have knowledge about things related to your business.

This qualities were possessed also by Nicolae Malaxa. Nicolae Malaxa managed to impose his new and innovative style at a time when the economy is focused on agriculture, he managed to put bases on modernizing the Romanian economy by its innovative style.

His style was characterized as democratic but with authoritarian style influences.

Thus, Nicolae Malaxa trust his employees and motivate them based on their level of involvement. Nicolae Malaxa communicate directly without detours and always said what he thought. It also gave attention to the social needs of its employees and was interested if employees were happy in that environment.

Regarding the authoritative part, Nicolae Malaxa take the most important decisions and work closely controlling employees.

Like the type of manager, Nicolae Malaxa fits the style maximalist aimed mainly on tasks. On this line, he adapt every situation being a good colaborator both those in power and with other business people of the time. Business climate he would prefer was the demanding, sometimes harsh one.

Due to his entrepreneurial spirit and leadership qualities, Nicolae Malaxa will become a symbol of the interwar period, a figure of modern industrialism in an era in which population growth could be absorbed by industry.

Nicolae Malaxa offered a new vision of the modalities on economic growth, he brought new knowledge to build a new era in Romanian industry.

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Processes, Forms Of Sport Management System

~ Ph. D. Gheorghe Jinga (Bucharest Economic Studies Academy)

E-mail: jingagh06@yahoo.com

Abstract: *The process of instructing the sportsmen has always been a complex and thorough activity, that requests profundity, professional sensitivity and bonding.*

The main characters in this process are played by managers, coaches, trainers, methodists, psychologists, sociologists, technicians who establish and hand over theoretical knowledge, abilities and skills for the sportsmen.

In this way is being created the environment for instructing and highlighting the physical, technical, tactical and psychic potential of the participants in competitions.

The training process of the sportsmen is more and more headed towards the integral and deep internalization of the instructive components, based on the interconnections between the elements of modern sport science.

Key words: managerial system, structural elements, evaluation, transforming processes.

JEL classification: I. Health, Education, and Welfare – I.21, I.25

1. Introduction

Medals and titles of today are based on scientific data obtained inside and outside of the training process. The work cannot be done without a model, comparisons with

personal values and opponents, without monitoring, analysis, forecasts, and especially undocumented planning, programming, management and evaluation.

Training athletes should be linear and concentric. Linear action involves successive

formation, depending on the age of athletes, their theoretical and practical skills, fitness, or as desirable to share the value of creativity. The second type of influence is felt in different periods, limited mainly included, basic training structures and pre-competitive with previous experiences support both the athletes and the coach. The value can be expressed numerically and graphically by a curve describing the oscillations, which can be expressed inclusive in sports domain. (Jinga Gh.-2010, Leonte I – 2010).

Training athletes and their adaptation to pre-competitive and competitive applications requires a thorough training program, planned and executed in full, not rigid, but flexible, with a view on the health and mood, environment, equipment features, and facilities used in preparation at a time. (Bompa T.O 2000, Dragnea A., Teodorescu S. 2002).

As a social phenomenon, the sport evolved over time. (Dragnea A 1999, Bompa T.O. 2000) It was performed and evaluated in different ways resulting various explanations and interpretations according to different theoretical positions and orientations. Sport is an open system, characterized by dynamism, renewal occurs according to the imperatives of human and social reality. (Colibaba Ev. 1998, Dragnea A., Teodorescu S.2002. Leonte I. 2010).

Each leap in the history of sport has been so many milestones to rethink the notion that designates it. (Jinga Gh.- 2010, Leonte Ion - 2011). Thus remaining an open performance area classifications and systematic theoretical foundation, the notion of sport has continuously enriched and specified its content, and expanded the scope and approaches, getting new meanings and most importantly, increasing their levels of intensive and

complex application. (Epuran, 1998, Bompa, 2000, Dragnea & Bota, 1999).

2. The managerial approach

Sport is a process carried out according to a model proposed by society and international environment, task driven, depth, developing and maturing fundamental physical and physiological (moral, aesthetic, cognitive, affective and volitional) human side.

Sport means “becoming” and also the result of becoming (Epuran M 1968, Vințanu N.-2001, Leonte I - 2005, Cârstea Gh -1993). It is influenced by a managerial system, being actually a complex system. Without structural elements, there is no performance, level regardless (Bompa TO - 2000, Boroi G. - 2006).

Fundaments of sport as a system are structured by nature, succession and their interference. Endpoints and training, the value of each element, demanding and rigorous programming, planning and carrying out transformative processes, evidenced by regular evaluations and competition are defining performance. (Dragnea, 1996, Bompa, 2000). Size of each item, gives value to the entire system (Jinga Gh, Pop - 2007, Leonte I. - 2010).

The system entries, the expectations and the theoretical and practical results (output), represent the science of training, where we find reflection of management art and science. Analyzing structural elements of sport management system (Fig. 1) we find that this is a complex phenomenon: pedagogy, biological and psychological, held in a profoundly social framework.

Sports training, by harnessing human factors, educational, informational, material,

actually relate regular (fixed term of sporting calendar, world championships and Olympic cycles) to the inputs and outputs of the system, whose performance dimensions to give differences that where tended to. (Boroi G.-2006, Colibaba Ev. -1998, Leonte I - 2011).

Management system emphasizes the synthesis, quality and quantity assimilation of accommodation, adaptation and integration of athletes in training and competition environments in which they are going to participate.

This embodiment (integration) which is both cultural and sports content is reflected in the training program and competitive through quality physical, technical, tactical, physiological, and psychological theory (Epuran M -1968, Dragnea A., Teodorescu S, 2002, Jinga Gh-2010).

As shown, athletic training is a broad issue, complex and demanding. It requires systematization and interpretation of data relating to practical and methodological issues, organizational and prospective results of long experience and scientific studies. (Dragnea A.1968, Epuran M., 1968, Colibaba Ev. 1998).

Thus, there must be a gradual accumulation of knowledge, notions, concepts, principles, methods, rules, and skillful technique for athletes at all levels and their training.

While understanding that regardless of the amount of knowledge, expertise and their quality, if they are applied singular, they don't have an expected effect. (Bompa, 2000, Dragnea A., Teodorescu S 2002, Jinga Gh.,2010, Leonte I. 2010).

Following the completion of observation protocols and performance indicators based on periodic checks of some sports training parameters, it was found that the

structure fragmented and unconnected linear algorithmic value of preparation content and transmission to younger athletes and different values without increasing complexity inevitably leads to a poor assimilation and formation driving conditions not always high value. The numerical, technical or physical performance sometimes is incompatible with the club or world and Olympic competitions level (Boroi G. 2006).

We believe that one of the main factors is the lack of effective discipline mismatch sports content the physical, physiological and mental athlete with the environment and training in relation to major sporting events.

Setting goals that concern the transforming process is a technique with its own particularities that can also be used by the trainer (teacher) to perform and even maximize its performance. Experts have identified four mechanisms by which goals seem to influence (affect) the performance:

- Objectives direct attention, intention and action (Locke and Byrom, 1969);
- Objectives adjusts the amount mobilized effort that an athlete is
 - ready to submit to achieve a given task;
 - Objectives increase perseverance, because the effort continues to
 - be provided to the objective or sub-objective;
 - Achieve a target tracking favors development of alternative strategies, understanding and behavior modification between coach and athlete if there are issues of inefficiency.

Because these four mechanisms expressed motivated behaviors, setting an objective appears to operate indirectly through motivational processes. We say that a target should be considered as representing

an action and not just as a stimulus that, in some way, control behavior (Epuran M-1968, Dragnea A.-1996, Manno R - 1996). Human activity in motivation theory, implicitly in sport, is controlled and regulated by the result to be achieved, namely a cognitive purpose now. What initiates and regulates the conduct is setting goals, standards, objectives, prioritized and with an appropriate value.

Requiring certain goals do not involve straight and certainly action. While specific objective is not achieved, the athlete perceives a maladjustment which will try to reduce by a selection and implementation of an adaptive behavior (Manno R -1996).

In practice, coaches with outstanding preparation workflows argue that the motivation of an athlete focused on achieving a goal is affected by three variables:

- Hope in a performance that is likely to achieve a goal subjective;
- Subjective probability that the target will have a result, even a reward;
- Valence dimension expressing personal values assigned performance or its outcome.

These theories demonstrate that commitment into action requires, first, acceptance of three questions from athletes and even coach:

- Are they able to accomplish the requested action and get the result set? ;
- Obtaining the result will certainly trigger compensation?;
- The stake represents an interest or is real value? (Dragnea A.-1996, Boroi G.-2006).

Objectives are related to the athlete concern. If he thinks more successfully to meet the desired result, the probability that he chooses to perform the task and they will be persevered in achieving greater. Self-efficacy

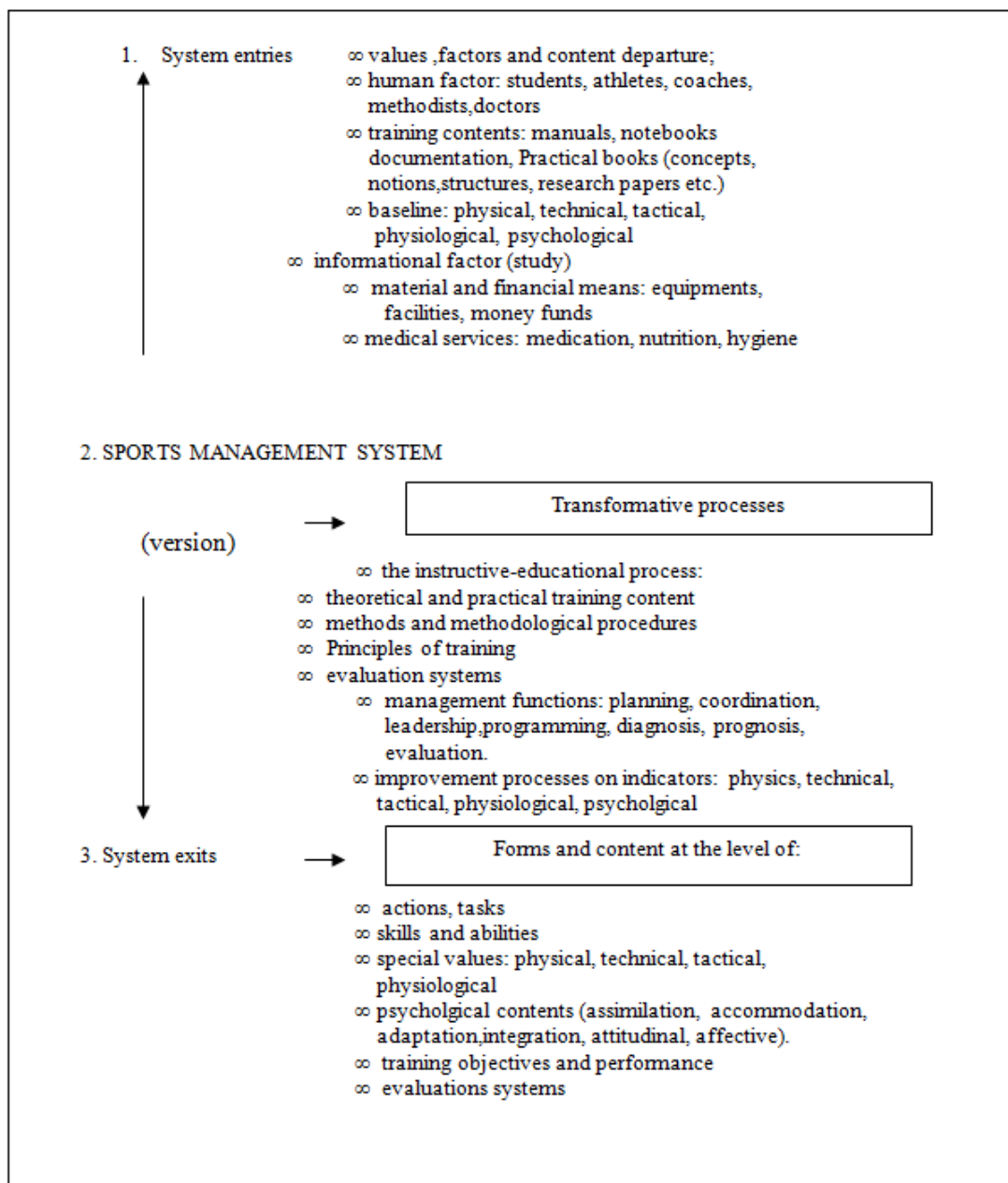
feeling seems to be an underlying cognitive mediator for the behavior. We must understand that the motivational value of the objective is not the athlete supports selective unless prescribed standard, acquiring it (Boroi G.-2006, Jinga Gh.- 2010, Leonte I -2010).

Premises effectiveness of sport management system:

- Identify structural elements;
- Increased value of each item;
- Requirement objectives of the training course and final;
- Relationship support some elements over others,
- Quality and nature of collaboration coaches, methodologists, sociologists, psychologists, physicians,
- Linear interference coaches (teachers) to acquire theoretical knowledge and skills training in sports disciplines;
- During the preparation and implementation of specialized information.

Quality of education is reflected in the competition results and management means are helpful to identify structural elements, their value in aims achieving.

Fig. 1 Management system in sport



3. Conclusions

The training of athletes has always been a complex and laborious task, requiring depth, sensitive approach and a networking process.

Starring in this process is played by managers, coaches, trainers, methodologists, psychologists, sociologists, technicians who establish and transmit theoretical knowledge forming abilities and physical skills to athletes.

This team creates a proper training and recovery environment to increase the physical, technical, tactical and psychological sportsmen potential.

The preparation of athletes is increasingly direct towards acquiring full and lasting educational components, based on modern sports training methodologies.

The high performances cannot be obtain without a model, without comparisons between personal values and opponents, without monitoring, analysis, forecasts, and especially without a documented planning, programming, management and assessment.

Preparing athletes should be linear and concentrated. The action involves successive formation, depending on the athletes age, the theoretical and practical skills, to training, or

as desirable to share the value of creativity. The second type of influence is felt in different periods, limited mainly included basic training structures and pre-competitive stages with previous experiences support both the athletes and the coach. The value can be expressed numerically and graphically by a curve describing the values oscillations during a season or longer. (Jinga, 2010, Leonte, 2010).

Training athletes and their adaptation to the pre-competitive stage requires a thorough training program, planned and executed in full, not rigid, but flexible, depending often on health and mood, environment, equipment features, and facilities used in training at a time (Bompa, 2000, Dragnea A., Teodorescu S. -2002).

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Potential Beneficiaries Of Cloud Accounting Technology: Small Or Large Companies?

~ Ph. D. Professor **Bogdan Ștefan Ionescu** (*The Bucharest University of Economic Studies*)

E-mail: ionescub@gmail.com

~ Ph. D. Student **Cristina Prichici** (*The Bucharest University of Economic Studies*)

E-mail: cristina_prichici@yahoo.com

Abstract: *The article addresses the issue of Cloud Computing concept from the perspective of its implications on the business environment. In this respect we have analyzed the changes brought by the new technology which come to connect the discontinuities between the IT solutions adopted by small and medium organizations and those adopted by large corporations. The article analyzes the benefits and limitations of cloud both in terms of small companies and in terms of more developed entities. Whatever the size and type of organization but especially for SMEs Cloud provides a competitive advantage by providing access to affordable, reliable and flexible IT solutions that allows them to operate more efficiently among their competitors in the market.*

Key words: cloud, small companies, corporations, benefits, challenges

Introduction

The importance of technology for the economic development is widely recognized considering the impact it can have on the success, survival or failure of business

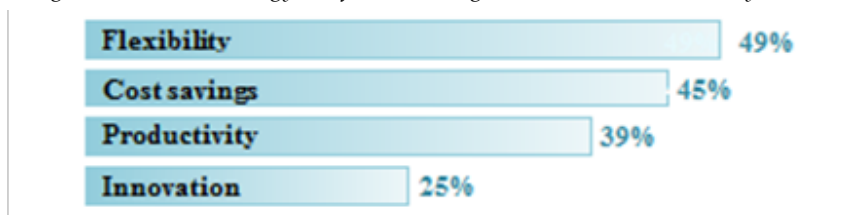
activities of the companies, particularly in an environment of intense and global competition. Technology often provides saving solutions in downward economic cycles because it allows the creation of more effective business models and ecosystems. Paradoxically,

sometimes creates a level playing field but there are also times when engenders the creation of an “unfair” advantage for some countries or companies. One such phenomenon is the Cloud that sets in motion the interest and investment in many parts of the world. The future belongs to those who will truly understand the implications of the new technology, will control risks and adopt an innovative vision to create a new order.

Literature review

According to a study undertaken by Vanson Bourne for Microsoft with the contribution of 2199 managers and entrepreneurs from 21 European countries including Romania, 55% of the respondents consider that information technology is a key factor for the success of their business. One of two entrepreneurs consider that cloud resources will become the new way of normality and the main named advantages are:

Figure 1: Cloud technology benefits (according to the Vanson Bourne study results)



As there is concluded in the above mentioned study, we also consider that the cost reduction through exploitation of Cloud solutions is one of the top benefits made possible by the Cloud. However a proper attention should be paid to other significant benefits such as work efficiency/productivity and mobility. Cloud solutions could be regarded as a promoter of employee mobility through full availability given the territorial spread, optimization of time, the possibility of accessing data in and out of the workspace.

Currently there are many studies that bring to the fore the many benefits of the cloud technology in the business environment as well as its limitations. Provided the current economic background, cloud solutions represent a competitive differentiator for companies of all sizes. In recent years of crisis, entrepreneurs focused on finding new areas of profit. If some of them have reinvented their business, others have turned

to different categories of customers or have reduced the number of services / products offered and focused only on the cash they could bring to the company. Regardless of the plan followed the general trend is to adapt the business to the new technological framework in recognition of the positive effects of the changes engendered by the Cloud solutions.

As stated by Marius Georgescu, Cloud Lead, Microsoft Romania business solutions based on Cloud Computing minimizes the capital cost and substantially decreases the operational expenses and in this way entrepreneurs have access to the best technology at an affordable price through a model „pay-as-you-go”.

Although we recognize the importance and nature of Cloud technology benefits, we intend to approach this concept in terms of companies' size: who are the real beneficiaries of Cloud technology and who is applied to, small organizations or corporations?

What small companies have to gain?

Cloud concept has a quite low interest within large companies who own the infrastructure, local or international data centers and IT professionals but it represents a topic of significant interest for small companies, more swift-handed, that need solutions to help them to better organize the business and ultimately increase their results.

Small companies have to settle with modest IT budgets in order to be able to meet the demands of their business and to be able to use efficient IT systems. Many of them cannot afford to support multiple data centers to assure the protection against possible disasters and business continuity. The biggest challenge is finding enough resources to drive generation of revenue. Such companies have to compromise in terms of technological modernization, architectural decisions and investments in infrastructure. In the current economic background the year to year trend encourages "to do more with less money" and therefore the embraced solutions are just "good enough" because there are no resources to develop applications to engender the expected results.

Following our research we consider that Cloud technology reduces the gap between SMEs and large organizations. Unlike traditional IT systems, Cloud systems require low investment in terms of equipment and licenses. If in the past small and medium companies did not afford expensive IT systems like customer relationship management ("CRM") or enterprise resource planning systems ("ERP") now are able to run their internal processes and operations using the same IT systems employed by their more developed competitors.

Through Cloud Computing SMEs have an immediate advantage to benefit of a

qualitative infrastructure without the need to purchase, deploy and manage it. In this way are released resources that can be focused on business innovation needs. Moreover these companies will be able to use multiple data centers located in different parts of the world which meet the requirements of data recovery in case of disaster and business continuity.

One of the main changes brought by data migration into the cloud is represented by the payment method which is subscription-based, depending on consumption. Due to the affordable startup costs, small organizations are able to manage in more efficiently manner its available funds and thus have the ability to launch products and services on market in a shorter timeframe.

Also Cloud technology meets the needs of small organizations in respect of productivity which is substantially improved by the availability of Cloud resources. As long as there is an Internet connection employees can easily work from anywhere in the world. This fact will lead in time to an increase in efficiency, business cost reduction and will facilitate the collaboration within the company in a timely manner.

In terms of data security, it is among the first concerns both for small and especially for more developed companies that seem to hesitate to embrace the possibility of complete migration into the Cloud. However professional service providers have implemented various layers of security to ensure data privacy and to maintain the reliability and validity of the information. Nevertheless there should be considered the fact that the protection of critical data depends largely on the ability of employees to protect their personal access information.

Big corporations are turning to cloud

resources because they help to improve the operations flexibility and targets setting. If developed entities are making remarkable progress in Cloud, small companies are also capable of such progress using the same economic and production infrastructure. A prime example of an application for SMEs benefit is e-mail which is widely available. Companies that make the transition are able to manage a large number of users and on-line storage paying only for what they are consuming.

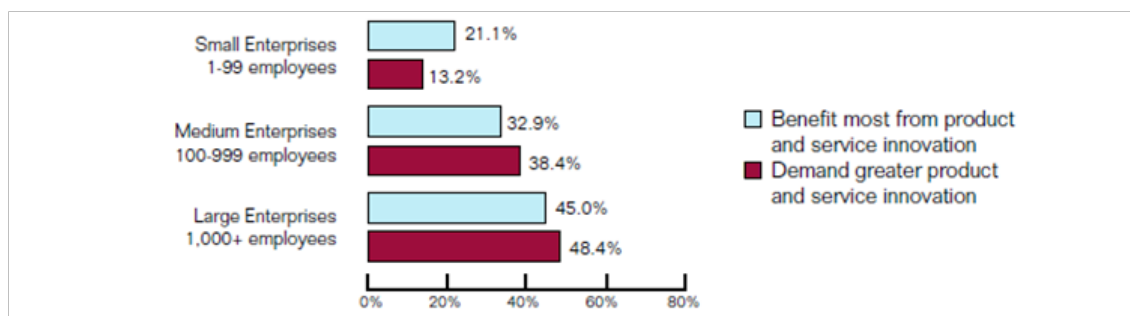
For a small business the process of outsourcing the IT resources into the Cloud reduces the need for specialist skills and allows management to focus on the most important aspects of a business. It may have a slightly higher cost than in-house IT services but are usually compensated since they allow a small company to adopt a large entity's approach in resolving the problems they face.

A study that has been undertaken by Spiceworks reveals the fact that Cloud services are currently used by 48% of small and

medium companies increasing from 28% as it was recorded in the first half of 2011.

Cloud Computing technology provides innovating opportunities for companies of various types and sizes. Obviously small and medium companies opt for adopting cloud resources in order to avoid difficulties and costs of deploying an IT infrastructure to support their business and respond to their customer needs. Corporations can also benefit from such resources through an opportunity to experience new technologies without having to invest in the purchase and implementation process. In the second half of 2012 Information Systems Audit and Control Association (ISACA) conducted a study regarding Cloud Computing market maturity and innovation attended by 252 users of Cloud resources. Regarding the penetration of Cloud technology into a potential market the survey respondents consider that large companies (more than 1,000 employees) have a higher demand for innovative products and services as compared to small businesses.

Figure 2: Cloud spread on market segments based on its benefits and innovation demand (source: ISACA, "Cloud Computing Market Maturity Study Results", 2012)



As asserted in the figure above small companies do not have a high interest in the means of using Cloud as a measure for change in the way technology is deployed and therefore it is not apprehended as a strategic tool. We believe that this happens because

companies usually focus more on an internal perspective than an outsourced approach. As far as concerns the internal prospect of Cloud it represents a mechanism through which new technologies can be experienced and provides users improved services to increase

staff efficiency and effectiveness. Goals set in an external approach such as launch of new products on the market or assuring a top rating are less considered.

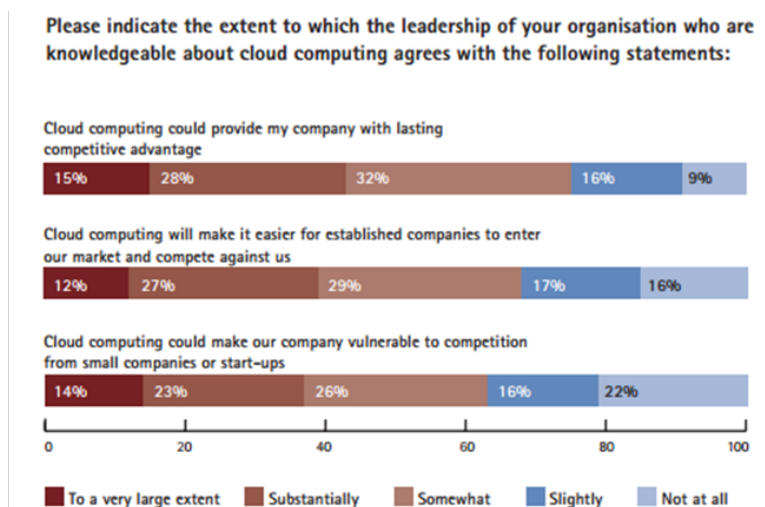
Cloud implications for small and medium companies can bring as well limitations that must be considered and analyzed in terms of the company's ability to prevent them or find solutions in this regard. Undoubtedly the security issue remains one of the main concerns when taking into consideration the migration to this new technology. Besides this, other aspects that can cause difficulties in adopting Cloud solutions should be discussed. One of the matters is Internet connection. Cloud makes the SMEs business to be dependent on a reliable connection to the Internet. This can result in a performance risk due to lack of Internet speed, reliability of the network or data transfer. Also there may be a problem due to the fact that the company is too dependent on the Cloud service provider. Other problems set within the legal framework since there is a need of establishing regulations in what concerns the national limits and conditions for data transfer.

What big companies have to gain?

On the other hand, large companies that have substantial IT budgets do not face the difficulties encountered by small and medium companies. Many of these organizations are waiting and looking from the sidelines how this technology matures but consider that it is too risky to join. Corporations that adopt Cloud Computing will gain competitive advantage.

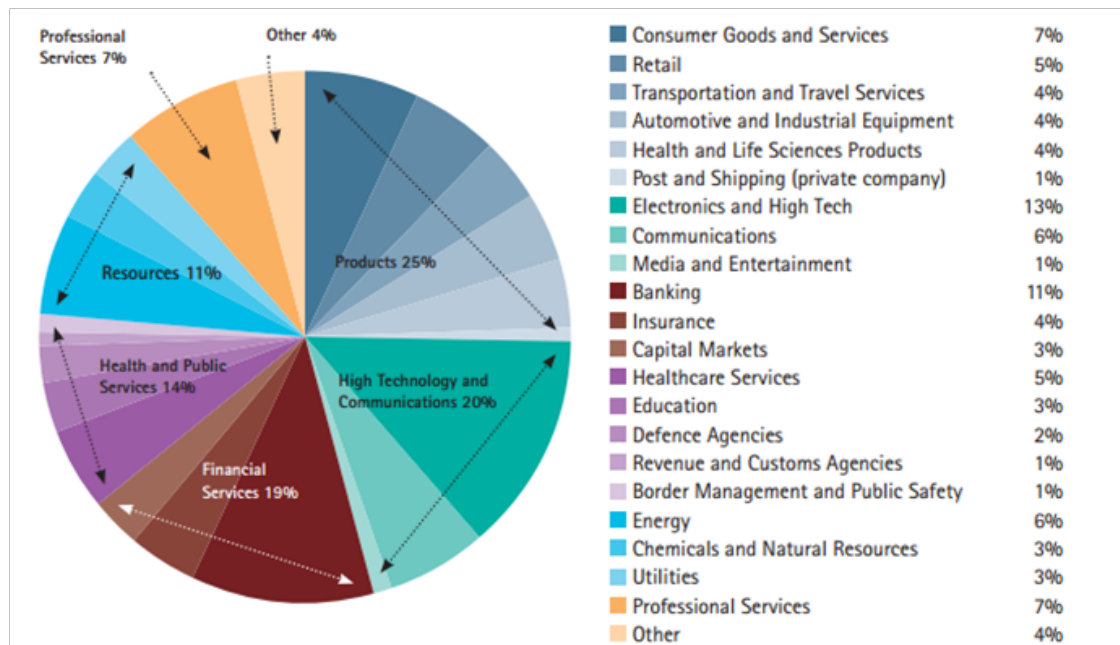
A study undertaken by Jeanne G. Harris and Allan E. Alter for Accenture reveals that top executives of developed companies realize how Cloud services can provide new ways to compete but also feel threatened by new potential competitors that may enter on the market. However on the whole leaders of key players in the market recognize the strategic potential of Cloud technology and almost more than half states with confidence that cloud services can ensure a competitive advantage. Further we have presented part of the Accenture study results regarding executives thoughts in what concerns the possible changes brought by the Cloud.

Figure 3: Responses to possible Cloud outcomes (source: Accenture study regarding the competitive advantage brought by Cloud Computing technology)



Each industry has its own reasons for adopting Cloud technology. The balance of Cloud deployment by industry is as follows:

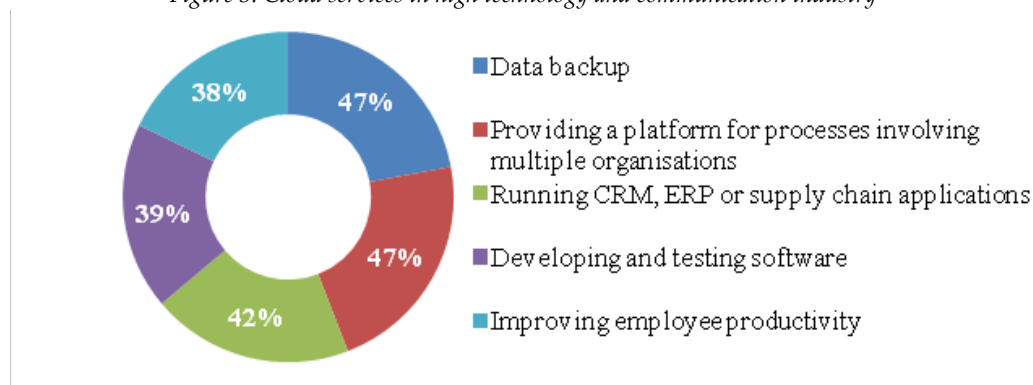
Figure 4: Spread of Cloud by industries (source: Accenture study regarding the competitive advantage brought by Cloud Computing technology)



As shown in the figure above high technology and communication industry detain a large share in the use of Cloud. A percentage of 94% of organizations in the industry are using or experimenting some form of cloud, especially private clouds. These companies show an interest above average in using

these resources. IT companies are often burdened by the provision of highly developed IT infrastructure and this has led the sector to be among the first to find solutions to reduce IT maintenance costs. These companies exploit the volatile nature of Cloud technology finding use in several ways:

Figure 5: Cloud services in high technology and communication industry



Also, the finance sector is among the industries with a fast pace in the process of adopting Cloud technology. Bankers and brokers easily understood that these services can lead to a substantial increase in revenue by launching new financial products and services. Firms with a financial background use Cloud also for data analysis (72%). Managers in this area can not deny the potential of this technology to improve their operations. A percent of 75% states that these resources can be the foundation for an efficient and standardized business. More than 70% declare that cloud services put in motion processes that otherwise would not be cost-effective or feasible.

Another area interested in Cloud is that of health and public services. Nearly 83% of the organizations in this industry are currently using Cloud services. Government entities hold huge volumes of data to be processed and analyzed starting from economic forecasts and moving up to crime prevention and collection of taxes. The prime ways of using Cloud are data backup (47%), data analysis (41%) and research and development (38%). However this is also the sector with the biggest concerns regarding security and privacy of data. A percentage of 78% of those who have executive responsibilities are worried or very worried about this aspect.

On the other hand, manufacturing firms, retailers, consumers, manufacturers of industrial goods are not upholders of a rapid adoption of Cloud technology but behold it as a perspective of future innovation that will become a basic need of the business. Some ways of using cloud systems include the availability of a working platform which ease the connection with other organizations (43%) and running CRM, ERP or supply

applications (41%). In a ratio of 4 out of 10 manufacturing companies recognize as a result of adopting Cloud technology the improvement of the decision making process in the next 5 years. It is likely to use the cloud to run websites that involve social media and mobile applications¹, 40% of the companies planing to use them in the next 18 months.

Among the companies with the lowest probability of using Cloud technology are included those that provide utilities services, energy, chemical and natural resources which allocate a small portion of the budget for IT infrastructure spending. However to the extent to which IT platforms are used there is an opening to the Cloud migration in order to create a flexible and scalable IT infrastructure. Also Cloud services are used to manage a large volume of data generated in the normal course of operations. The top benefits resulting from the use of Cloud in this sector are avoiding IT maintenance costs (73%) and the development of new or improved products in a shorter time (69%).

As we have showed above in what regards large companies the benefits of Cloud technology are many and varied stretching over a wide range of business sectors. Besides these advantages we want to bring into discussion the implication of Cloud over energy costs and the possibility of future orientation towards a "Green IT". A report released by the Carbon Disclosure Project (CDP) in 2011 showed how virtualization of services may lead to substantial savings in energy costs for large corporations while avoiding the release of millions of tons of greenhouse gases.

¹ Olteanu Cosmin, „New Ways of Developing Public Institutions Web Sites in Context of Using Social Plugins and Mobile Devices”, „Manager” nr. XVI, p.90-97, Bucharest University Publishing House, 2012, ISSN: 1453-0503

Cloud computing can help save 12.3 billion a year by 2020. This translates into 85.7 million metric tons of carbon emissions that could be avoided annually if these corporations increase their spending from 10% to 69% for IT resources as is revealed in a report prepared by Verdantix on behalf of CDP

and sponsored by AT & A, which included 11 companies with revenues of \$ 1 billion and that have used Cloud Computing for at least 2 years. Further we have presented the predicted model regarding the energy savings as it is highlighted in Verdantix study.

Figure 6: Energy savings 2011-2020

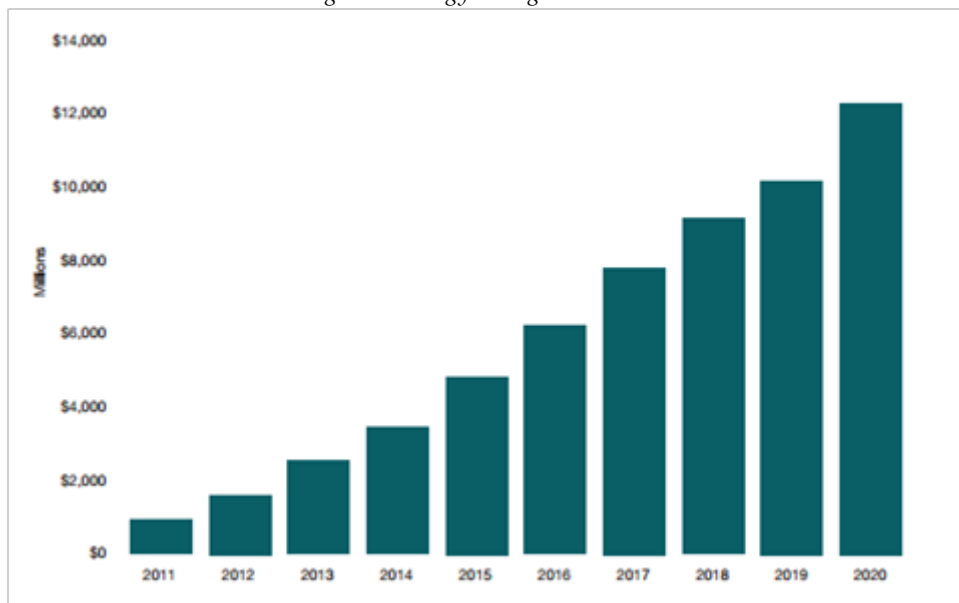
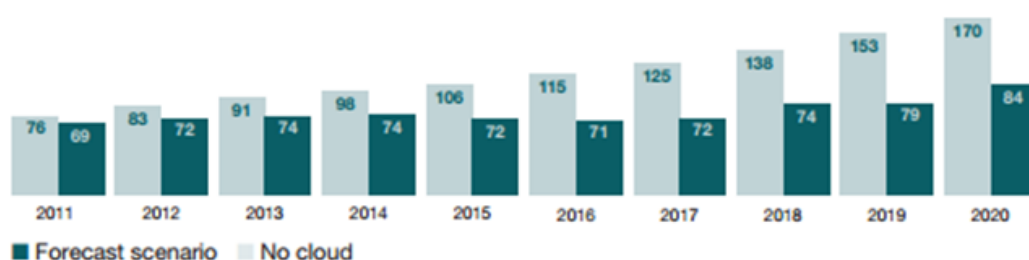


Figure 7: Forecast scenario: increase of CO2 gases compared with non-adoption of Cloud technology



Regardless of company size and IT budget, Cloud Computing offers a number of advantages that cannot be ignored. However, given the facts mentioned above, at the moment small and medium companies are key targets of Cloud technology since it is unlikely that they have the monetary resources

to make investments in a complex infrastructure unlike corporations that are owners of substantial resources and IT assets.

At the opposite there are also disadvantages brought along by Cloud technology which are basically the same as those mentioned in the case of the small and medium

companies. In addition to this we consider that has to be added the risk of losing valuable IT skills. As a result of IT support outsourcing companies can lose valuable skills and also may face resistance from the IT department towards organizational changes.

Further we have presented a summary of the main drivers and challenges of Cloud technology and the implication on both SMEs and large corporations.

Figure 6: Drivers and challenges of Cloud Computing technology and its implications based on company size

Drivers		
	Implication scale	
	SMSs	Large corporations
Pay as you go		
Agility, flexibility and elasticity		
Ease of implementation		
Lower upfront costs		
Lower operating costs		
Scalability		
Focus on core competencies		
Access to advanced technology		
Easier integration with Cloud services		
Improved system availability and disaster		
Competitive advantage		
Staff mobility		
Challenges		
	Implication scale	
	SMSs	Large corporations
Privacy and security		
Reliability and availability		
Cultural resistance/loss of IT competencies		
Regulatory ambiguity		
Transition and execution risk		
Performance risks		
Customization and integration limitations		

After putting in balance both advantages and disadvantages of Cloud Computing we conclude that companies should embrace the new technology and deploy its data into the Cloud as the many benefits could significantly change the business towards a better, more efficient economic approach. However the limitations mentioned above may be

overcome through a proper strategy and responsibility of companies executives.

Conclusions

Undoubtedly, the emergence of Cloud organizations finds themselves at a crossroad in terms of technological options. Adopting

Cloud solutions can provide companies with an opportunity to transform their business and gain competitive advantage. Organizations can focus on core competencies by transferring responsibility for IT management to Cloud services providers.


In terms of company size the implications of Cloud Computing technology are reflected both in the big corporations that look to the Cloud through an external perspective based on strategy and innovation and small and medium companies that adopt an internal perspective concerning the increase in the staff efficiency and effectiveness. Moreover, Cloud provides to small and medium companies a significant take-off by benefiting with a low cost and effort of the same sophisticated technology used by their more developed competitors.

However, regardless of the size of the companies Cloud migration also requires a strategy planning because as well it involves limitations regarding data security, maintaining the privacy of information, disaster recovery. Also, it is felt the need for a legal framework to clarify the possible situations that can occur while transferring data into the Cloud in what concerns data rights and information security.

Considering all these aspects, on the whole the scalable and flexible nature of cloud is a guarantee for organizations not only for the change in the way they manage IT resources but also for the transformation of businesses. Cloud is not just a phase, but a reality that has just begun to realize its potential.

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The economic impact of cloud computing technology on new business and employment in Romania

~ Ph. D. Professor **Bogdan Ștefan Ionescu** (*The Bucharest University of Economic Studies*)

E-mail: ionescub@gmail.com

~ Ph. D. Assistant Professor **Iuliana Ionescu** (*The Bucharest University of Economic Studies*)

E-mail: ionescu.iuliana@gmail.com

~ Ph. D. Student **Laura Tudoran** (*The Bucharest University of Economic Studies*)

E-mail: tudoran_laura@yahoo.com

Due to the current global economic situation, all the companies are now involved in searching effective ways of improving efficiency and profitability (C. Christauskas and R. Miseviciene, 2012). Many researchers like Gatautis et al., 2009, Melnikas, 2008, Zavadskas et al., 2010 and C. Christauskas and R. Miseviciene, 2012 claim that the digital technologies are used to improve the decision making process for businesses. As shown by the recently published studies, the latest trend in information technology is “cloud computing”.

Expert Group (2012) considers that the responsibility for the confusion regarding

the definition and the characteristics of the “cloud computing” concept, lies with both the high number of existing cloud providers that promise different capabilities and the fact that terminology used and the framework of the cloud coincide with other fields, such as, Data Centre Clusters, Grids, High Performance Computing and Web Services as well.

Moreover, Expert Group (2012) supports the idea of establishing a common definition for the cloud which would separate the concept and its characteristics of other fields. In the short term, this would enable a better understanding of the cloud concept

and, in the long term, the establishment of recommendations for best practices. The current definitions of this concept reflect, in particular, the current status and capabilities without highlighting the long-term essential characteristics or their full potential in various fields.

As Expert Group (2012) has stated, we can see that most definitions related to the "cloud computing" concept describe it as another means of providing services, resources or servers on the Internet. In this respect, a suggestive example might be the Oxford Dictionary definition of cloud computing: "the practice of using a network of remote servers hosted on the Internet to store, manage, and process data, instead of using a local server or a personal computer."

The most famous definition of "cloud computing" is provided by the National Institute for Standards and Technology (NIST) in 2009 and updated in 2011: "CLOUD computing is a model for enabling ubiquitous, convenient, on demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction. This CLOUD model is composed of five essential characteristics, three service models (Software / Platform / Infrastructure as a Service), and four deployment models, whereas the five characteristics are: on-demand self-service, broad network access, resource pooling, rapid elasticity, and measured service. The deployment models include private, community, public and hybrid CLOUD".

Expert Group (2010) details the modalities for providing cloud services, as follows:

a) Infrastructure as a Service (IaaS or Infrastructure as Service) - provides enhanced virtualization capabilities. Resources may be provided by two types of service interface:

- Data and Storage Clouds: allow reliable access to data with dynamic potential size, balancing resource access or quality requirements defined. (examples: Amazon S3, SQL Azure)

- Compute Clouds: provide access to computing resources. (Examples: Amazon EC2, Zimory, Elastichosts)

b) Platform as a Service (PaaS or Platform as Service) - provides computing resources via a platform on which applications and services can be developed and hosted. Examples: Force.com (United States), Google App Engine, Windows Azure.

c) Application as a service (Software as Service or SaaS) - provides implementations of specific business functions and processes are provided with specific cloud capabilities. Example: Google Docs, Salesforce CRM, SAP Business by Design.

The deployment models of cloud architecture are the following:

a) *Private cloud* - is owned by a private or rented organization. Its functionality is not exposed directly to the customer. Example: eBay.

b) *Public Cloud* - the cloud infrastructure is accessible to the general public or a large industry group and belongs to a cloud service provider (Zissis and Lekkas, 2010). Examples: Amazon, Google Apps, Windows Azure.

c) *Community Cloud* - In this case, the cloud infrastructure is shared by several organizations and supports a specific community with common concerns (Zissis and

Lekkas, 2010).

d) *Hybrid Cloud* – the cloud infrastructure is made up of two or more clouds that remain unique entities but are bound as the standard and proprietary technologies that enable data and application portability.

Etro (2009) states that the positive association between innovation in IT&C and competition is well known and the decision makers recognize its double meaning of operation: on one hand, the competitive fields of activity have a tendency to adopt the innovations in IT&C earlier than other fields and, therefore, become more productive, on the other hand, the adopting of IT&C innovations by a field of activity specifically encourages the competition. Besides, Etro (2009) provides as example an observation from the e-Business Watch study of the European Commission in 2008, which reveals that, although there is an obvious causal relationship between increasing level of competition continuously and deployment and implicitly using the IT&C technologies by companies, the opposite could also be possible. In this respect, Etro (2009) points out that the use of IT&C technologies and Internet has a strong impact on certain fields of activity (particularly on the banking sector), thus reshaping the competitive scenario for an age of Information.

Many authors (including Etro, 2009) consider that one of the existing main snags in terms of entering a new market is the high cost of entry, often associated with hardware and software costs. The “cloud computing” technology enables potential competitors that want to enter on any market to achieve a fixed cost economy associated with hardware and/or software and the related initial investment in IT, by turning them into variable costs reducing barriers to entry and promoting the

creation of businesses and, therefore, job creation. The significance of such a mechanism is well-known in the economic policies, especially for Europe, where SMEs have a crucial role in the production structure. Etro (2009) considers that, although SMEs demonstrate flexibility in adapting to the requirements of changing markets, their small size makes them less able to cope with high input costs.

The majority of positive effects of the “cloud computing” technology are closely related to the speed of adoption, this being practically a decision maker in promoting its adoption.

A recent study of International Data Corporation (2008) analyzed the role of IT cloud services on five major product segments representing about two-thirds of a company’s IT spending. The target segments were business-type applications (SaaS), software infrastructure, software for the development and deployment of servers and storage. From a total of 383 billion dollars that companies have spent in 2008 for the above mentioned IT services, only 4% (16.2 billion dollars) can be classified as cloud services. As concerns 2012, the total forecast was 494 billion dollars, from which the estimated amount for cloud services was 42 billion, or 9% of total estimated costs. In fact, it is estimated that the majority of cloud spending will remain allocated to business-type applications, with a slight increase of data storage investments.

The creation of new companies can be performed with a fixed initial investment. Since this initial fixed investment is expressed in terms of final products, it is obvious that it requires implicitly the use of labor, hardware and software resources¹, as well.

¹ Olteanu Cosmin, „E-Mail Server and Traffic Control Management in 2012”, “Manager” nr. XVI, p.122-129, Bucharest University Publishing House, 2012, ISSN: 1453-0503

Once a new company enters the market, it competes with a certain number of competitors in order to choose the level of production. In the Cournot - Nash equilibrium, the global production is inversely proportional to the equilibrium price and it's positively influenced by the number of companies.

The costs of entry and the IT-related costs arise gradually as a result of the creation/extinction of companies and the investment/impairment process. Together they determine the structure and evolutionary dynamics of the market in terms of the number of active companies in the sector, the production of each company and the point of equilibrium for each sector, for each period.

Etro's (2009) study was based on data coming from the official statistics of EU and focused on the following aggregated sectors:

- Production
- Wholesale and retail trade (WRT)
- Hotels and restaurants (HR)
- Transport Storage and
Communication (TSC)
- Real estate renting and business activities (REB)

Etro (2009) claims that the increasing the marginal cost of production is endogenous and depends on the companies' technological options that decide the amount of hardware and software resources used in production according to their needs. The key factor for adopting the "cloud computing" technology represents the generated cost savings. Authors, such as Dubey and Large (2007), estimate significant cost savings for businesses that activate in the "services" sector based on Carr's statement (2003) that about half of companies' capital expenditures are related to IT&C.

In 2006, the European Commission's e-Business report highlights that 5% of the total costs are costs in IT. Etro (2009) supports the idea that the average budget for IT&C exceeds 5% of the total fixed costs of production. Of course that only part of the IT&C cost represents fixed costs and that only part of these costs will be reduced even after the adoption of the "cloud computing" technology as an alternative to existing solutions.

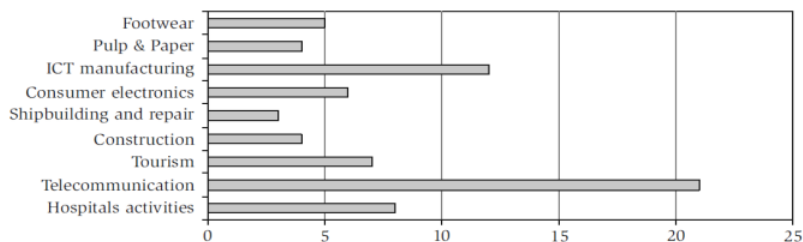


Figure 1. Average share of the ICT budget as % of total costs (by sector).

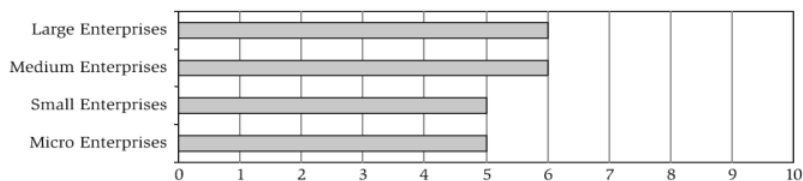


Figure 2. Average share of the ICT budget as % of total costs.

In Etro's study (2009) it's estimated that the introduction of the "cloud computing" technology could create, on average, about one million additional jobs in Europe, mainly in countries like Britain, Germany, France, Italy, Poland and Spain. Certainly this growth will decrease over time due to the fact that the structural characteristics of the economy lead to employment to the natural level, which is affected to a lesser extent by reducing fixed costs. However, the short-term impact of the crisis that has not yet been overcome can help limit the rising unemployment in a significant way. Etro's (2009) forecasts for reducing unemployment in European countries due to the introduction of the "cloud computing" technology are of 0.5% on the short-term and of 0.2-3% in the medium term.

A gradual development of the "cloud computing" technologies reduces fixed costs required to enter a sector and also increases the incentives to enter, thereby increasing the competition in the sector and the level of production. The increased labor demand induces an upward pressure on wages which forces employees to work harder. Current and expected production growth affects consumption/economic behavior. In the short term, the demand for creation of new companies requires an increase in savings that can induce a temporary negative impact on consumption, but in the medium and long term, positive impact on production leads to an increase in consumption to a higher level than the steady state.

Etro (2009) estimated that an impact is expected to occur in aggregated sectors of wholesale and retail (plus 156 000 companies in the medium term under fast adoption) and estate and other business activities (plus 144 thousands of new SMEs). This effect is

permanent in Etro's (2009) vision and will tend to expand over time as more profound in countries where SMEs spread is stronger or if ICT adoption was rapid. Etro (2009) estimated that in Italy over 81,000 new SME will be created under rapid adoption of the new ICT technologies, in Spain over 55 thousand new SMEs will be created, in France over 48,000 new SMEs will be created, in Germany over 39,000 new SMEs will be created, in the UK over 35,000 new SMEs will be created and in Poland will be created over 32 thousand new SMEs.

Romanian Ministry of Communication and Information Society (MCSI) representatives asserted, as part of a Market Watch interview that took place in 2011, as a result of the communications market analysis and development perspectives, that "Romania is ready to migrate towards the cloud computing technology, mainly on the strength of the high speed internet connection, the refurbishment investments, as well as of the competent personnel, prepared to implement and use cloud computing based services".

In another press release, the Ministry of Communication and Information Society official claimed, in 2011, that "in 2-3 years, the cloud computing technology could be implemented at a large scale, not only in Romania, but anywhere around the world".

The same precognition comes from Yugo Neumorni, CIO Council president, claiming that in 5-7 years, the cloud computing technology could gain a large commercial utilization in Romania, detained, however, by the problems caused by the European Union legislation, which could pose difficulties for Romania in adopting this technology.

The research and market analysis company IDC Romania conducted a study

upon the cloud computing Romanian market ("Romania Cloud Services 2011 – 2015 Forecast and 2010 Competitive Analysis"); the results show that the cloud market in Romania is expected to grow at least 5 times

faster than the general IT market, the fastest growth being expected for PaaS services, while the lowest, for SaaS services.

In the short term, the situation in Romania is shown in the table below:

SMEs created	Slow Adoption	Fast Adoption
Manufacturing	251	1296
Wholesale and Retail Trade	877	4534
Transports, Storage and Communication	137	706
Hotels and Restaurants	88	453
Real Estate and Business Activities	358	1850
Total	1710	8840

In the medium term, the situation in Romania is shown in the table below:

SMEs created	Slow Adoption	Fast Adoption
Manufacturing	286	1476
Wholesale and Retail Trade	1000	5161
Transports, Storage and Communication	156	804
Hotels and Restaurants	100	516
Real Estate and Business Activities	408	2105
Total	1949	10061

In absolute terms, the biggest impact will target the manufacturing sector and also hotels and restaurants, and this is not surprising, given the large number of employees in these aggregated sectors. Generally speaking, the impact on employment is more limited in comparison with the impact on business creation for a simple reason. One of the main advantages of cloud computing technologies is the change taking place in the market structure by founding multiple companies, as well as, increasing the competitiveness level (along with a reducing the prices).

This change of market's structure along with a higher efficiency determines a re-allocation of jobs, which does not increase by more than the number of employees.

Research methodology

Our research approach consisted in checking the perception of both MSc students enrolled to research and professional masters organized by the Faculty of Accounting and Management Information Systems and teaching staff who is teaching Accounting

in Academy of Economic Study as regards the usefulness of adopting the “cloud computing” technologies by more and more Romanian companies.

Thus, the questionnaire developed by the research team and distributed in the period November 2012 - February 2013 both electronically and in classic format aimed the following categories of respondents:

A. Graduates of Accounting;

B. Universities' graduates without accounting profile;

C. Teachers who are teaching Accounting in ASE, as analysts, CECCAR members and so on.

Results achieved

Following the initial processing of the statistical data achieved by the interview technique, 372 usable responses were obtained from the teaching staff of Faculty of Accounting and Management, ASE Bucharest and the MSc students enrolled to research and professional masters organized by the Faculty of Accounting and Management Information Systems. The distribution of responses by category of respondents is as follows:

- The graduates with an “accounting” (category A) provided 109 usable responses, representing 29.3% of the total;

- The graduates without an “accounting” specialization (category B) provided 232 usable responses, representing 62.4% of the total.

- The teachers provided 31 usable responses, representing 8.3% of the total.

As a result of processing the data obtained by the questionnaire we could draw the following conclusions:

A. Understanding of the cloud computing concept of: 57.3% of respondents said they are familiar with the concept of “cloud computing”, the remaining 42.7% saying they do not know this concept;

B. The field in which the respondents are working: 18.3% of respondents are working in banking, 26.6% work in the accounting field, 18.3% work in the IT field, 18.3% work in services, and 18.5 % are not working at all;

C. The reduction of fixed costs following the adoption of the “cloud computing” technology: 55.9% of respondents who know this concept believe that its adoption will significantly reduce fixed costs, while 44.1% believe that its adoption will not affect fixed costs. Over 50% of respondents that are working in IT, services, accounting and banking agree that the adoption of this technology will reduce fixed costs;

D. Usefulness of adopting the cloud computing technology by the Romanian companies: 58.3% of respondents who know the technology “cloud computing” believe that the adoption can be beneficial for Romanian firms, while 44.1% believe that the adoption of this technology will adversely affect the Romanian companies. Respondents working in IT (58.9%) and services (58.9%) appreciate the utility of adopting this technology in a significantly higher extent compared to respondents working in accounting (57%) or in banking (57.5%);

E. The impact of IT outsourcing on jobs available: 49.5% of respondents who know the “cloud computing” technology believes that its adoption will have a negative impact on existing jobs, while 50.5% believe that the adoption this technology will create jobs, especially in the short term. Respondents who are working in banking (52.5%) and those

working in services (51.2%) think that the adoption will impact negatively on existing jobs, while respondents working in accounting (46.4%) and those working in the IT (46.1%) believe that the adoption of this technology will create jobs, at least, in the short term.

Conclusions

The main reason for adopting the “cloud computing” technology as an alternative to the existing IT solutions is the cost savings generated. Our survey’s purpose consisted in checking the perception of both MSc students enrolled to research and professional masters

organized by the Faculty of Accounting and Management Information Systems and teaching staff who is teaching Accounting in Academy of Economic Study as regards the usefulness of adopting the “cloud computing” technologies by more and more Romanian companies.

The study’s results pointed out that the majority of MSc student are really convinced that adopting the “cloud computing” technology by more and more Romanian companies could have a benefic impact in terms of reducing the fixed costs, and at the same time, a disturbing impact in terms of reducing drastically the number of jobs in the long-term.

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Influencing average internet consumer's online behavior. Fact. Fiction. Right. Wrong.

~ Ph. D. **Cosmin Cătălin Olteanu** (University of Bucharest, Faculty of Business and Administration, Romania)

E-mail: contact@olteanucosmin.ro

Abstract: *The main purpose of the paper is to illustrate how an average internet consumer is to be provided with information that is most of the time generated only to him. In the era of WEB 3.0, where some decisions are performed by software, information is generated based on some very strict rules about a certain user.*

Key words: Influencing online user behavior, WEB 3.0

Today is obvious that online users tend to have similar attitude when they use Internet services.

Based on the devices they use (computers, laptops, tablets and smartphones) we can extrapolate some behavior that is common to all people.

I have made a survey on a group of 200 students with age from 18 to 24 and the result is astonishing.

In front of a computer or laptop connected to internet almost 90% of them are doing the same things after the process of logging in.

The steps are identical and are based on browsing like:

- First step: open email (most of them gmail or yahoo)

- Second step: open facebook
- Third step: browse internet while they still have email and facebook opened.

Fig. 1 <http://igyaaan.in/26746/expert-yahoo-password-theft-affect-gmail-facebook>
<http://www.bloggerhow.com/2012/02/import-contacts-facebook-gmail.html>

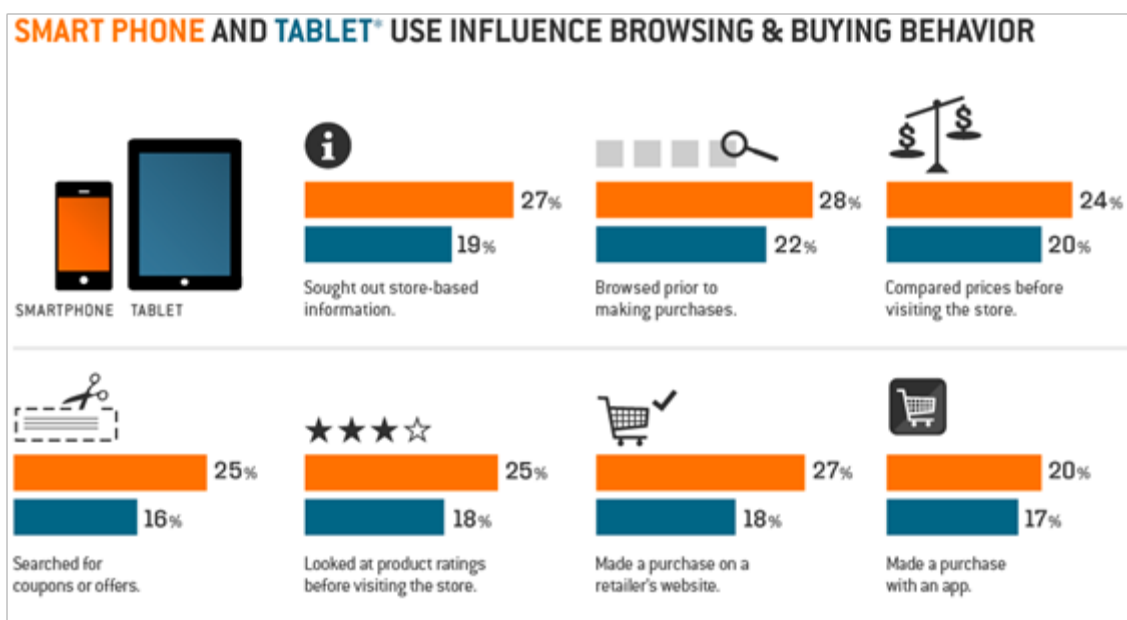


If we are talking about tablets or smart-phone the similarities are even more astonishing. 96% of them have email and facebook apps installed on their devices with autosync function on. The only difference is made by the mobile data service if is active or not.

This way they have a gate open between "big brothers" servers and them. By keeping that application opened, all you are doing on Internet is recorded in database under your username.

Fig. 2 Mobile devices and buying behavior

http://www.baynote.com/wp-content/uploads/2013/01/baynote_back_to_future_holiday_retail5.lh.png



Like this you have to know that you already have a history of browsing, of likes and dislikes on the major Internet services providers. They know important things about you and this is like gold for them.

Think a little bit of following scenario.

You are a powerful entrepreneur and you like to sell a service or good to online consumer. What do you think that the result will be if, somehow, you have access to browsing history of users that searched that service or good in the past 4-5 days and you offer them by other e-marketing methods your products. What will be the chance to sell that product in spite of other entrepreneur that only use traditional way of e-marketing.

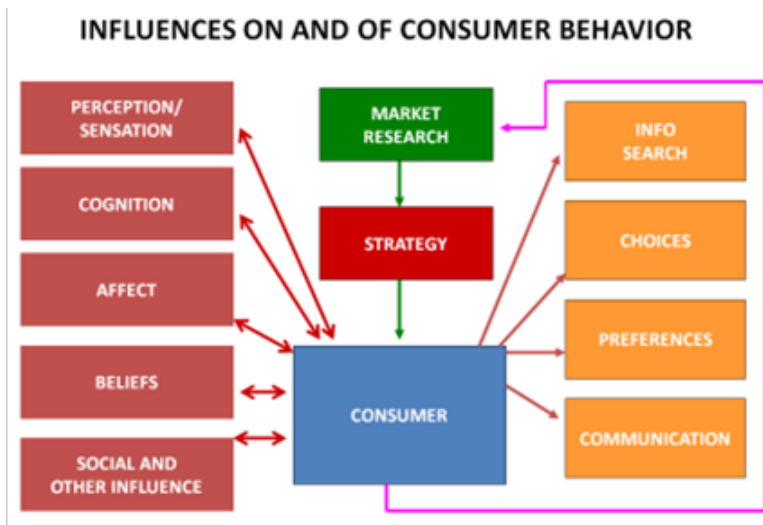
Moreover, you have to realize that some terms are relevant to you and others not. Here you have to see the relevance, for example, of word keyboard has some relevance

to a musician and other to a computer programmer. On a simple search the returning information is no use to the computer programmer if he is searching for computer keyboard and the information returned are for keyboard let say piano. Or for a board search, the word mean something for engineer and something for a surf player. For engineer the relevant returns should be about printed electronic boards and for surf player about surf boards. Other ways the returns has no relevance.

In order to do that, some software should analyze very quickly your history, your likes and dislikes and take a decision about the relevant information that should be returned to you. This is what WEB 3.0 is doing today. Taking decisions and return what it think is good to you or predict what are you really looking for.

Fig. 3 Customer behavior

http://www.consumerpsychologist.com/images/intro/consumer_behavior.png



The same thing is done for habits of purchasing online. Both google and facebook are keeping extended user's history.

They even provide commercials about the things you are interested you in to have better market propagation.

Fig. 4 Customer behavior

http://www.go2markets.com/wp-content/uploads/2012/04/customer_behavior_sm1.png



One thing that is for sure is we can be victims of bad information or even to be influenced by them.

Another thing that is happening today is the fact that our smartphones can provide very useful information about us and the places around us. For example, if we are in a place with many restaurants, our phone can provide us commercials about food from that

area. Again this is done by some software that take a decision about the area we are in and what commercials are to be provided to our mobile phone. And this is done by having data service active on our phone and some apps on auto synchronization mode. Decision and other steps are made by powerful servers from the cloud environment.

Fig. 5 Google cloud servers

<http://www.looksfeelsworks.com/wp-content/uploads/2012/10/google-data-center-10182012-web.jpg>



Conclusions and implications

In the era of WEB 3.0, where some decisions are performed by software, information is generated based on some very strict rules about a certain user.

Today is a FACT that we get relevant information just for us and not for everybody. Every user has a different behavior online and his history is that thing that makes him different from other online user.

I have to say that is just RIGHT to take advantage of technology and to get what we need, even that is provided and generated by software decisions. If all of that is done just for making our lives easy everything is justified.

On the other hand, to have online history so elaborated could be WRONG if someone take the decision to hurt you by exploiting that information.

Fig. 6 Average user history

#	Name	Type	Collation	Attributes	Null	Default	Extra
1	user_id	mediumint(8)		UNSIGNED	No	None	AUTO_INCREMENT
2	user_type	tinyint(2)			No	0	
3	group_id	mediumint(8)		UNSIGNED	No	3	
4	user_permissions	mediumtext	utf8_bin		No	None	
5	user_perm_from	mediumint(8)		UNSIGNED	No	0	
6	user_ip	varchar(40)	utf8_bin		No		
7	user_regdate	int(11)		UNSIGNED	No	0	
8	username	varchar(255)	utf8_bin		No		
9	username_clean	varchar(255)	utf8_bin		No		
10	user_password	varchar(40)	utf8_bin		No		
11	user_passchg	int(11)		UNSIGNED	No	0	
12	user_pass_convert	tinyint(1)		UNSIGNED	No	0	
13	user_email	varchar(100)	utf8_bin		No		
14	user_email_hash	bigint(20)			No	0	
15	user_birthday	varchar(10)	utf8_bin		No		
16	user_lastvisit	int(11)		UNSIGNED	No	0	
17	user_lastmark	int(11)		UNSIGNED	No	0	
18	user_lastpost_time	int(11)		UNSIGNED	No	0	
19	user_lastpage	varchar(200)	utf8_bin		No		
20	user_last_confirm_key	varchar(10)	utf8_bin		No		
21	user_last_search	int(11)		UNSIGNED	No	0	

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